



Connected Transaction

The following connected transaction has been carried out by the Group as at 30 June 2003:

Yixing Xinxing Zirconium Co., Ltd. ("Yixing Zirconium"), a wholly-owned subsidiary of the Company, entered into a transfer agreement with Jiangsu Yixing Chemicals Group Corporation ("Xinxing Chemicals") on 30 June 2003 to acquire the land use right of a piece of land and six buildings erected thereon for starting up a new plant at a consideration of RMB5,180,000, based on the valuation of an independent certified valuer.

Xinxing Chemicals is wholly owned by Mr. Yang Xin Min who is the controlling shareholder of the Company, holding 71.25% of the issued share capital of the Company. Pursuant to the Listing Rules, Xinxing Chemicals was a connected person of the Group and the transfer agreement constituted a connected transaction of the Group.

The acquisition was conducted in the ordinary and usual course of business of the Group, and the terms of the transfer agreement were entered on arm's length basis. As the land and buildings acquired were located next to the current zirconium chemicals production plants which can in turn provide the new plant with a continuous production flow, low transportation costs and streamline the production of Yixing Zirconium, the directors and independent non-executive directors considered that the transaction was fair and reasonable and in the interest of the Group, and would benefit the Group's development in the long run.