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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

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### RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and assuming full conversion of the Convertible Bonds and the Preference Shares and the issuance of the Peabody Energy Consideration Shares at an Offer Price of HK\$3.875 (being the mid-point of the indicative Offer Price range), Winsway Resources Holdings and Winsway International Petroleum & Chemicals will own approximately 44.15% and 5.58% respectively (assuming no exercise of the Over-allotment Option or any options granted under the Pre-IPO Option Scheme) or approximately 41.58% and 5.25%, respectively, (assuming full exercise of the Over-allotment Option but the options granted under the Pre-IPO Option Scheme are not exercised) of our outstanding issued Shares. Further, immediately following completion of the Global Offering, our Chairman, Mr. Wang, and Winsway Group Holdings, through their respective controlling interest in Winsway Resources Holdings, Winsway Petroleum Holdings and Winsway International Petroleum & Chemicals, will control, in aggregate, more than 30% of our issued Shares. None of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings, Winsway Group Holdings and Mr. Wang carries on or is otherwise interested in any business which competes, or is likely to compete, either directly or indirectly, with our business.

#### **Delineation of business**

Winsway Resources Holdings is an investment holding company whose principal asset is its shareholding in our Company.

Winsway International Petroleum & Chemicals is a company whose principal asset is its shareholding in, amongst others, our Company.

Winsway Petroleum Holdings is a company whose principal assets are its direct and indirect shareholdings in Winsway International Petroleum & Chemicals and our Company, respectively.

Winsway Group Holdings is an investment holding company whose principal assets are its shareholding in Winsway Petroleum Holdings and Winsway Resources Holdings.

Winsway International Petroleum & Chemicals and Winsway Petroleum Holdings are principally engaged in the trading of petrochemical products, such as naphtha, fuel oil, heavy aromatics, pure terephthalic acid, paraxylene, xylol and ethanediol, whose clients are international petrochemical distributors. Total revenue of Winsway International Petroleum & Chemicals and Winsway Petroleum Holdings derived from the trading of petrochemical products amounted to approximately US\$1.7 billion for the year ended 31 December 2009. By contrast, we are principally engaged in the supply of imported coking coal to customers which are mainly the leading steel makers and coke producers in the PRC. Our businesses, products and our clients are completely different from those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings. There is therefore a clear delineation and no competition between our business and those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings.

#### **Independence from Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings**

Having considered the following factors, we are satisfied that we have been, and following completion of the Global Offering will be, able to conduct our business independently from Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings.

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### **Management and functions of our Group**

We have our own management with in-depth experience and understanding of our operations as a supplier of high-quality coking coal to customers in the PRC. We have our own management and administration, sales, procurement, warehousing and logistics, marketing and promotion, accounting, human resources, information technology and after-sales services functions which are responsible for our daily operations on a full-time basis.

Mr. Wang is the sole director of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings, respectively.

Except for Mr. Wang, who is one of our Controlling Shareholders, the executive Directors and senior management of our Group are independent of those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings. Save for Mr. Wang, all other Directors and senior management of our Group who had worked for our parent group have withdrawn or ceased their duties with our parent group.

### **Customers of our Group**

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our top five customers, in aggregate, accounted for 95.3%, 91.1%, 33.0% and 41.4% respectively, and our single largest direct customer accounted for 82.1%, 56.7%, 9.7% and 14.2% of our sales of goods, respectively. So far as our Directors are aware, no Shareholder who owns 5% or more of our issued shares had as at the Latest Practicable Date any interest in any of our five largest customers during the Track Record Period. We can also access our customers independently of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings. During the Track Record Period, we have not sold any of our products through Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings.

### **Procurement of merchandise**

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our top five suppliers, in aggregate, accounted for 72.9%, 71.1%, 64.7% and 46.8%, respectively, and our single largest direct supplier accounted for 66.1%, 34.4%, 20.7% and 11.8% of our total purchases, respectively. So far as our Directors are aware, no Shareholder who owns 5% or more of our issued shares as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period. We can also access our suppliers independently of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings. During the Track Record Period, save for the purchase of seaborne coal from Winsway International Petroleum & Chemicals before 2010 when, due to the incapability of our Company to open Letters of Credit for procuring seaborne coal Winsway International Petroleum & Chemicals which maintained a good credit rating with banks, purchased seaborne coal from suppliers first and then sold the seaborne coal to our Company, we have not procured any of our merchandise or supplies through Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings. The amount of coal we purchased from Winsway International Petroleum & Chemicals for the year ended 31 December 2009, was approximately 2,196,021 tonnes amounting to 30.78% of our total purchases of coal in 2009. Our Directors confirm that we have not purchased and will not purchase any coal or other supplies from Winsway International Petroleum & Chemicals since 1 January 2010 and onwards as we have obtained separate independent facilities from financial institutions for such purchases.

