
CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Following the Global Offering (assuming the Over-allotment Option is not exercised), Guangxi Dameng will continue to be our substantial shareholder beneficially interested in approximately 25.88% of our issued share capital.

For so long as Guangxi Dameng remain a substantial shareholder of us, transactions between our Group on one part and Guangxi Dameng and its subsidiaries, including Guangxi Guilin, Guangxi Liuzhou, Nanning Battery Plant, Guangxi Hezhou, Guangxi Wuzhou (collectively, “Guangxi Dameng Subsidiaries”), on the other part will constitute connected transactions for us under the Listing Rules.

Guangxi Xishan Mining Limited Company (廣西錫山礦業有限公司) (“Guangxi Xishan”) holds 20.59% equity interest in our subsidiary, Guangxi Start and, therefore, is our connected person as defined under the Listing Rules. Our transactions with Guangxi Xishan, as further described below, will constitute connected transactions for us under the Listing Rules.

Two of our Directors, Li Weijian and Chen Jiqui, are also the director and senior management of Guangxi Dameng. In order to avoid any potential conflict of interest, Mr. Li and Mr. Chen will abstain from voting on all the on-going connected transactions conducted between our Group and Guangxi Dameng and its subsidiaries. Under these circumstances, as the remaining Board will still consist of two executive Directors, Mr. Qiu Yiyong and Mr. Tian Yuchuan, two non-executive Directors, Mr. Mi Zengxin and Mr. Yin Ke, and three independent non-executive Directors, Mr. Yang Zhi Jie, Mr. Mo Shijian and Mr. Tan Zhuzhong, and among these seven Directors, Mr. Qiu and Mr. Tan particularly possess sufficient management experience in mining and natural resources business, Our Directors believe that the remaining Board can continue to function and discharge their duties properly.

Certain transactions have occurred between our Group on one part and Guangxi Dameng, Guangxi Dameng Subsidiaries, and/or Guangxi Xishan on the other part and are expected to be carried out on a continuing or recurring basis for a period of time after the Listing. Our Directors (including the Independent Non-executive Directors) are of the opinion that the transactions (i) have been entered into and will be carried out in the ordinary and usual course of business of the members of our Group, (ii) are on normal commercial terms and the terms of the relevant transactions are fair and reasonable and (iii) are in the interests of our shareholders as a whole. Set forth below is a summary of these continuing connected transactions and, where applicable, the waivers from strict compliance with the relevant requirements of the Listing Rules that we have received from the Stock Exchange. Renminbi amounts in the summary below are converted into HK dollars at RMB1.0000 into HK\$1.0417, RMB1.0000 into HK\$1.1208, RMB1.0000 into HK\$1.1347 and RMB1.0000 into HK\$1.1385 for the three years ended December 31, 2009 and the seven months ended July 31, 2010, respectively.

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Nature of transaction	Applicable Listing Rule	Waiver sought	Historical amount for				Annual cap				
			the year ended December 31, 2007	the year ended December 31, 2008	the year ended December 31, 2009	the seven months ended July 31, 2010	2010	2011	2012		
			(RMB)				(RMB)				
Exempted continuing connected transaction											
(i) Trademark Licence Deed	14A.33	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-exempted continuing connected transactions											
Integrated Services Framework Agreement	14A.34	announcement requirement									
(i) Provision of Integrated Services by Guangxi Dameng			Nil	Nil	2,400,000 (HK\$2,723,280)	1,400,000 (HK\$1,593,900)	2,400,000 (HK\$2,791,920)	2,400,000 (HK\$2,791,920)	2,400,000 (HK\$2,791,920)	2,400,000 (HK\$2,791,920)	2,400,000 (HK\$2,791,920)
(ii) Provision of water and electricity to Guangxi Dameng			117,125 (HK\$122,006)	Nil	265,327 (HK\$301,067)	N/A (Note 1)	400,000 (HK\$465,320)	500,000 (HK\$581,650)	800,000 (HK\$930,640)		
Guangxi Dameng Framework Agreements	14A.35	announcement and independent shareholders' approval requirements									
(i) Guangxi Guilin Agreement											
— Purchase of electrolytic manganese metal from Guangxi Guilin			50,378,435 (HK\$52,477,815)	135,657,179 (HK\$152,044,566)	31,975,214 (HK\$36,282,275)	14,357,265 (HK\$16,345,746)	15,000,000 (HK\$17,449,500)	18,000,000 (HK\$20,939,400)	18,000,000 (HK\$20,939,400)	18,000,000 (HK\$20,939,400)	18,000,000 (HK\$20,939,400)
— Sale of manganese carbonate powder to Guangxi Guilin			8,065,327 (HK\$8,401,426)	10,796,084 (HK\$12,100,251)	Nil	Nil	1,600,000 (HK\$1,861,280)	8,000,000 (HK\$9,306,400)	8,000,000 (HK\$9,306,400)	8,000,000 (HK\$9,306,400)	8,000,000 (HK\$9,306,400)

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Nature of transaction	Applicable Listing Rule	Waiver sought	Historical amount for				Annual cap		
			the year ended December 31, 2007	the year ended December 31, 2008	the year ended December 31, 2009	the seven months ended July 31, 2010	2010	2011	2012
			(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	
— Sale of metallurgical manganese ore powder to Guangxi Guilin			1,822,708 (HK\$1,898,665)	4,321,197 (HK\$4,843,198)	444,729 (HK\$504,634)	586,752 (HK\$668,017)	1,000,000 (HK\$1,163,300)	1,500,000 (HK\$1,744,950)	1,500,000 (HK\$1,744,950)
(ii) Guangxi Liuzhou Agreement			Nil	18,767,089 (HK\$21,034,153)	9,146,975 (HK\$10,379,072)	N/A (Note 1)	20,000,000 (HK\$23,266,000)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)
— Purchase of negative plate from Guangxi Liuzhou			6,915,570 (HK\$7,203,757)	9,737,406 (HK\$10,913,685)	13,209,027 (HK\$14,988,285)	4,510,938 (HK\$5,135,703)	10,000,000 (HK\$11,633,000)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)
— Purchase of vertical mill from Guangxi Liuzhou			Nil	7,967,068 (HK\$8,929,490)	3,767,309 (HK\$4,274,766)	N/A (Note 1)	29,500,000 (HK\$34,317,350)	20,000,000 (HK\$23,266,000)	20,000,000 (HK\$23,266,000)
— Sale of natural discharge manganese dioxide sand to Guangxi Liuzhou			8,069,398 (HK\$8,405,668)	3,470,114 (HK\$3,889,304)	Nil	Nil	18,000,000 (HK\$20,939,400)	18,000,000 (HK\$20,939,400)	18,000,000 (HK\$20,939,400)
— Purchase of electrolytic bath from Guangxi Liuzhou			Nil	1,791,385 (HK\$2,007,784)	Nil	Nil	5,000,000 (HK\$5,816,500)	5,000,000 (HK\$5,816,500)	5,000,000 (HK\$5,816,500)
(iii) Nanning Battery Plant Agreement — purchase of packaging bags for manganese products from Nanning Battery Plant			4,540,460 (HK\$4,729,670)	6,920,036 (HK\$7,755,976)	6,202,028 (HK\$7,037,441)	5,872,509 (HK\$6,685,852)	15,000,000 (HK\$17,449,500)	20,000,000 (HK\$23,266,000)	25,000,000 (HK\$29,082,500)

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Nature of transaction	Applicable Listing Rule	Waiver sought	Historical amount for				Annual cap					
			the year ended December 31, 2007	the year ended December 31, 2008	the year ended December 31, 2009	the seven months ended July 31, 2010	2010	2011	2012			
			(RMB)									
(iv) Guangxi Hezhou Agreement												
— Sale of natural discharge manganese dioxide to Guangxi Hezhou			134,513 (HK\$140,118)	1,633,628 (HK\$1,830,971)	4,776,923 (HK\$5,420,375)	3,227,350 (HK\$3,674,338)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)
— Sale of electrolytic manganese dioxide to Guangxi Hezhou			Nil	Nil	3,301,709 (HK\$3,746,450)	1,814,530 (HK\$2,065,842)	7,000,000 (HK\$8,143,100)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)
(v) Guangxi Wuzhou Agreement												
— Sale of natural discharge manganese dioxide to Guangxi Wuzhou			Nil	4,186,195 (HK\$4,691,887)	11,281,368 (HK\$12,800,968)	4,444,957 (HK\$5,060,584)	12,000,000 (HK\$13,959,600)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)
— Sale of electrolytic manganese dioxide to Guangxi Wuzhou			Nil	264,615 (HK\$296,581)	4,167,521 (HK\$4,728,886)	1,555,556 (HK\$1,771,001)	7,000,000 (HK\$8,143,100)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	10,000,000 (HK\$11,633,000)	15,000,000 (HK\$17,449,500)	15,000,000 (HK\$17,449,500)
Guangxi Guilin EMM Processing Services Agreement	14A.35	announcement and independent shareholders' approval requirement										
— Provision of EMM processing services for electrolytic manganese metal by Guangxi Guilin			Nil	Nil	Nil	N/A (Note 2)	50,000,000 (HK\$58,165,000)	150,000,000 (HK\$174,495,000)	150,000,000 (HK\$174,495,000)	150,000,000 (HK\$174,495,000)	150,000,000 (HK\$174,495,000)	150,000,000 (HK\$174,495,000)

