SUMMARY

OVERVIEW

We are the largest scrap metal recycling company in China based on our revenue of HK$6.5 billion for the year ended 31 December 2008, according to a survey conducted by the China Association of Metal Scrap Utilization, or CAMU, among its members.* We purchase scrap steel, scrap copper and other scrap metal from both overseas and domestic suppliers and use heavy equipment and manual labour to separate the scrap into its various metal components and produce recycled scrap metal products that meet our customers' needs in terms of size, purity and other requirements. We also resell a portion of the scrap metal we purchase without further processing if it meets our customers' requirements. Our products are used by metal manufacturers in China in the production of new crude steel and other non-ferrous metals. These materials, in turn, are used in the production of a wide range of end products, including construction materials, heavy equipment, automobiles, aircraft, ships and household appliances.

We have recycling facilities in key metal producing regions in China with high demand for recycled scrap metal. Our current recycling facilities are located in Guangdong Province, Jiangsu Province and Hong Kong, with a total designed annual production capacity of approximately 1.6 million metric tons. We are in the process of establishing new recycling facilities in Tianjin, Zhejiang Province and Jiangsu Province, which we expect to complete by the end of the third quarter of 2009. These facilities are expected to almost double our designed annual production capacity to approximately 3.1 million metric tons. In addition, in 2010 we plan to open a new recycling facility in Hubei Province in central China with a designed annual production capacity of approximately 0.5 million metric tons. We expect to incur capital expenditures of approximately HK$134.0 million in 2009 primarily in connection with the establishment of these new facilities. By establishing a network of operations in multiple key metal producing regions in China, we are able to efficiently allocate resources and capitalise on pricing differences between regions for raw materials and recycled scrap metal. Our facilities also have convenient access to waterways, which provide a low cost and efficient means of transportation for both raw materials and recycled scrap metal.

China has experienced significant growth in the consumption of steel in the past few years due to China's rapid development and industrialisation. From 2003 to 2007, consumption of steel in China grew at a CAGR of 13.9%. Steel is produced by either refining iron ore in a blast furnace or melting recycled scrap steel in an electric arc furnace. The electric arc furnace process uses scrap steel as the primary raw material for the production of new crude steel. The blast furnace process uses iron ore as the primary raw material for production, and uses scrap steel to cool the molten metal to add efficiency to the production process. The electric arc furnace process has significant advantages over the blast furnace process, including consuming less energy, creating less pollution and reducing demands on natural resources by using recycled scrap as the principal raw material. According to CAMU, the electric arc furnace process consumes approximately 60% less energy and

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* Information regarding our ranking in the metal recycling industry in China is based on a confirmation from CAMU. CAMU members include large scrap steel recycling companies and other enterprises engaged in metal recycling in the PRC. CAMU regularly conducts surveys among its members in which members provide data on volume, sales and other operating information requested by CAMU. To our Directors' knowledge, no other industry statistics with respect to ranking in the PRC metal recycling industry are available. Our Chairman, Chief Executive Officer and Controlling Shareholder, Mr. Chun Chi-wai, is a standing committee member of CAMU, but he was not involved in compiling the ranking confirmation by CAMU.

approximately 40% less water and discharges approximately 97% less waste. Due to these benefits, there has been a trend towards electric arc furnace steelmaking, and in 2005 the PRC Government adopted a Steel Policy which has as one of its principal goals an increase in the role of scrap steel in the production of steel in China. We believe these factors create strong growth opportunities in our industry.

China has also experienced significant growth in the consumption of copper and other non-ferrous metal in the last few years. From 2004 to 2007, consumption of copper and other non-ferrous metal in China grew at a CAGR of 20.4%. However, copper resources are in relatively short supply in China, with domestic copper ore resources characterised by small scale mines, low grade ore, ore deposits mined for other minerals and high exploration costs. As a result, we expect demand for secondary copper, which are concentrates produced from scrap copper, in China to strengthen over time. Our production facilities are located in areas with significant demand for scrap copper and other non-ferrous scrap metal, including the Yangtze River Delta, the Bohai Sea Ring Area and the Pearl River Delta. According to the "2008 Report for China's Copper Market" by CBI China, approximately 75.6% of China's total production of secondary copper in 2008 was produced in these three areas. In addition, approximately 83.0% of the copper processed in China in 2008 was processed in these three areas, and approximately 79.4% of China's copper processing enterprises in 2008 were located in these three areas.