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### Procurement of Services

During the period from 1 March 2005 to 1 August 2010, Color Future engaged Winsway Macao, a company wholly owned by Mr. Wang, to provide book-keeping and document processing services to Color Future on a free-of-charge basis. Our Company also engaged Winsway Macao during the period from 1 September 2007 to 1 August 2010 to provide the aforesaid services to our Company on a free-of-charge basis. On 2 August 2010, we set up our wholly owned subsidiary, Winsway Coking Coal Macao. From then on, Winsway Coking Coal Macao has been primarily engaged in the provision of book-keeping and document processing services to our Group companies incorporated in the BVI. Our Directors confirm that we have not received any book-keeping and document processing services from Winsway Macao since 2 August 2010 and will not procure any such service from Winsway Macao in the future.

### Intellectual property rights

Certain trademarks have been or will be licensed to us from Beijing Winsway Investment and Winsway Resources Holdings, respectively, our connected persons. Under the respective licence agreements, we are allowed to use any of the licensed trademarks in the daily course of our business, including but not limited to any activities for the promotion of our business. Our connected persons, being the licensors, have agreed to increase the places of registration of the licensed trademarks upon our reasonable request. Moreover, we may renew the term of the respective Trademark (Onshore) Licence Agreements (except for Erlianhot Winsway Logistics as a sub-licensee in the Trademark (Onshore) Licence Agreements as defined below) by giving notice to the relevant licensors on or before 30 days of the expiry of the respective terms. The Trademark (Offshore) Licence Agreement will be automatically renewed upon its expiry unless we serve the licensor a termination notice 6 months before the expiry of the relevant term. The government fees and agency fees related to the filing of licensed trademarks will be borne by us. Our Directors believe that we have control over the use, extent and scope of the licensed trademarks for an indefinite term.

Details of the licensing arrangements are set forth in the paragraphs headed “Connected Transactions — Exempt continuing connected transactions — Trademark (Onshore) Licence Agreement”, “Connected Transactions — Exempt continuing connected transactions — Licence for Non-registered Trademarks” and “Connected Transactions — Exempt continuing connected transactions — Trademark (Offshore) Licence Agreement” under this section.

### Leasing and ownership of properties

We have leased the two premises located at Room 116 and Room 118, Building 2#, 10 Hongda Zhong Road, Beijing Development Area, Beijing, the PRC (the “**Beijing Winsway Properties**”) and 2<sup>nd</sup> Floor, Winsway Mansion, 10 Hongda Zhong Road, Beijing Development Area, Beijing, the PRC (the “**Inner Mongolia Haotong Properties**”), respectively, for office use from Beijing Winsway Investment. Other than the Beijing Winsway Properties and the Inner Mongolia Haotong Properties, the other premises where our offices are located are either owned by us or leased from Independent Third Parties.

Details of the leasing of Beijing Winsway Properties and the Inner Mongolia Haotong Properties are set forth in the paragraphs headed “Connected Transactions — Exempt continuing connected transactions — Beijing Winsway Lease Agreement” and “Connected Transactions — Exempt continuing connected transactions — Inner Mongolia Haotong Lease Agreement” under this section.

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### Financial independence

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the total amount due to related parties amounted to RMB43,238,000, RMB15,166,000, Nil and RMB6,000, respectively. Such amount mainly represents balances due to the Controlling Shareholders and their associates. In addition, Mr. Wang and Winsway Resources Holdings have provided a guarantee in respect of certain uncommitted facilities, details of which are set forth in the paragraph headed “Connected Transactions — Exempt continuing connected transactions — Guarantee from our connected persons” under this section. Our Directors expect that such guarantee will be released shortly after Listing. All other guarantees provided by Mr. Wang and other Controlling Shareholders, if any, will be released upon Listing. All balances due to the Controlling Shareholders and their associates, if any, will be settled prior to or upon Listing. Moreover we have our own accounting and treasury function and have access independently to third parties for financing.