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Nature of transaction	Applicable Listing Rule	Waiver sought	Historical amount for				Annual cap				
			the year ended December 31, 2007	the year ended December 31, 2008	the year ended December 31, 2009	the seven months ended July 31, 2010	2010	2011	2012		
			(RMB)				(RMB)				
Master Construction and Outsourcing Agreements	14A.35	announcement and independent shareholders' approval requirement									
(i) Provision of underground mining services by Guangxi Xishan			5,105,878 (HK\$5,318,793)	28,441,332 (HK\$31,877,045)	22,329,006 (HK\$25,336,723)	13,788,662 (HK\$15,698,392)	35,000,000 (HK\$40,715,500)	45,000,000 (HK\$52,348,500)	45,000,000 (HK\$52,348,500)		
(ii) Construction of infrastructure for underground mining work by Guangxi Xishan			4,000,000 (HK\$4,166,800)	8,300,000 (HK\$9,302,640)	15,700,000 (HK\$17,814,790)	15,015,458 (HK\$17,095,099)	40,750,000 (HK\$47,404,475)	60,000,000 (HK\$69,798,000)	60,000,000 (HK\$69,798,000)		
(iii) Sale of fuels to Guangxi Xishan			73,124 (HK\$76,174)	301,595 (HK\$338,028)	596,214 (HK\$676,524)	453,627 (HK\$516,454)	1,000,000 (HK\$1,163,300)	1,200,000 (HK\$1,395,960)	1,500,000 (HK\$1,744,950)		
(iv) Provision of water and electricity to Guangxi Xishan			Nil	606,402 (HK\$679,656)	692,260 (HK\$785,508)	745,639 (HK\$848,910)	1,500,000 (HK\$1,744,950)	1,700,000 (HK\$1,977,610)	2,000,000 (HK\$2,326,600)		

Notes:

- The data was not available as no settlement was made as of July 31, 2010.
- The sourcing of processing services for electrolytic manganese metal from Guangxi Guilin commenced in July 2010 and no settlement was made as of July 31, 2010.
- All transactions under the Guangxi Dameng Framework Agreements and the corresponding proposed annual caps for each of these transactions for the year ended December 31, 2012 have been publicly announced by CRH.

CONNECTED TRANSACTIONS

Exempted connected transaction

Grant of rights to use certain intellectual property by CITIC Group to our Group

CITIC Group owns or is applying for the registration of certain trademarks which will be used by us in the course of our businesses. We have been using such trademarks in connection with our operations on a royalty-free basis prior to the Listing and will continue to do so after the Listing. Our Company and CITIC Group entered into a trademark license deed dated October 29, 2010 (the “Trademark License Deed”), pursuant to which CITIC Group granted to us a non-exclusive license to use the trademarks owned by CITIC Group (the “Trademarks”), in conducting our businesses for a term of three years ending on October 28, 2013. Our Directors (including our independent non-executive Directors) are of the view that the Trademark License Deed has been entered into on normal commercial terms, in the ordinary and usual course of business of our Group and the terms of the Trademark License Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the right to use the Trademarks is granted to us by CITIC Group on a royalty-free basis, the arrangement under the Trademark License Deed is exempt from the reporting, announcement and independent shareholders’ approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules on the basis that it falls within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

Non-exempted continuing connected transactions

A. After the Listing, but for the waiver referred to below granted by the Stock Exchange, the following continuing connected transactions of our Company will only be subject to the reporting and announcement requirements for the three financial years ended December 31, 2011 under Chapter 14A of the Listing Rules.

(I) Provision of integrated services by Guangxi Dameng and provision of water and electricity to Guangxi Dameng (“Integrated Services Framework Agreement”)

As Daxin Mine is located in a remotely isolated area of Guangxi, the PRC, the local government has not allocated enough resources for developing social facilities such as housing, schools, hospitals, recreational facilities near Daxin Mine. Historically, to provide basic welfare to the employees working at Daxin Mine, Guangxi Dameng applied its internal resources to develop and operate various social facilities for its employees.

Pursuant to the JV Contract entered into between Guangxi Dameng and CITIC Dameng Investments on August 2, 2005, at the time of the establishment of CITIC Dameng Mining, only the key assets for the manganese mining business, namely the mining rights and land use rights relating to Daxin Mine and Tiandeng Mine were injected into CITIC Dameng Mining by Guangxi Dameng whereas none of these social facilities including those at Daxin Mine as mentioned above was transferred to CITIC Dameng Mining. Since the establishment of CITIC Dameng Mining, our employees continued to use the social facilities including housing, schools, hospitals, recreational facilities (the “Integrated Services”) ran by Guangxi Dameng. As a result, certain amount of water and electricity was consumed in connection with the provision of the Integrated Services by Guangxi Dameng during the Track Record Period, which was charged to Guangxi Dameng by our Company on cost basis.

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To regulate such arrangements, we entered into the integrated services framework agreement with Guangxi Dameng on September 30, 2009 (the “2009 Integrated Services Framework Agreement”), pursuant to which (1) Guangxi Dameng agreed to provide the Integrated Services that we require for providing basic welfare to our employees at Daxin Mine; and (2) our Company agreed to provide water and electricity to Guangxi Dameng in connection with the provision of the Integrated Services. On October 28, 2010 we entered into the Integrated Services Framework Agreement which superseded the 2009 Integrated Sources Framework Agreement and will expire on December 31, 2012, on substantially the same terms as the 2009 Integrated Services Framework Agreement. The transactions under the Integrated Services Framework Agreement will be conducted in our ordinary and usual course of business and on normal commercial terms and conditions and such terms and conditions must not be less/more favorable than those available from/provided to Independent Third Parties. The fees for the provision of the Integrated Services by Guangxi Dameng will be charged to our Company at the rate of RMB200,000 (HK\$232,660) per month. The fees for the provision of water and electricity to Guangxi Dameng will be agreed between the relevant parties on cost basis. No mark up will be on such fees and it is purely on a reimbursement basis.

Fees charged to our Company by Guangxi Dameng in relation to the provision of the Integrated Services is determined based on the costs incurred by Guangxi Dameng taking into account of the number of our employees using such services. Fees charged by our Company to Guangxi Dameng in relation to the provision of water and electricity will be determined based on usage as measured by the relevant meters attributable to the provision of the Integrated Services by Guangxi Dameng.

The term of the Integrated Services Framework Agreement will expire on December 31, 2012, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

For the year ended December 31, 2007, 2008 and 2009, the total amount paid to Guangxi Dameng for the provision of the Integrated Services amounted to nil, nil and HK\$2,723,280, respectively. During the Track Record Period, the fees for provision of Integrated Services by Guangxi Dameng was determined on the basis of the number of our employees using such services. For the years ended December 31, 2007, 2008 and 2009, the total amount received from Guangxi Dameng for the provision of water and electricity by our Company amounted to HK\$122,009, nil and HK\$301,067, respectively. During the Track Record Period, the fees for the provision of water and electricity to Guangxi Dameng was determined on the basis of cost actually incurred attributable to the provision of the Integrated Services.

It is expected that the respective total maximum annual caps for acquiring the Integrated Services and for providing water and electricity for the three financial years ended December 31, 2012 will be as follows:

<u>Financial year ended</u>	<u>Annual cap for the provision of the Integrated Services by Guangxi Dameng</u>
December 31, 2010	RMB2,400,000 (HK\$2,791,920)
December 31, 2011	RMB2,400,000 (HK\$2,791,920)
December 31, 2012	RMB2,400,000 (HK\$2,791,920)

The above caps have been prepared by our Company primarily based on (i) the agreed fees to be charged by Guangxi Dameng for such services, (ii) our estimate of the usage/consumption level of the Integrated Services for the three years ended December 31, 2012, taking into account of the expected growth in the number of our employees working at Daxin Mine, and (iii) our assumption

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that the costs for providing such services by Guangxi Dameng will not increase substantially in the near future.

<u>Financial year ended</u>	<u>Annual cap for the provision of water and electricity to Guangxi Dameng</u>
December 31, 2010	RMB400,000 (HK\$465,320)
December 31, 2011	RMB500,000 (HK\$581,650)
December 31, 2012	RMB800,000 (HK\$930,640)

The above caps have been prepared primarily based on the historical transaction values and our estimate of the consumption of water and electricity by Guangxi Dameng for the three years ended December 31, 2012 which is expected to increase and our assumption that the local government will gradually increase the charges for supply of water and electricity in the near future.

The Integrated Services Framework Agreement constitutes a continuing connected transaction subject to reporting and announcement requirements under the Listing Rules. We have applied for and have obtained an exemption from the Hong Kong Stock Exchange from complying with the announcement requirement.

B. After the Listing, but for the waiver referred to below granted by the Stock Exchange, the following continuing connected transactions of our Company will be subject to the reporting, announcement and independent shareholders' approval requirements for the three financial years ended December 31, 2012 under Chapter 14A of the Listing Rules.

(I) Sale and Purchase of materials and/or provision of services to/from Guangxi Dameng Subsidiaries ("Guangxi Dameng Framework Agreements")

In October 28, 2010, CITIC Dameng Mining entered into (i) Guangxi Guilin Dameng Agreement (as defined below), (ii) Guangxi Liuzhou Agreement (as defined below), (iii) Nanning Battery Plant Agreement (as defined below), (iv) Guangxi Hezhou Agreement (as defined below) and (v) Guangxi Wuzhou Agreement (as defined below) (collectively, "Guangxi Dameng Framework Agreements") with Guangxi Dameng Subsidiaries. Pursuant to the Guangxi Dameng Framework Agreements, CITIC Dameng Mining will, amongst other things, purchase raw materials, manganese products, tools and equipment from, sell manganese products and raw materials to and receive processing services from Guangxi Dameng Subsidiaries. The Guangxi Dameng Framework Agreements provide a framework for the entering into of these transactions from time to time by CITIC Dameng Mining with Guangxi Dameng Subsidiaries, on normal commercial terms and subject to prevailing market prices, for the period commencing from October 28, 2010 and ending on December 31, 2012 (both dates inclusive).