### Deed of non-competition

Each of the Directors confirms that he is not interested in any business which competes or is likely to compete, either directly or indirectly, with our Group.

For the purpose of the Listing, Mr. Wang and the other Controlling Shareholders have entered into a Non-competition Deed pursuant to which each of them has irrevocably and unconditionally, jointly and severally undertaken with our Company (for itself and as trustee for the benefit of members of our Group) that he/it shall not, and shall use his/its best endeavours to procure that his/its respective associates shall not engage, invest, participate or be interested (economically or otherwise) in any business undertaking involving supply of coal into the PRC (“**Restricted Business**”) except (a) through his/its interests in our Group from time to time; or (b) being interested in any Restricted Business pursuant to any Business Opportunity (as defined below) in which we have decided not to make an investment as approved in writing by all the independent non-executive Directors.

In addition, each of Mr. Wang and the other Controlling Shareholders (collectively, “**Covenantors**”) has undertaken with our Company (for itself and for the benefit of members of our Group) that if any new business opportunity relating to any Restricted Business (excluding through any passive investment) (“**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than our Company), it or he will refer or procure the relevant associate to refer such Business Opportunity to our Group with such information reasonably necessary for our Company to consider whether to pursue the Business Opportunity. For the purpose of this paragraph, “passive investment” means an investment or interest in units or shares of any entity engaging in the Restricted Business, where such investment or interest does not exceed 10% of the outstanding voting shares of such entity.

Any decision of our Company in respect of any Business Opportunity will have to be approved by all the independent non-executive Directors taking into consideration our Group’s financial condition, the growth prospects and earning potential of the Business Opportunity and any advice of an independent financial adviser on the terms of the Business Opportunity.

Each of the Covenantors has confirmed that neither it or he nor any of its or his associates is interested, involved or engaging, whether directly or indirectly, in any Restricted Business.

Each of the Covenantors has further undertaken to us that it or he will (i) provide to us all information necessary for the enforcement of the undertakings contained in the Non-competition Deed;

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(ii) confirm to us on an annual basis as to whether it or he has complied with such undertakings; and  
(iii) not be interested in or pursue any Restricted Business or Business Opportunity unless we have decided, with the approval of all the independent non-executive Directors, not to pursue any such Restricted Business or Business Opportunity.

The deed of non-competition will cease to have any effect on the earliest date on which:

- (a) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in our Company falls below 30% of the issued Shares of our Company;
- (b) in relation to a particular Covenantor individually, he/it and all of his/its associates cease to hold or otherwise be interested in any of the issued Shares of our Company; or
- (c) the Shares cease to be listed on the Hong Kong Stock Exchange.

We shall adopt the following measures in relation to the compliance with the Non-competition Deed in order to protect the interests of our Shareholders:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the terms of the Non-competition Deed;
- (b) we shall disclose any decisions reviewed by the independent non-executive Directors relating to compliance of the Non-competition Deed in our annual reports;
- (c) we shall disclose in the corporate governance report in our annual report a declaration on compliance with the terms of the Non-competition Deed by the Covenantors;
- (d) in the event that any of our Directors and/or their respective associates has a material interest in any matter to be deliberated by our Board in relation to the compliance with the Non-competition Deed, the relevant Director may not vote on the relevant resolutions of the Board and shall not be counted towards the quorum for voting pursuant to applicable provisions in our Articles of Association; and
- (e) we shall make an announcement once the Company decides, with the approval of all the independent non-executive Directors, not to pursue any Business Opportunity.

### **Deed of indemnity**

For the purpose of the Listing, Mr. Wang (the “**Indemnifier**”) has entered into a deed of indemnity in favour of our Company to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries and certain associated companies).

Under the deed of indemnity, the Indemnifier agrees and undertakes with our Company that he will indemnify our Company against any loss arising from any fines, penalties or other administrative liabilities which may be imposed or levied by the PRC government authorities on our Group resulting from its failure to comply with the applicable law and regulations of the PRC in relation to the land planning, construction, completion of construction and title of certain real properties.

The Indemnifier will not be liable in respect of any loss mentioned above: (i) to the extent that specific provision or reserve has been made in our audited combined financial statements as set out



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in the Accountants' Report in Appendix I to this prospectus; (ii) to the extent such loss would not have arisen but for any act or omission of, or delay by, our Company or any member of our Group after the Listing Date; and (iii) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

In addition, the Indemnifier agrees and undertakes with our Company that he will indemnify our Company against any loss or liability or diminution in value of asset suffered by our Company or any member of our Group as a result of or in connection with any tax liability in any jurisdiction arising: (i) in respect of or in consequence of any act, omission or event which occurred or is deemed to occur on or before the Listing Date; (ii) from any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date; or (iii) as a result of our Company or any member of our Group receiving or being entitled to receive any payment under the deed of indemnity, whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person.

The Indemnifier will not be liable in respect of any taxation liability: (i) to the extent that specific provision or reserve has been made for such taxation liability in our audited combined financial statements as set out in the Accountants' Report in Appendix I to this prospectus; (ii) to the extent such taxation liability would not have arisen but for any act or omission by our Company after the Listing Date; or (iii) to the extent such taxation liability arises or is incurred only as a result of a retrospective change in law or regulations, a retrospective increase in tax rates or a retrospective change in administrative interpretation of law or regulations, coming into force after the Listing Date.

### CONNECTED TRANSACTIONS

We have entered into transactions in the ordinary course of our business with certain of our connected persons which we expect to continue following our listing on the Hong Kong Stock Exchange.

#### **Exempt continuing connected transactions**

The following continuing connected transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

#### ***Trademark (Onshore) Licence Agreement***

Each of our Company and our PRC-incorporated subsidiaries (except for Bayannao'er Winsway, Urad Zhongqi Haotong, Ejinaqi Winsway, Inner Mongolia Hutie Winsway Logistics and Xinjiang Winsway) has entered into a trademark licence agreement (each, a "**Trademark (Onshore) Licence Agreement**") with Beijing Winsway Investment dated 1 June 2010. Beijing Winsway Investment is owned as to 80% by Wang Xiaoli, a sister and therefore an associate of Mr. Wang. As a result, Beijing Winsway Investment is our connected person under Chapter 14A of the Listing Rules.

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Pursuant to the Trademark (Onshore) Licence Agreements, Beijing Winsway Investment granted to us and our PRC subsidiaries existing as at the date of the Trademark (Onshore) Licence Agreements a non-exclusive licence to use certain trademarks, namely **WINSWAY** and **永暉** owned and registered by it. These trademarks were licensed to us and our PRC subsidiaries on a royalty-free basis for a term commencing from 1 June 2010 to the date of expiry of registration of such trademarks.

The respective expiry dates of the trademarks are:

Seq.	Certificate no.	Trademark	Expiry date
1	4508752	WINSWAY 永暉	13 September 2018
2	4508753	WINSWAY 永暉	13 September 2018
3	4508754	WINSWAY 永暉	13 September 2018
4	4508755	WINSWAY 永暉	13 September 2018
5	4508736	WINSWAY 永暉	13 September 2018
6	4508737	WINSWAY 永暉	13 September 2018
7	4508746	永暉	13 September 2018
8	4508747	永暉	13 September 2018
9	4508748	永暉	13 September 2018
10	4508767	永暉	27 October 2018
11	5137524	永暉	13 May 2019
12	843838	WINSWAY	27 May 2016
13	839862	WINSWAY	13 May 2016
14	839842	WINSWAY	13 May 2016

In addition, Beijing Winsway Investment has agreed with our Company that it will also enter into a Trademark (Onshore) Licence Agreement with any additional PRC-incorporated subsidiary directly or indirectly established by us in future. We may renew the term by giving notice on or before 30 days of the date of expiry of such term. It has also agreed to increase the places of registration of the licensed trademarks upon our reasonable request. Beijing Winsway Investment has committed to continuously grant us the use of the renewed trademarks upon their expiry on a free-of-charge basis.