Our Directors believe that the sale of manganese products and raw materials to Guangxi Dameng Subsidiaries have, or are expected to have, a positive contribution to the operating revenue of our Group and increase the number of purchasers and customers and demand for our products and services at market prices. In relation to the raw materials, manganese products, tools, equipment and processing services which our Group acquires from Guangxi Dameng Subsidiaries, Guangxi Dameng Subsidiaries have proven to be reliable suppliers to our Group at competitive prices which are beneficial to the continuing operations and business of our Group.

Our Directors are of the view that (i) the prices charged to/by our Group by/to Guangxi Dameng Subsidiaries will be no less/more favorable to us/to Guangxi Dameng Subsidiaries than those charged

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by/to Independent Third Parties, (2) and on terms no less/more favorable to us/to Guangxi Dameng Subsidiaries than those provided by/to Independent Third Parties at the relevant point in time (generally having regard to the quantity, quality and specifications of the products/services ordered and other special circumstances). In any event, our Directors believe that the Group is able to sell to or purchase from independent third parties products of quantity, quality and specifications similar to those to/from Guangxi Dameng Subsidiaries at comparable terms and price in the market, and therefore are of the view that the Group did not and will not rely significantly on Guangxi Dameng Subsidiaries for its sales and purchases during the Track Record Period and after Listing.

For the years ended December 31, 2007, 2008 and 2009, the total amount of sales and provision of services to Guangxi Dameng Subsidiaries as a whole pursuant to the Guangxi Dameng Framework Agreements amounted to approximately HK\$26.05 million, HK\$38.57 million and HK\$42.19 million, respectively, accounting for 1.5%, 1.4% and 2.0% of the Group's revenue for the year, respectively. The aggregate annual caps for sales to Guangxi Dameng Subsidiaries pursuant to Guangxi Dameng Framework Agreements are expected to be approximately RMB66.6 million (HK\$77.5 million), RMB87.5 million (HK\$101.8 million) and RMB97.5 million (HK\$113.4 million), respectively, for the three years ended December 31, 2012.

For the years ended December 31, 2007, 2008 and 2009, the total amount of purchases from Guangxi Dameng Subsidiaries as a whole pursuant to the Guangxi Dameng Framework Agreements amounted to approximately HK\$57.21 million, HK\$191.77 million and HK\$57.97 million, respectively, accounting for 5.2%, 9.1% and 3.5% of the Group's cost of sales for the year, respectively. The aggregate annual caps for purchases from Guangxi Dameng Subsidiaries pursuant to Guangxi Dameng Framework Agreements are expected to be approximately RMB134.5 million (HK\$156.5 million), RMB228.0 million (HK\$265.2 million) and RMB233.0 million (HK\$271.1 million), respectively, for the three years ended December 31, 2012.

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Set forth below are the percentages of aggregated sales to/purchases from Guangxi Dameng group to the Company's total sales/purchases of the same products/services during the Track Record Period:

Nature of transaction	Year ended December 31, 2007			
	Amount of sales/purchases of the product/services to/from Guangxi Dameng group	Amount of sales/purchases of the same product/services to/from independent third parties	Total amount of sales/purchases of the same product/services	Amount of sales/purchases of the product/services to/from Guangxi Dameng group as a percentage of the Group's total amount of sales/purchases of the same product/services
(1) Sale of natural discharge manganese dioxide to Guangxi Dameng group	RMB134,513 (HKD140,118)	RMB57,493,885 (HKD59,889,464)	RMB57,628,398 (HKD60,029,582)	0.23%
(2) Sale of manganese carbonate powder to Guangxi Dameng group	RMB8,065,327 (HKD8,401,426)	RMB2,579,996 (HKD2,687,496)	RMB10,645,323 (HKD11,088,922)	75.76%
(3) Provision of processing services for manganese carbonate powder to Guangxi Dameng group	Nil	Nil	Nil	Nil
(4) Sale of metallurgical manganese ore powder to Guangxi Dameng group	RMB1,822,708 (HKD1,898,665)	RMB84,225 (HKD87,734)	RMB1,906,933 (HKD1,986,399)	95.58%
(5) Sale of metallurgical manganese ore to Guangxi Dameng group	RMB6,915,570 (HKD7,203,757)	RMB85,291,962 (HKD88,845,794)	RMB92,207,532 (HKD96,049,551)	7.50%
(6) Sale of natural discharge manganese dioxide sand to Guangxi Dameng group	RMB8,069,398 (HKD8,405,668)	RMB69,682,286 (HKD72,585,715)	RMB77,751,684 (HKD80,991,383)	10.38%
Subtotal	RMB25,007,516 (HKD26,049,634)	RMB215,132,354 (HKD224,096,203)	RMB240,139,870 (HKD250,145,837)	10.41%
(7) Purchase of electrolytic manganese metal from Guangxi Dameng group	RMB50,378,435 (HKD52,477,815)	RMB48,938,846 (HKD50,977,965)	RMB99,317,281 (HKD103,455,780)	50.72%
(8) Purchase of negative plate and vertical mill from Guangxi Dameng group	Nil	RMB5,441,422 (HKD5,668,148)	RMB5,441,422 (HKD5,668,148)	Nil
(9) Purchase of electrolytic bath from Guangxi Dameng group	Nil	RMB375,539 (HKD391,186)	RMB375,539 (HKD391,186)	Nil
(10) Purchase of packaging bags for manganese products from Guangxi Dameng group	RMB4,540,460 (HKD4,729,671)	RMB1,430,516 (HKD1,490,121)	RMB5,970,976 (HKD6,219,792)	76.04%
Subtotal	RMB54,918,895 (HKD57,207,486)	RMB56,186,323 (HKD58,527,420)	RMB111,105,218 (HKD115,734,906)	49.43%

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Year ended December 31, 2008

Nature of transaction	Amount of sales/purchases of the product/services to/from Guangxi Dameng group	Amount of sales/purchases of the same product/services to/from independent third parties	Total amount of sales/purchases of the same product/services	Amount of sales/purchases of the product/services to/from Guangxi Dameng group as a percentage of the Group's total amount of sales/purchases of the same product/services
(1) Sale of natural discharge manganese dioxide to Guangxi Dameng group	RMB5,819,823 (HKD6,522,858)	RMB127,193,029 (HKD142,557,946)	RMB133,012,852 (HKD149,080,805)	4.38%
(2) Sale of manganese carbonate powder to Guangxi Dameng group	RMB10,796,084 (HKD12,100,251)	RMB4,475,901 (HKD5,016,590)	RMB15,271,985 (HKD17,116,841)	70.69%
(3) Provision of processing services for manganese carbonate powder to Guangxi Dameng group	RMB175,439 (HKD196,632)	RMB707,096 (HKD792,513)	RMB882,535 (HKD989,145)	19.88%
(4) Sale of metallurgical manganese ore powder to Guangxi Dameng group	RMB4,321,197 (HKD4,843,198)	RMB5,649,536 (HKD6,332,000)	RMB9,970,733 (HKD11,175,198)	43.34%
(5) Sale of metallurgical manganese ore to Guangxi Dameng group	RMB9,737,406 (HKD10,913,685)	RMB202,858,340 (HKD227,363,626)	RMB212,595,746 (HKD238,277,311)	4.58%
(6) Sale of natural discharge manganese dioxide sand to Guangxi Dameng group	RMB3,734,729 (HKD4,185,884)	RMB3,415,596 (HKD3,828,200)	RMB7,150,325 (HKD8,014,084)	52.23%
Subtotal	RMB34,584,678 (HKD38,762,508)	RMB344,299,498 (HKD385,890,875)	RMB378,884,176 (HKD424,653,384)	9.13%
(7) Purchase of electrolytic manganese metal from Guangxi Dameng group	RMB135,657,179 (HKD152,044,566)	RMB671,276,583 (HKD752,366,789)	RMB806,933,762 (HKD904,411,355)	16.81%
(8) Purchase of negative plate and vertical mill from Guangxi Dameng group	RMB26,739,614 (HKD29,969,759)	RMB1,799,218 (HKD2,016,564)	RMB28,538,832 (HKD31,986,323)	93.70%
(9) Purchase of electrolytic bath from Guangxi Dameng group	RMB1,791,385 (HKD2,007,784)	Nil	RMB1,791,385 (HKD2,007,784)	100.00%
(10) Purchase of packaging bags for manganese products from Guangxi Dameng group	RMB6,920,036 (HKD7,755,976)	RMB438,413 (HKD491,373)	RMB7,358,449 (HKD8,247,349)	94.04%
Subtotal	RMB171,108,214 (HKD191,778,085)	RMB673,514,214 (HKD754,874,726)	RMB844,622,428 (HKD946,652,811)	20.26%

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Year ended December 31, 2009