If the term of any Trademark (Onshore) Licence Agreement is renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with. As the grant of rights to use certain trademarks by Beijing Winsway Investment to us and our PRC subsidiaries is on a free-of-charge basis, the transactions under the Trademark (Onshore) License Agreement, are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

***Licence for Non-registered Trademarks***

On 18 June 2010, Beijing Winsway Investment granted a licence to Beijing Winsway and our other PRC-incorporated subsidiaries existing as at the date of the Trademark (Onshore) Licence Agreements to use certain trademarks to be registered by it ("**Licence for Non-registered Trademarks**"). Beijing Winsway Investment is our connected person under the Listing Rules.

Pursuant to the Licence for Non-registered Trademarks, Beijing Winsway Investment granted to Beijing Winsway and our other PRC-incorporated subsidiaries a non-exclusive licence to use trademarks, "浩通" "永暉焦煤", "浩通焦煤" and "BESTWAY" pending registration by it. Beijing

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Winsway Investment has agreed that once these trademarks are officially registered with the relevant trademark authorities of the PRC, it will license them to Beijing Winsway and our other PRC-incorporated subsidiaries on a royalty-free basis for a term of ten years commencing from the date of approval of registration of such trademarks. Beijing Winsway may renew the term by giving notice on or before 30 days of the date of expiry of such term. It has also agreed to increase the places of registration of the licensed trademarks upon our reasonable request.

If the term of the Licence for Non-registered Trademarks is renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with. As the consent to grant of rights to use certain trademarks by Beijing Winsway Investment to us and our PRC subsidiaries is on a free-of-charge basis, the transactions under the Consent to Licensing Trademarks are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

### *Trademark (Offshore) Licence Agreement*

We have entered into a trademark licence agreement (the “**Trademark (Offshore) Licence Agreement**”) with Winsway Resources Holdings dated 16 August 2010. Winsway Resources Holdings is our Controlling Shareholder and therefore is our connected person under Chapter 14A of the Listing Rules.

Pursuant to the Trademark (Offshore) Licence Agreement, Winsway Resources Holdings granted to us and our subsidiaries a non-exclusive licence to use the “**WINSWAY**” trademark owned and registered by it in Hong Kong. This trademark was licensed to us and our subsidiaries on a royalty-free basis for a term of ten years commencing from 16 August 2010 and will be automatically renewed upon the expiry of such term unless we serve Winsway Resources Holdings a notice to terminate the agreement six months before the expiry of the relevant term. The governmental fees and agency fees related to the filing of the trademark during the term of the Trademark (Offshore) Licence Agreement will be borne by us. It has also agreed to increase the places of registration of the licensed trademark upon our reasonable request. Winsway Resources Holdings has also agreed to be responsible for any expenses for enforcement against any infringement of the licensed trademark by any third parties.

If the term of the Trademark (Offshore) Licence Agreement is renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with. As the grant of rights to use the trademark by Winsway Resources Holdings to us and our subsidiaries is on a free-of-charge basis, the transactions under the Trademark (Offshore) Licence Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

### *Guarantee from our connected persons*

Each of Mr. Wang and Winsway Resources Holdings (collectively the “**Guarantors**”) have provided a guarantee (the “**ANZ Guarantee**”) in favour of Australia and New Zealand Banking Group Limited, Hong Kong Branch (the “**Bank**”) in respect of uncommitted facilities in a maximum



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aggregate amount of US\$35,000,000 (the “**ANZ Facility**”) provided to our Company and certain of our subsidiaries (collectively the “**Borrowers**”) pursuant to a facility letter entered into among the Bank, the Borrowers and the Guarantors dated 19 May 2010. The guarantee has been provided on normal commercial terms. This guarantee amounts to the provision of financial assistance by connected persons to us and this transaction is exempt from all reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

Other than the ANZ Guarantee, to secure the ANZ Facility, each of the Borrowers has executed a trade finance security assignment in favour of the Bank, pursuant to which each of the Borrowers has (i) assigned to the Bank its rights, title, interest and benefits in and to any export collection bills or documentary credits handled by or possessed by the Bank and any relevant sales contracts and policies of insurance; (ii) charged to the Bank its rights, title, interest and benefits in all goods (and its proceeds) relating to the aforementioned documents and credit balances of all its accounts maintained with the Bank, and (iii) pledged to the Bank any document in the possession of the Bank and any goods and produce to which such documents relate.

The Bank has agreed that upon our written request, it will give its consent to the release of the guarantee provided by Mr. Wang and Winsway Resources Holdings within 15 days following the Listing. Our Company has undertaken that it will apply for the release from the Bank as early as possible within 15 days following the Listing and that it will not draw down the banking facilities within this period before the release by the Bank.