Nature of transaction	Amount of sales/purchases of the product/services to/from Guangxi Dameng group	Amount of sales/purchases of the same product/services to/from independent third parties	Total amount of sales/purchases of the same product/services	Amount of sales/purchases of the product/services to/from Guangxi Dameng group as a percentage of the Group's total amount of sales/purchases of the same product/services
(1) Sale of natural discharge manganese dioxide to Guangxi Dameng group	RMB16,058,291 (HKD18,221,342)	RMB89,362,876 (HKD101,400,055)	RMB105,421,167 (HKD119,621,397)	15.23%
(2) Sale of manganese carbonate powder to Guangxi Dameng group	Nil	Nil	Nil	Nil
(3) Provision of processing services for manganese carbonate powder to Guangxi Dameng group	Nil	Nil	Nil	Nil
(4) Sale of metallurgical manganese ore powder to Guangxi Dameng group	RMB444,729 (HKD504,634)	RMB322,971 (HKD366,475)	RMB767,700 (HKD871,109)	57.93%
(5) Sale of metallurgical manganese ore to Guangxi Dameng group	RMB13,209,027 (HKD14,988,283)	RMB38,086,188 (HKD43,216,398)	RMB51,295,215 (HKD58,204,681)	25.75%
(6) Sale of natural discharge manganese dioxide sand to Guangxi Dameng group	RMB7,469,231 (HKD8,475,336)	RMB57,367,004 (HKD65,094,339)	RMB64,836,235 (HKD73,569,675)	11.52%
Subtotal	RMB37,181,278 (HKD42,189,595)	RMB185,139,039 (HKD210,077,267)	RMB222,320,317 (HKD252,266,862)	16.72%
(7) Purchase of electrolytic manganese metal from Guangxi Dameng group	RMB31,975,214 (HKD36,282,275)	RMB15,389,823 (HKD17,462,832)	RMB47,365,037 (HKD53,745,107)	67.51%
(8) Purchase of negative plate and vertical mill from Guangxi Dameng group	RMB12,914,284 (HKD14,653,838)	Nil	RMB12,914,284 (HKD14,653,838)	100.00%
(9) Purchase of electrolytic bath from Guangxi Dameng group	Nil	Nil	Nil	Nil
(10) Purchase of packaging bags for manganese products from Guangxi Dameng group	RMB6,202,028 (HKD7,037,441)	RMB862,236 (HKD978,379)	RMB7,064,264 (HKD8,015,820)	87.79%
Subtotal	RMB51,091,526 (HKD57,973,554)	RMB16,252,059 (HKD18,441,211)	RMB67,343,585 (HKD76,414,765)	75.87%

The Guangxi Dameng Framework Agreements constitute continuing connected transactions subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. We have applied for and have obtained a waiver from the Hong Kong Stock Exchange from complying with the announcement and/or independent shareholders' approval requirements.

Guangxi Dameng owned 34.5% of the equity of the Company at the times when the Guangxi Dameng Framework Agreements were entered into. As such, Guangxi Dameng is a substantial

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shareholder of the Company, an indirect non-wholly owned subsidiary of CRH, and Guangxi Dameng and Guangxi Dameng Subsidiaries are also the connected persons of CRH as defined in the Listing Rules. Therefore, all the transactions under the Guangxi Dameng Framework Agreements also constitute the continuing connected transactions of CRH. Our Directors, based on publicly available information, are aware that CRH has complied with all the requirements concerning all the transactions under the Guangxi Dameng Framework Agreements, including reporting, announcement and/or independent shareholders' approval requirements, pursuant to the Listing Rules.

(a) Framework agreement for sale/purchase of raw materials to/from, and provision of processing services to Guangxi Guilin ("Guangxi Guilin Agreement")

On October 28, 2010, CITIC Dameng Mining entered into an agreement with Guangxi Guilin pursuant to which CITIC Dameng Mining agreed to (i) purchase electrolytic manganese metal from, and (ii) sell manganese carbonate powder and metallurgical manganese ore powder to, Guangxi Guilin. The Guangxi Guilin Agreement is for a period commencing from October 28, 2010 and ending on December 31, 2012. Under this agreement, the amount of (i) electrolytic manganese metal to be purchased from, and (ii) manganese carbonate powder and metallurgical manganese ore powder to be sold to, Guangxi Guilin is not fixed but is to be determined and agreed between the parties from time to time. CITIC Dameng Mining is not required to purchase and/or sell a minimum amount or any pre-defined quantity of raw materials from/to Guangxi Guilin during the term of this agreement. In addition, the prices are not fixed and are to be determined in accordance with the then-prevailing market prices. CITIC Dameng Mining shall grant a credit period of up to 30 days for its sales to Guangxi Guilin whereas CITIC Dameng Mining shall enjoy a credit period of up to 30 days for its purchase from Guangxi Guilin.

Historically, the Group sold the electrolytic manganese metal purchased from Guangxi Guilin to third party customers with a view to expanding its share in the market for this product. Going forward, we expect to continue such sales which, our Directors believe, will benefit the Group as a whole. From 2010, the Group started to source processing services from Guangxi Guilin for electrolytic manganese metal and intends to continue with such arrangement after Listing.

Guangxi Guilin is one of our customers for manganese carbonate powder and metallurgical manganese ore powder during the Track Record Period. These products are for internal consumption of Guangxi Guilin. We expect to continue such sales after Listing with a view to further expanding our market share for these products.

For the years ended December 31, 2007, 2008 and 2009, the total amount paid by us for purchase of electrolytic manganese metal from Guangxi Guilin amounted to HK\$52,477,815, HK\$152,044,566 and HK\$36,282,275, respectively. For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of manganese carbonate powder to Guangxi Guilin amounted to HK\$8,401,426, HK\$12,100,251 and nil, respectively. For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of metallurgical manganese ore powder to Guangxi Guilin amounted to HK\$1,898,665, HK\$4,843,198 and HK\$504,634, respectively.

All of the following annual caps are estimated by our Directors based on various factors including but not limited to (i) the planned production volume of the Group for the three years ended December 31, 2012; (ii) the historical transaction values; and (iii) the expected increase in the businesses to be conducted by the Group under the Guangxi Guilin Agreement. Our Directors

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believe that, as a general development trend for the business of the Group, it is expected that the transaction amounts tend to remain stable for 2011 and 2012.

The annual caps for purchase of electrolytic manganese metal are arrived at by multiplying the estimated price of this product based on management forecast and historical figures, after taking into account the projected demand for electrolytic manganese metal particularly in the PRC market and the potential price to be charged by Guangxi Guilin, for the three years ended December 31, 2012, with the estimated purchases from Guangxi Guilin by us in the corresponding periods, taking into account the production capacity of Guangxi Guilin. The increase of the amounts of the annual caps for the years of 2010, 2011 and 2012 as compared to the historical amounts is also attributable to the improved market condition for electrolytic manganese metal with anticipated increase of production by Guangxi Guilin. We expect to purchase approximately 1,000 tonnes of electrolytic manganese metal from Guangxi Guilin for each of 2011 and 2012 with an average estimated price of RMB18,000 per tonne. As we have started sourcing the processing service of electrolytic manganese metal from Guangxi Guilin from July 2010 pursuant to a processing service agreement with Guangxi Guilin in June 2010, we do not expect to purchase a substantial amount of electrolytic manganese metal from Guangxi Guilin for the rest of 2010. The expected increase in 2011 and 2012 is due to the expansion of production of Guangxi Guilin which could further meet our anticipated demand in 2011 and 2012. The Directors believe that such purchase from Guangxi Guilin would also help strengthen our market share and customer base in the market of electrolytic manganese metal, in light of the anticipated increase of customers of electrolytic manganese metal.

<u>Financial year ended</u>	<u>Annual cap for the purchase of electrolytic manganese metal from Guangxi Guilin</u>
December 31, 2010	RMB15,000,000 (HK\$17,449,500)
December 31, 2011	RMB18,000,000 (HK\$23,266,000)
December 31, 2012	RMB18,000,000 (HK\$23,266,000)

The following annual caps for sale of manganese carbonate powder are arrived at by multiplying the estimated price based on management forecast and historical figures, after taking into account the projected demand for manganese carbonate powder by Guangxi Guilin, and the potential market price for this product, for the three years ended December 31, 2012, with the estimated sales to Guangxi Guilin in the corresponding periods. In arriving at the annual caps for the years of 2010, 2011 and 2012 the Company has considered the improved market condition with anticipated increasing demand for manganese carbonate powder by Guangxi Guilin. We expect to sell approximately 2,000 tonnes, 10,000 tonnes and 10,000 tonnes of manganese carbonate powder with an average estimated price of RMB800 per tonne to Guangxi Guilin for the years ended December 31, 2010, 2011 and 2012, respectively. The expected increase of such sale in 2011 and 2012 is also due to: (i) the expanded production capacity of Guangxi Guilin with corresponding increase in its demand for manganese carbonate powder; and (ii) Guangxi Guilin's increasing recognition of our high quality manganese carbonate powder which could help Guangxi Guilin further lower its production cost.

<u>Financial year ended</u>	<u>Annual cap for the sale of manganese carbonate powder to Guangxi Guilin</u>
December 31, 2010	RMB1,600,000 (HK\$1,861,280)
December 31, 2011	RMB8,000,000 (HK\$9,306,400)
December 31, 2012	RMB8,000,000 (HK\$9,306,400)

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The following annual caps are arrived at by multiplying the estimated price of metallurgical manganese ore powder based on management forecast and historical figures, after considering the projected demand for metallurgical manganese ore powder by Guangxi Guilin, and the potential market price for this product, for the three years ended December 31, 2012, with the estimated sales to Guangxi Guilin in the corresponding periods. The increase of the amounts of the annual caps for the years of 2010, 2011 and 2012 as compared to the historical amounts is also attributable to the improved market condition with anticipated increasing demand for metallurgical manganese ore powder by Guangxi Guilin. Our Directors believe that, as a general development trend for such business with Guangxi Guilin, it is expected that the transaction amounts will increase in 2011 and remain stable for 2011 and 2012. We expect to sell approximately 1,200 tonnes, 1,800 tonnes and 1,800 tonnes of metallurgical manganese ore powder with an average estimated price of RMB833 per tonne to Guangxi Guilin for the years ended December 31, 2010, 2011 and 2012, respectively. The metallurgical manganese ore powder purchased by Guangxi Guilin is a necessary ingredient in its iron-removing technique which has wide application.

<u>Financial year ended</u>	<u>Annual cap for the sale of metallurgical manganese ore powder to Guangxi Guilin</u>
December 31, 2010	RMB1,000,000 (HK\$1,163,300)
December 31, 2011	RMB1,500,000 (HK\$1,744,950)
December 31, 2012	RMB1,500,000 (HK\$1,744,950)

(b) Framework agreement with sale/purchase of raw materials and tools to/from Guangxi Liuzhou (“Guangxi Liuzhou Agreement”)

On October 28, 2010, CITIC Dameng Mining entered into an agreement with Guangxi Liuzhou pursuant to which CITIC Dameng Mining agreed to (i) purchase negative plate, vertical mill and electrolytic bath from, and (ii) sell metallurgical manganese ore and natural discharge manganese dioxide sand to, Guangxi Liuzhou. The Guangxi Liuzhou Agreement is for a period commencing from October 28, 2010 and ending on December 31, 2012. Under this agreement, the amount of (i) negative plate, vertical mill and electrolytic bath to be purchased from, and (ii) metallurgical manganese ore and natural discharge manganese dioxide sand to be sold to, Guangxi Liuzhou is not fixed but is to be determined and agreed between the parties from time to time. CITIC Dameng Mining is not required to purchase and/or sell a minimum amount or any pre-defined quantity of tools/raw materials from/to Guangxi Liuzhou during the term of this agreement. In addition, the prices are not fixed and are to be determined in accordance with the then-prevailing market prices. CITIC Dameng Mining shall grant a credit period of up to 30 days for its sales to Guangxi Liuzhou whereas CITIC Dameng Mining shall enjoy a credit period of up to 30 days for its purchase from Guangxi Liuzhou.

Guangxi Liuzhou is one of our customers during the Track Record Period and throughout the period, we sold materials including metallurgical manganese ore and natural discharge manganese dioxide sand to Guangxi Liuzhou for its onward sales to third party customers. We believe that continued sales to Guangxi Liuzhou after Listing can enhance our sales channels for these products and, in turn, increase our sales revenue. Historically, we also purchased mining tools and equipments including negative plate, vertical mill and electrolytic bath from Guangxi Liuzhou for our use for production purposes. The Group, as a whole, benefited from the reliable delivery and good quality of these products and expects to continue purchases from Guangxi Liuzhou where our needs for these tools and equipments arise.

For the years ended December 31, 2007, 2008 and 2009, the total amount paid by us for purchase of negative plate from Guangxi Liuzhou amounted to nil, HK\$21,034,153 and HK\$10,379,072,

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respectively. For the years ended December 31, 2007, 2008 and 2009, the total amount paid by us for purchase of vertical mill from Guangxi Liuzhou amounted to nil, HK\$8,929,490 and HK\$4,274,766, respectively. For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of metallurgical manganese ore to Guangxi Liuzhou amounted to HK\$7,203,757, HK\$10,913,685 and HK\$14,988,285, respectively. For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of natural discharge manganese dioxide sand to Guangxi Liuzhou amounted to HK\$8,405,668, HK\$3,889,304 and nil, respectively. For the years ended December 31, 2007, 2008 and 2009, the total amount paid by us for purchase of electrolytic bath from Guangxi Liuzhou amounted to nil, HK\$1,791,385 and nil, respectively.

All of the following annual caps are estimated by our Directors based on various factors including but not limited to (i) the planned production volume of the Group for the three years ended December 31, 2012; (ii) the historical transaction values; and (iii) the expected increase in the businesses to be conducted by the Group under the Guangxi Liuzhou Agreement. Our Directors believe that, as a general development trend for the business of the Group, it is expected that the transaction amounts tend to remain stable for 2010, 2011 and 2012.

The annual caps for purchase of negative plate and vertical mill are arrived at by multiplying the estimated prices of these products based on management forecast and historical figures, after taking into account the projected demand for negative plate and vertical mill particularly in the PRC market, and the potential prices to be charged by Guangxi Liuzhou, for the three years ended December 31, 2012, with the estimated purchases from Guangxi Liuzhou by us in the corresponding periods. Negative plates sourced from Guangxi Liuzhou are applied by us in production of electrolytic manganese metal whereas vertical mill is a type of grinding equipment which is used in production of manganese carbonate powder. Our Directors believe that the purchases from Guangxi Liuzhou will at a higher level than that in 2009 taking into account the projected need for replacement of the existing negative plates and vertical mills and the high unit price of such equipment and tools. In particular, the increase of the amounts of the annual caps for the purchase of negative plates for the years of 2010, 2011 and 2012 as compared to the historical amounts is attributable to the increasing demand for such products from the new development projects of Tiandeng New Materials and the need to replace existing equipment. In 2010, Tiandeng New Materials plans to purchase 40,000 pieces of negative plate from Guangxi Liuzhou and Daxin Branch plans to replace 10,000 pieces of negative plate with an average estimated price of RMB400 (HK\$465) per piece. We expect to replace the existing negative plates for advanced models as part of our technical improvement efforts including the 17,200 pieces of negative plate in use by Tiandong New Materials. We expect to replace 37,500 pieces of negative plate with the advanced model for each of 2011 and 2012. The Directors have also taken into account the ordinary annual replacement of negative plate in arriving at the annual caps. The increase of the amounts of the annual caps for the purchase of vertical mill for the years of 2010, 2011 and 2012 as compared to the historical amounts is attributable to the increasing demand for such products from the new development projects of Tiandeng New Materials and the phase two development of Tiandong New Materials. In arriving at the annual caps, the Directors have also taken into consideration the purchase plan of the Group for the three years ended December 31, 2012. According to the current purchase plan of the Company, in 2010, Tiandeng New Materials, Tiandong New Materials and Guangxi Start will procure one vertical mill each with an estimated average price of HK\$11.44 million per piece (including fees for installation); in 2011, Tiandeng New Materials and Daxin Branch will procure one vertical mill each with an estimated average price of HK\$11.63 million per piece (including fees for installation); and in 2012, Daxin Branch will procure two vertical mills with an estimated average price of HK\$11.63 million per piece (including fees for installation).

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<u>Financial year ended</u>	<u>Annual cap for the purchase of negative plate from Guangxi Liuzhou</u>
December 31, 2010	RMB20,000,000 (HK\$23,266,000)
December 31, 2011	RMB15,000,000 (HK\$17,449,500)
December 31, 2012	RMB15,000,000 (HK\$17,449,500)

<u>Financial year ended</u>	<u>Annual cap for the purchase of vertical mill from Guangxi Liuzhou</u>
December 31, 2010	RMB29,500,000 (HK\$34,317,350)
December 31, 2011	RMB20,000,000 (HK\$23,266,000)
December 31, 2012	RMB20,000,000 (HK\$23,266,000)

The following annual caps are arrived at by multiplying the estimated prices of metallurgical manganese ore and natural discharge manganese dioxide sand based on management forecast and historical figures, after taking into account the projected demand for these products by Guangxi Liuzhou and, particularly, in the PRC market, and the potential market prices for these products, for the three years ended December 31, 2012, with the estimated sales to Guangxi Liuzhou in the corresponding periods. In view of expected demand from Guangxi Liuzhou, it is estimated that sales to Guangxi Liuzhou tend to remain stable in 2010, 2011 and 2012 except that it is expected that Guangxi Liuzhou's demand for metallurgical manganese ore will increase in 2011 as compared to its demand in 2010 as indicated to us by Guangxi Liuzhou and such increase could be met by our expected increase of production of metallurgical manganese ore. The annual caps for the sale of metallurgical manganese ore to Guangxi Liuzhou for the years of 2010, 2011 and 2012 are also in line with the general trend as indicated by the historical amounts for such transaction. We expect to sell approximately 12,000 tonnes, 20,000 tonnes and 20,000 tonnes of metallurgical manganese ore to Guangxi Liuzhou with an average estimated price of RMB833 per tonne for the years ended December 31, 2010, 2011 and 2012, respectively. Guangxi Liuzhou has been a customer with stable demand for our products. With the further development in mining by Tiandeng Branch, we expect that the sale of metallurgical manganese ore to Guangxi Liuzhou will increase. We expect to sell approximately 10,000 tonnes, 10,000 tonnes and 10,000 tonnes of natural discharge manganese dioxide sand to Guangxi Liuzhou with an average estimated price of RMB1,800 per tonne for the years ended December 31, 2010, 2011 and 2012, respectively. The estimated sale to Guangxi Liuzhou for 2011 and 2012 is also based on a letter of intent we received from Guangxi Liuzhou.

<u>Financial year ended</u>	<u>Annual cap for the sale of metallurgical manganese ore to Guangxi Liuzhou</u>
December 31, 2010	RMB10,000,000 (HK\$11,633,000)
December 31, 2011	RMB15,000,000 (HK\$17,449,500)
December 31, 2012	RMB15,000,000 (HK\$17,449,500)

<u>Financial year ended</u>	<u>Annual cap for the sale of natural discharge manganese dioxide sand to Guangxi Liuzhou</u>
December 31, 2010	RMB18,000,000 (HK\$20,939,400)
December 31, 2011	RMB18,000,000 (HK\$20,939,400)
December 31, 2012	RMB18,000,000 (HK\$20,939,400)

The annual caps for purchase of electrolytic bath are arrived at by multiplying the estimated price of this product based on management forecast and historical figures, after taking into account the projected demand for electrolytic bath particularly in the PRC market, and the potential price to be charged by Guangxi Liuzhou, for the three years ended December 31, 2012, with the estimated purchases from Guangxi Liuzhou in the corresponding periods. Our Directors expect that the demand for electrolytic bath by the Group will remain stable for the three years ended December 31,

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2012 to meet the Group's estimated production capacity. The increase of the amounts of the annual caps for the years of 2010, 2011 and 2012 as compared to the historical amounts is also attributable to the increasing demand for such products from the new development projects of Tiandeng New Materials and the phase two development of Tiandong New Materials. In arriving at the annual caps, our Directors have also taken into account the estimated common need for replacement for electrolytic bath due to wear and tear. We expect to purchase 1,000 pieces of electrolytic bath for each of 2010, 2011 and 2012 at an average estimated price of RMB5,000 per piece.