### *Beijing Winsway Lease Agreement*

Beijing Winsway entered into a lease agreement with Beijing Winsway Investment dated 30 June 2008 which was renewed 30 June 2009 for the lease of a part of the Beijing Winsway Properties (namely Room 118, Building 2#, 10 Hongda Zhong Road, Beijing Development Area, Beijing the PRC) and on 17 May 2010 for the lease of all of the Beijing Winsway Properties (the “**Beijing Winsway Lease Agreement**”).

Pursuant to the Beijing Winsway Lease Agreement, Beijing Winsway Investment has agreed to lease the Beijing Winsway Properties to us for office use until 30 June 2011. The extension of the term is subject to mutual agreement between Beijing Winsway and Beijing Winsway Investment.

Beijing Winsway Investment is our connected person under the Listing Rules.

Beijing Winsway Investment commenced leasing the Beijing Winsway Properties to Beijing Winsway on 1 July 2008 at a rental of RMB2,000 per month. The rent was subsequently increased to RMB4,000 per month when the lease was renewed on 17 May 2010. The aggregate amount of rental payable by us to Beijing Winsway Investment under the Beijing Winsway Lease Agreement for the six months ended 31 December 2008, for the year ended 31 December 2009 and for the six months ended 30 June 2010 was RMB12,000, RMB24,000 and RMB12,000, respectively. We estimate that the aggregate rental payable by us to Beijing Winsway Investment for the Beijing Winsway Properties for the year ending 31 December 2010 and the six months ending 30 June 2011 will not exceed RMB36,000 and RMB48,000, respectively.

Our Directors consider that the terms of the lease have been negotiated at arm’s length based on normal commercial terms. Jones Lang LaSalle Sallmanns Limited, our independent valuer, has reviewed the terms of the Beijing Winsway Lease Agreement and confirmed that the rental payable under this agreement was determined with reference to the prevailing market rates and are fair and reasonable.

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The transactions under the Beijing Winsway Lease Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

### ***Inner Mongolia Haotong Lease Agreement***

Inner Mongolia Haotong entered into a lease agreement with Beijing Winsway Investment dated 28 December 2007, which was renewed on 1 January 2009 and 1 January 2010, respectively (the **"Inner Mongolia Haotong Lease Agreement"**).

Pursuant to the Inner Mongolia Haotong Lease Agreement, Beijing Winsway Investment has agreed to lease the Inner Mongolia Haotong Properties to Inner Mongolia Haotong for office use until 31 December 2010. The extension of the term is subject to mutual agreement between Inner Mongolia Haotong and Beijing Winsway Investment.

Beijing Winsway Investment is our connected person under the Listing Rules.

Beijing Winsway Investment commenced leasing the Inner Mongolia Haotong Properties to Inner Mongolia Haotong on 1 January 2008 at a rental of RMB300,000 per month (inclusive of management fee, water and electricity charge). The rent was subsequently reduced to RMB114,000 per month (inclusive of management fee, water and electricity charges) when the lease was renewed on 1 January 2009 and 1 January 2010, respectively. The aggregate amount of rental payable by Inner Mongolia Haotong to Beijing Winsway Investment for the two years ended 31 December 2009 and six months ended 30 June 2010 was RMB3,600,000, RMB1,368,000 and RMB684,000, respectively. We estimate that the aggregate rental payable by Inner Mongolia Haotong to Beijing Winsway Investment for the Inner Mongolia Haotong Properties for the year ending 31 December 2010 will not exceed RMB1,368,000.

Our Directors consider that the terms of the lease have been negotiated at arm's length based on normal commercial terms. Jones Lang LaSalle Sallmanns Limited, our independent valuer, has reviewed the terms of the Inner Mongolia Haotong Lease Agreement and confirmed that the rental payable under this agreement was determined with reference to the prevailing market rates and are fair and reasonable.

The transactions under the Inner Mongolia Haotong Lease Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

### **Confirmation from our Directors**

Our Directors, including our independent non-executive Directors, are of the opinion that each of the continuing connected transactions have been entered into on normal commercial terms and in the ordinary and usual course of our business, and are fair and reasonable and in the interests of our shareholders as a whole.