<u>Financial year ended</u>	<u>Annual cap for the purchase of electrolytic bath from Guangxi Liuzhou</u>
December 31, 2010	RMB5,000,000 (HK\$5,816,500)
December 31, 2011	RMB5,000,000 (HK\$5,816,500)
December 31, 2012	RMB5,000,000 (HK\$5,816,500)

(c) Framework agreement with purchase of products from Nanning Battery Plant ("Nanning Battery Plant Agreement")

On October 28, 2010, CITIC Dameng Mining entered into an agreement with Nanning Battery Plant pursuant to which CITIC Dameng Mining agreed to purchase packaging bags for manganese products produced by CITIC Dameng Mining from Nanning Battery Plant. The Nanning Battery Plant Agreement is for a period commencing from October 28, 2010 and ending on December 31, 2012. Under this agreement, the purchase amount of packaging bags for manganese products by CITIC Dameng Mining is not fixed but is to be determined and agreed between the parties from time to time. CITIC Dameng Mining is not required to purchase a minimum amount or any pre-defined quantity of packaging bags for manganese products from Nanning Battery Plant during the term of this agreement. In addition, the purchase price is not fixed and is to be determined in accordance with the then-prevailing market price. CITIC Dameng Mining shall enjoy a credit period of up to 30 days for its purchase from Nanning Battery Plant.

We purchased packaging bags from Nanning Battery Plant for our manganese products produced by us during the Track Record Period. Nanning Battery Plant was able to make timely delivery of quality packaging bags and given the working relationship established over the past years, Nanning Battery Plant is willing to accommodate to our orders of specific quantity and specifications. Our Directors believe that continued purchases from Nanning Battery Plant will be of benefit to our business operations.

For the years ended December 31, 2007, 2008 and 2009, the total amount paid by us for purchase of packaging bags for manganese products from Nanning Battery Plant amounted to HK\$4,729,670, HK\$7,755,976 and HK\$7,037,441, respectively.

The following annual caps are estimated by our Directors based on various factors including but not limited to (i) the planned production volume of the Group for the three years ended December 31, 2012 and (ii) the historical transaction values. The following annual caps are arrived at by multiplying the estimated price of packaging bags for manganese products based on management forecast and historical figures, after taking into account the potential price to be charged by Nanning Battery Plant for the three years ended December 31, 2012, with the estimated purchases from Nanning Battery Plant in the corresponding periods. Packaging bags sourced from Nanning Battery Plant are mainly used for packaging manganese products produced by us. Taking into account our projected increased production of manganese products for the three years ended December 31, 2012, our Directors believe that purchases from Guangxi Dameng will increase steadily for 2010, 2011 and 2012. The increase of the amounts of the annual caps for the years of

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2010, 2011 and 2012 as compared to the historical amounts is also attributable the increasing demand for such products following the commencement of production of Tiandeng New Materials and the increasing utilization of the production capacity of Tiandong New Materials. In arriving at the annual caps, the Directors have also taken into account the projected annual demand for the products of Nanning Battery Plant. Based on management forecast, it is estimated that for 2010, 2011 and 2012, Tiandong New Materials will need to procure such products in an amount of approximately HK\$4.7 million, HK\$5.2 million and HK\$6.4 million, respectively; Tiandeng New Materials will need to procure such products in an amount of approximately HK\$0.41 million, HK\$2.8 million and HK\$4.7 million, respectively; Chongzuo Branch will need to procure such products in an amount of approximately HK\$0.6 million, HK\$2.0 million and HK\$2.2 million, respectively; Daxin Branch will need to procure such products in an amount of approximately HK\$11.6 million, HK\$12.8 million and HK\$17.5 million, respectively.

<u>Financial year ended</u>	<u>Annual cap for the Nanning Battery Plant Agreement</u>
December 31, 2010	RMB15,000,000 (HK\$17,449,500)
December 31, 2011	RMB20,000,000 (HK\$23,266,000)
December 31, 2012	RMB25,000,000 (HK\$29,082,500)

(d) Framework agreement with sale of raw materials to Guangxi Hezhou (“Guangxi Hezhou Agreement”)

On October 28, 2010, CITIC Dameng Mining entered into an agreement with Guangxi Hezhou pursuant to which CITIC Dameng Mining agreed to sell natural discharge manganese dioxide and electrolytic manganese dioxide to Guangxi Hezhou for its internal production purposes. The Guangxi Hezhou Agreement is for a period commencing from October 28, 2010 and ending on December 31, 2012. Under this agreement, the sale amount of natural discharge manganese dioxide and electrolytic manganese dioxide to Guangxi Hezhou is not fixed but is to be determined and agreed between the parties from time to time. CITIC Dameng Mining is not required to sell a minimum amount or any pre-defined quantity of natural discharge manganese dioxide and electrolytic manganese dioxide to Guangxi Hezhou during the term of this agreement. In addition, the prices are not fixed and are to be determined in accordance with the then-prevailing market prices. CITIC Dameng Mining shall grant a credit period of up to 30 days to Guangxi Hezhou.

It is estimated that the demand for natural discharge manganese dioxide and electrolytic manganese dioxide from Guangxi Hezhou will increase in the future, and our Directors believe that sales to Guangxi Hezhou can enable us to enhance our sales channels and expand our market share for these products, which, in turn, will increase our sales revenue.

For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of natural discharge manganese dioxide to Guangxi Hezhou amounted to HK\$140,118, HK\$1,830,971 and HK\$5,420,375, respectively. For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of electrolytic manganese dioxide to Guangxi Hezhou amounted to nil, nil and HK\$3,746,450, respectively.

The following annual caps are estimated by our Directors based on various factors including but not limited to (i) the planned production volume of the Group for the three years ended December 31, 2012; (ii) the historical transaction values; and (iii) the expected increase in the business to be conducted by the Group under the Guangxi Hezhou Agreement.

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The following annual caps are arrived at by multiplying the estimated price of natural discharge manganese dioxide and electrolytic manganese dioxide based on management forecast and historical figures, after considering the projected demand for these products by Guangxi Hezhou and, particularly, in the PRC market, and the potential market prices for these products, for the three years ended December 31, 2012, with the estimated sales to Guangxi Hezhou in the corresponding periods. Our Directors believe that, as a general development trend for the business of the Group, it is expected that the transaction amounts tend to remain stable for 2010, 2011 and 2012 in respect of the sale of natural discharge manganese dioxide to Guangxi Hezhou whereas the sale of electrolytic manganese dioxide is expected to increase for 2010, 2011 and 2012. The increase of the amounts of the annual caps for the years of 2010, 2011 and 2012 as compared to the historical amounts is also attributable to the expected increase of production volume and capacity of Guangxi Hezhou with its increasing recognition of our products, in particular, our electrolytic manganese dioxide. We expect to sell approximately 3,000 tonnes, 3,000 tonnes and 3,000 tonnes of natural discharge manganese dioxide with an average estimated price of RMB3,300 per tonne to Guangxi Hezhou for the years ended December 31, 2010, 2011 and 2012, respectively. It is expected that we will sell approximately 700 tonnes, 1,000 tonnes and 1,500 tonnes of electrolytic manganese dioxide with an average estimated price of RMB10,000 per tonne to Guangxi Hezhou for the years ended December 31, 2010, 2011 and 2012, respectively. The estimated sale to Guangxi Hezhou for 2011 and 2012 is also based on a letter of intent we received from Guangxi Hezhou.

<u>Financial year ended</u>	<u>Annual cap for the sale of natural discharge manganese dioxide to Guangxi Hezhou</u>
December 31, 2010	RMB10,000,000 (HK\$11,633,000)
December 31, 2011	RMB10,000,000 (HK\$11,633,000)
December 31, 2012	RMB10,000,000 (HK\$11,633,000)

<u>Financial year ended</u>	<u>Annual cap for the sale of electrolytic manganese dioxide to Guangxi Hezhou</u>
December 31, 2010	RMB 7,000,000 (HK\$8,143,100)
December 31, 2011	RMB10,000,000 (HK\$11,633,000)
December 31, 2012	RMB15,000,000 (HK\$17,449,500)

(e) Framework agreement with sale of raw materials to Guangxi Wuzhou (“Guangxi Wuzhou Agreement”)

On October 28, 2010, CITIC Dameng Mining entered into an agreement with Guangxi Wuzhou pursuant to which CITIC Dameng Mining agreed to sell natural discharge manganese dioxide and electrolytic manganese dioxide to Guangxi Wuzhou for its internal production purposes. The Guangxi Wuzhou Agreement is for a period commencing from October 28, 2010 and ending on December 31, 2012. Under this agreement, the sale amount of natural discharge manganese dioxide and electrolytic manganese dioxide to Guangxi Wuzhou is not fixed but is to be determined and agreed between the parties from time to time. CITIC Dameng Mining is not required to sell a minimum amount or any pre-defined quantity of natural discharge manganese dioxide or electrolytic manganese dioxide to Guangxi Wuzhou during the term of this agreement. In addition, the prices are not fixed and are to be determined in accordance with the then-prevailing market prices. CITIC Dameng Mining shall grant a credit period of up to 30 days to Guangxi Wuzhou.

It is estimated that the demand for natural discharge manganese dioxide and electrolytic manganese dioxide from Guangxi Wuzhou will increase in the future, and our Directors believe that sales to Guangxi Wuzhou can enable us to enhance our sales channels and expand our market share for these products, which, in turn, will increase our sales revenue.

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For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of natural discharge manganese dioxide to Guangxi Wuzhou amounted to nil, HK\$4,691,887 and HK\$12,800,968, respectively. For the years ended December 31, 2007, 2008 and 2009, the total revenue from the sale of electrolytic manganese dioxide to Guangxi Wuzhou amounted to nil, HK\$296,581 and HK\$4,728,886, respectively.

The following annual caps are estimated by our Directors based on various factors including but not limited to (i) the planned production volume of the Group for the three years ended December 31, 2012; (ii) the historical transaction values; and (iii) the expected increase in the business to be conducted by the Group under the Guangxi Wuzhou Agreement.

The following annual caps are arrived at by multiplying the estimated price of natural discharge manganese dioxide and electrolytic manganese dioxide based on management forecast and historical figures, after considering the projected demand for these products by Guangxi Wuzhou and, particularly, in the PRC market, and the potential market prices for these products, for the three years ended December 31, 2012, with the estimated sales to Guangxi Wuzhou in the corresponding periods. Our Directors believe that the transaction amount tend to increase for 2010, 2011 and 2012. The increase of the amounts of the annual caps for the years of 2010, 2011 and 2012 as compared to the historical amounts is also attributable the expected increase of production volume and capacity of Guangxi Wuzhou with its increasing recognition of our products, in particular, our electrolytic manganese dioxide. We expect to sell approximately 4,000 tonnes, 5,000 tonnes and 5,000 tonnes of natural discharge manganese dioxide with an average estimated price of RMB3,000 per tonne to Guangxi Wuzhou for the years ended December 31, 2010, 2011 and 2012, respectively. It is expected that we will sell approximately 700 tonnes, 1,000 tonnes and 1,500 tonnes of electrolytic manganese dioxide with an average estimated price of RMB10,000 per tonne to Guangxi Wuzhou for the years ended December 31, 2010, 2011 and 2012, respectively. The estimated sale to Guangxi Wuzhou for 2011 and 2012 is also based on a letter of intent we received from Guangxi Wuzhou.

<u>Financial year ended</u>	<u>Annual cap for the sale of natural discharge manganese dioxide to Guangxi Wuzhou</u>
December 31, 2010	RMB12,000,000 (HK\$13,959,600)
December 31, 2011	RMB15,000,000 (HK\$17,449,500)
December 31, 2012	RMB15,000,000 (HK\$17,449,500)

<u>Financial year ended</u>	<u>Annual cap for the sale of electrolytic manganese dioxide to Guangxi Wuzhou</u>
December 31, 2010	RMB 7,000,000 (HK\$8,143,100)
December 31, 2011	RMB10,000,000 (HK\$11,633,000)
December 31, 2012	RMB15,000,000 (HK\$17,449,500)

(II) Agreement to source EMM processing services for electrolytic manganese metal from Guangxi Guilin (“Guangxi Guilin EMM Processing Services Agreement”)

On October 28, 2010, CITIC Dameng entered into an agreement with Guangxi Guilin pursuant to which CITIC Dameng Mining agreed to source processing services for electrolytic manganese metal from Guangxi Guilin. The Guangxi Guilin EMM Processing Services Agreement is for a period commencing from October 28, 2010 and ending on December 31, 2012. Under this agreement, the amount of processing services to be sourced from Guangxi Guilin is not fixed but is to be determined and agreed between the parties from time to time. CITIC Dameng is not required to provide processing services to Guangxi Guilin during the term of this agreement. In addition, the prices are not fixed and are to be determined in accordance with the then-prevailing market prices. CITIC Dameng Mining shall grant a credit period of up to 30 days for its processing services provided to Guangxi Guilin.

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The Group did not source any processing services from Guangxi Guilin for the three years ended December 31, 2009.

All of the following annual caps are estimated by our Directors based on various factors including but not limited to (i) the planned processing service volume of the Group for the three years ending December 31, 2012; and (ii) the expected increase in the businesses to be conducted by the Group under the Guangxi Guilin EMM Processing Services Agreement. Our Directors believe that, as a general development trend for the business of the Group, it is expected that the transaction amounts tend to remain stable for 2011 and 2012.

The following annual caps for the sourcing of processing services for electrolytic manganese metal from Guangxi Guilin are arrived at by multiplying the estimated demand for such services by our Group for the three years ending December 31, 2012, with the estimated prices to be charged by Guangxi Guilin for such services in corresponding periods based on management forecast and the price indicated in a processing service agreement between Guangxi Guilin and CITIC Dameng Mining in June 2010 for such services in 2010 taking into account the production capacity of Guangxi Guilin. It is expected that the transaction amounts will remain stable for 2011 and 2012. We expect to source the processing of approximately 6,600 tonnes, 20,000 tonnes and 20,000 tonnes of electrolytic manganese metal from Guangxi Guilin for the years ending December 31, 2010, 2011 and 2012, respectively. The sourcing of processing services for electrolytic manganese metal from Guangxi Guilin commenced in July 2010. Therefore, the annual caps for such transaction in 2011 and 2012 represent an increase as compared to the annual cap for such transaction in 2010 which only covers an effective period of less than six months. The expected increase in the sourcing of such services from Guangxi Guilin in 2011 and 2012 is due to the expansion of production capacity of Guangxi Guilin in 2011 and 2012 which could further meet our anticipated demand in 2011 and 2012. Pursuant to a processing service agreement between Guangxi Guilin and CITIC Dameng Mining in June 2010, Guangxi Guilin will charge approximately RMB7,500 per tonne for such service in 2010 subject to certain adjustment mechanism and on the basis that our Group will be responsible for supplying the raw materials. The Directors believe that the sourcing of processing of electrolytic manganese metal is beneficial to the Company's business to the extent that the Company could supply sufficient raw materials for such processing. In light of the anticipated increase of customers of electrolytic manganese metal and the improved market condition, the sourcing of such processing service is expected to help strengthen our market share and customer base in the market of electrolytic manganese metal.

<u>Financial year ending</u>	<u>Annual cap for the sourcing of processing services for electrolytic manganese metal from Guangxi Guilin</u>
December 31, 2010	RMB50,000,000 (HK\$58,165,000)
December 31, 2011	RMB150,000,000 (HK\$174,495,000)
December 31, 2012	RMB150,000,000 (HK\$174,495,000)

The Guangxi Guilin EMM Processing Services Agreement constitute continuing connected transactions subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. We have applied for and have obtained a waiver from the Hong Kong Stock Exchange from complying with the announcement and independent shareholders' approval requirements.

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(III) Outsourcing of underground mining work to Guangxi Xishan, Construction of mining infrastructure by Guangxi Xishan and provision of fuels, water and electricity to Guangxi Xishan (“Master Construction and Outsourcing Agreements”)

Guangxi Xishan is a substantial shareholder of our subsidiary, Guangxi Start and principally engages in mining business. In line with prevailing industry practice, we outsource our underground mining works at Daxin Mine to third party contractors. Historically, Guangxi Xishan is one of our third party contractors and has been providing to us underground mining services at Daxin Mine throughout the Track Record Period.

Prior to 2005, Guangxi Dameng entered into an agreement with Guangxi Xishan, pursuant to which Guangxi Xishan agreed to provide underground mining services at three different locations at Daxin Mine. After establishment of CITIC Dameng Mining in August 2005, in light of the long term working relationship with Guangxi Xishan at Daxin Mine and the continued quality mining services provided by Guangxi Xishan, CITIC Dameng Mining continued to engage Guangxi Xishan for undertaking underground mining services at these three locations at Daxin Mine and in order to regulate the arrangements, on October 28, 2010 CITIC Dameng Mining entered into a framework outsourcing agreement with Guangxi Xishan for a period commencing on October 28, 2010 and ending on December 31, 2012. Under the framework outsourcing agreement, Guangxi Xishan is required to meet certain production targets for its underground mining work at Daxin Mine including: a fixed volume of ores to be exploited by Guangxi Xishan on an annual basis, a range of objective standards applicable for ensuring quality of these ores, etc. In the event that Guangxi Xishan fails to meet these targets for three consecutive months, CITIC Dameng Mining is entitled to terminate the agreement. Pursuant to these agreements, CITIC Dameng Mining also agrees to provide fuels and water and electricity to Guangxi Xishan to facilitate its underground mining work with charges.

On December 4, 2007, CITIC Dameng Mining entered into a construction agreement with Guangxi Xishan, pursuant to which Guangxi Xishan agreed to undertake a construction project for building mining infrastructure at a selected location at Daxin Mine. Guangxi Xishan was selected to undertake this project through a public tender which was arranged and supervised by Guangxi Engineering Projects Tender Center (廣西機電工程招標中心), an Independent Third Party engaged by the Group, with a view to ensuring a fair and open selection process in finding an appropriate contractor. Under this agreement, CITIC Dameng Mining shall provide the designs and specifications required for the construction work. Guangxi Xishan shall complete the construction in accordance with such designs and quality standards, and is required to satisfy the technical parameters regarding their works as stipulated in the construction agreement. Our managerial and technical personnel manage and oversee the building works carried out by Guangxi Xishan. It is intended that upon completion of construction, our Company will engage Guangxi Xishan as a third party contractor to commence underground mining at such location, and our Company will enter a separate agreement with Guangxi Xishan to regulate this.

The transactions under the Master Construction and Outsourcing Agreements will be conducted in our ordinary and usual course of business and on normal commercial terms and conditions and such terms and conditions must not be less/more favorable than those available from/provided to Independent Third Parties. The initial unit price for ores exploited by Guangxi Xishan at Daxin Mine is agreed by the parties under the Master Construction and Outsourcing Agreements and will be subject to further negotiations between the parties and adjustments on the basis of the prevailing market prices from time to time. Fee for the provision of underground mining services by Guangxi Xishan is calculated by multiplying the unit price with the actual monthly volume of ores exploited by Guangxi Xishan at Daxin Mine.

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The prices for sale of fuels to Guangxi Xishan will be determined on the basis of the prevailing market prices for the fuels from time to time. Fees for provision of water and electricity to Guangxi Xishan will be charged on cost basis and be determined based on usage as measured by the relevant meters attributable to the usage by Guangxi Xishan.

Guangxi Xishan was selected as the contractor for construction of mining infrastructure at Daxin Mine through an open tender. The consideration for such construction work is calculated by reference to a formula which was proposed by Guangxi Xishan in the bid and subsequently agreed by CITIC Dameng Mining. Such formula, among other things, takes into account of the prevailing market prices for labor and construction materials.

The term of the Master Construction and Outsourcing Agreements will expire by December 31, 2012, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

For the years ended December 31, 2007, 2008 and 2009, the total amount of service fees in relation to the provision of underground mining services by Guangxi Xishan amounted to HK\$5,318,793, HK\$31,877,045 and HK\$25,336,723, respectively. For the years ended December 31, 2007, 2008 and 2009, the total amount of consideration paid to Guangxi Xishan for the construction work of mining infrastructure amounted to HK\$4,166,800, HK\$9,302,640 and HK\$17,814,790, respectively. For the years ended December 31, 2007, 2008 and 2009, the total amount of fees from provision of water and electricity to Guangxi Xishan amounted to nil, HK\$679,656 and HK\$785,508, respectively. For the years ended December 31, 2007, 2008 and 2009, the total amount of revenue from the sale of fuels to Guangxi Xishan amounted to HK\$76,174, HK\$338,028 and HK\$785,508, respectively.

In addition to Guangxi Xishan, we currently engage another contractor, Wenzhou Construction Group Co. (溫州市建設集團公司), which is an Independent Third Party, in provision of underground mining services at Daxin Mine. For the three years ended December 31, 2009 and the six months ended June 30, 2010, the total ores excavated at Daxin Mine by way of underground mining amounted to approximately 1.0 Mt; approximately 80.7% of the total ores, which amounted to 0.8 Mt, were exploited by Guangxi Xishan whereas the remaining 18.9%, which amounted to approximately 0.2 Mt, by Wenzhou Construction Group Co. To increase the utilization of our resources at Daxin Mine, we entered into an outsourcing contract with Guangxi Hechi City Construction Engineering Company Limited (廣西河池市建築工程公司), an Independent Third Party in January 2009. We did not experience any major disputes with Guangxi Xishan at Daxin Mine during the Track Record Period, and our Directors believe that the Group has established stable working relationships with Guangxi Xishan, which will continue to provide underground mining services to the Group pursuant to the terms of the Master Construction and Outsourcing Agreements. In the event that, due to any unforeseen reasons, Guangxi Xishan is not able to provide underground mining services to the Group, our Directors believe that we can either procure more services from Wenzhou Construction Group Co., or alternatively, engage other third party contractors with similar professional qualifications, technical and financial capacities and production safety record at reasonably comparable fees. As such, we are of the view that the Group is not dependent on Guangxi Xishan in provision of underground mining services to the Group.

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It is expected that the total maximum annual caps for transactions under the Master Construction and Outsourcing Agreements for the financial years ended December 31, 2012 will be as follows:

<u>Financial year ended</u>	<u>Annual cap for the provision of underground mining services by Guangxi Xishan</u>
December 31, 2010	RMB35,000,000 (HK\$40,715,500)
December 31, 2011	RMB45,000,000 (HK\$52,348,500)
December 31, 2012	RMB45,000,000 (HK\$52,348,500)

The above caps have been prepared by our Company taking into account of the historical transaction values, and based on our anticipated future demand on the basis of management forecast on the mining activities in Daxin Mine including the expansion project at Daxin Mine that is expected to increase the underground mining capacity at Daxin Mine up to 600,000 tpa. and projected future costs for obtaining underground mining services particularly in the PRC market, for the years ended December 31, 2012. It is expected that due to our expected growth in mining activities in Daxin Mine including the expansion project at Daxin Mine that is expected to increase the underground mining capacity at Daxin Mine up to 600,000 tpa., we estimate that our demand for such services will increase steadily in 2010, 2011 and 2012. It is expected that the crude ores from the underground mining service from Guangxi Xishan will be 300,000 tonnes, 350,000 tonnes and 400,000 tonnes with an average estimated fees of RMB115 per tonne, RMB140 per tonne and RMB150 per tonne, for the years ended December 31, 2010, 2011 and 2012, respectively. In arriving at the annual caps, our Directors have also taken into account the anticipated increased labour cost and cost associated with safety control measures.

<u>Financial year ended</u>	<u>Annual cap for the construction of infrastructure for underground mining work by Guangxi Xishan</u>
December 31, 2010	RMB40,750,000 (HK\$47,404,475)
December 31, 2011	RMB60,000,000 (HK\$69,798,000)
December 31, 2012	RMB60,000,000 (HK\$69,798,000)

The above caps have been prepared by our Company by reference to the formula for computing the consideration for construction work to be performed by Guangxi Xishan as agreed by the parties under the construction agreement. Such formula, among other things, takes into account of the prevailing market prices for labor and construction materials. Based on the projected future labor costs and prices of construction materials for the years ended December 31, 2010, 2011 and 2012, and the increased intensity of the construction work towards completion including the expansion project at Daxin Mine that is expected to increase the underground mining capacity at Daxin Mine up to 600,000 tpa. and which has a total budget of HK\$380.4 million. The Directors are of the view that the annual caps for fees payable to Guangxi Xishan will increase steadily in the next three years ended December 31, 2012.

<u>Financial year ended</u>	<u>Annual cap for the sale of fuels to Guangxi Xishan</u>
December 31, 2010	RMB1,000,000 (HK\$1,163,300)
December 31, 2011	RMB1,200,000 (HK\$1,395,960)
December 31, 2012	RMB1,500,000 (HK\$1,744,950)

The above caps have been prepared primarily based on the estimated demand of Guangxi Xishan for taking into account the increase in underground mining undertaken by Guangxi Xishan and projected future prices of the fuels for the years ended December 31, 2010, 2011 and 2012. It is expected that the demand for the fuels by Guangxi Xishan will increase steadily in the next three years ended December 31, 2012 in line with the expected increase of the underground mining services and the construction of infrastructure by Guangxi Xishan.

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Financial year ended	Annual cap for the provision of water and electricity to Guangxi Xishan
December 31, 2010	RMB1,500,000 (HK\$1,744,950)
December 31, 2011	RMB1,700,000 (HK\$1,977,610)
December 31, 2012	RMB2,000,000 (HK\$2,326,600)

The above caps have been prepared primarily based on the historical transaction values and our estimate of the consumption of water and electricity by Guangxi Xishan for the three years ended December 31, 2012 taking into account the increase in underground mining undertaken by Guangxi Xishan and our assumption that the local government will not increase substantially the charges for supply of water and electricity in the near future. The increase of the amounts of the annual caps for the years of 2010, 2011 and 2012 as compared to the historical amounts is also in line with the expected increase of the underground mining services and the construction of infrastructure by Guangxi Xishan and the trend indicated by the historical amounts of such transaction for the three years ended December 31, 2009 and the seven months ending July 31, 2010.

The Master Construction and Outsourcing Agreements constitute continuing connected transactions subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. We have applied for and have obtained a waiver from the Hong Kong Stock Exchange from complying with the announcement and independent shareholders' approval requirements.

Waiver from the Stock Exchange

Under the Listing Rules, the highest applicable ratio, as defined under Rule 14.07 of the Listing Rules, of the continuing connected transactions contemplated under the Guangxi Dameng Framework Agreements, the Guangxi Guilin EMM Processing Services Agreement and the Master Construction and Outsourcing Agreements as described above is expected to exceed 5%. As such, these transactions are considered to be non-exempt continuing connected transactions under Rules 14A.45 to 14A.47 of the Listing Rules and are subject to reporting, announcement and the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules.

In respect of the continuing connected transactions contemplated under the Integrated Services Framework Agreement as the highest applicable ratio as set out in Rule 14.07 of the Listing Rules, where applicable, is, on an annual basis, expected to be less than 5% but more than 0.1%, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Accordingly, we have requested the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has agreed, to grant a waiver to our Company from strict compliance with the announcement and/or independent shareholders' approval requirements relating to continuing connected transactions under the Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

Each of the continuing connected transactions referred to in the paragraph headed "Non-exempt Continuing Connected Transactions" is for a term of three years, renewable at the option of our

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Company. The renewal of the term of each of these continuing connected transactions will have to comply with the rules applicable to connected transactions under the Listing Rules.

If any of the materials terms of the agreements or arrangements referred to above are altered (unless as provided for under the terms of the relevant agreement or arrangement) or if our Company enters into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration paid or payable by us in each year exceed the limits referred to in the Listing Rules, we will comply with the provisions of Chapter 14A of the Listing Rules dealing with continuing connected transactions.

Confirmation in relation to the continuing connected transactions

Our Directors (including our independent non-executive Directors) and the Joint Sponsors confirm that the continuing connected transactions described above and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of our business, on normal commercial terms, terms of the relevant agreements are fair and reasonable and in the interests of our Shareholders as a whole.

Related party transactions

Certain transactions, which are continuing or discontinuing in nature, have occurred between members of the Group and the Retained Group or Guangxi Dameng and its subsidiaries during the Track Record Period, constitute or constituted related party transactions of our Company pursuant to Hong Kong Accounting Standard 24 “Related Party Disclosures”. Our Directors are of the view that the related party transactions are and were carried out in the ordinary and usual course of business and on normal commercial terms. Please refer to note 33 to the Accountants’ Report in Appendix I to this prospectus for details of the significant related party transactions.