The scrap metal that we recycle comes from a variety of sources, including scrap metal from household appliances and the construction and manufacturing industries. Our principal suppliers include private enterprises in the PRC engaged in the business of collecting unprocessed scrap metal and foreign scrap metal collection companies. We produce quality recycled scrap metal products that have the metal content, size and shape to meet customer specifications and market demand. Our customers are primarily large steel and copper manufacturers in the PRC, both private enterprises and state-owned entities, and scrap metal resellers. During the Track Record Period, our business relied to a significant extent on a limited number of major customers and suppliers. However, we have successfully expanded both our customer and supplier bases in recent periods to lessen our reliance on major customers and suppliers. For example, the number of major customers increased from one in 2005 to 16 in 2008, and the number of major raw material suppliers increased from three in 2005 to 21 in 2008. For the years ended 31 December 2006, 2007 and 2008, sales to our five largest customers in the aggregate accounted for approximately 97.3%, 99.3% and 73.2% of our total revenue, respectively, and purchases from our five largest suppliers represented approximately 71.0%, 64.1% and 42.6% of our total purchases of raw materials, respectively.

We generated revenue of HK$1,090.3 million, HK$1,942.4 million and HK$6,526.6 million, respectively, in 2006, 2007 and 2008, representing a CAGR of 144.7%. The increase in revenue from 2006 to 2007 was primarily due to an increase in sales volume of non-ferrous metal and an increase in the average sales price per metric ton of our products. Sales of scrap copper and other non-ferrous scrap metal increased from approximately 56.0% of our total revenue in 2006 to approximately 64.9% of our total revenue in 2008. The results for the year ended 31 December 2008 reflect our acquisition of Zhangjiagang Rongli in January 2008, the opening of new production facilities in Guangzhou and Tianjin in 2008 and increased sales to external customers by our Macau subsidiary in 2008.

We have also significantly enhanced our profitability during the Track Record Period, generating a profit for the year of HK$95.4 million, HK$178.7 million and HK$307.9 million in 2006, 2007 and 2008, respectively, representing a CAGR of 79.7%. Our gross margin was 10.9%, 12.4% and 7.6% in 2006, 2007 and 2008, respectively. The decrease in our gross margin in 2008 was primarily due to the acquisition of Zhangjiagang Rongli, which has historically had a lower gross margin than the Group due to the relatively small size of its production facility. With limited operating space, Zhangjiagang Rongli's operations in 2008 were primarily focused on collecting scrap metal that required limited processing, like simple separation and cutting, which resulted in lower value being added in the recycling process and therefore lower gross margins. In December 2008, we relocated Zhangjiagang Rongli's operations to a larger facility with a view to improving its operating efficiency and operating results. Separate financial information for Zhangjiagang Rongli for the period ended 31 December 2007 is included in Appendix II to this document.

The recent disruptions in the credit markets have not had a significant impact on the financing of our operations, which we have financed primarily through cash generated from operations and existing cash and bank balances, including proceeds from the Senior Notes we issued in October 2007, capital contributions from our Controlling Shareholder and, to a lesser extent, bank borrowings. As of 31 December 2008, approximately 21.1% of our total assets was financed by bank borrowings and discounted bills. As of the Latest Practicable Date, the Directors confirmed that we had not received demands for repayment of any outstanding indebtedness prior to its stated maturity, nor had we experienced disruptions in the availability of financing on satisfactory terms under our existing credit facilities.

The recent downturn in the United States and other major economies, and the slowing economic growth in the PRC, has had a significant impact on commodity prices, including the prices of steel, copper and other metals. This has resulted in a decrease in the price of both the raw materials we purchase and the recycled scrap metal products we sell. For example, the price of scrap steel in the PRC decreased from RMB4,000 per metric ton in July 2008 to RMB2,400 per metric ton in December 2008, representing a decrease of approximately 40.0%. Our exposure to fluctuations in metal prices is primarily the risk of price changes between the time we commit purchase orders with suppliers and the time we confirm sales with customers. Our results for 2008 were adversely affected in part by the rapid decline in metal prices in the second half of the year. In response to the decline in metal prices, we adopted tighter inventory management policies to reduce the time between the purchase of raw materials and sales to our customers. We shortened our average inventory turnover days from 15 days for the six months ended 30 June 2008 to 12 days for the year ended 31 December 2008 through improved coordination amongst our purchasing, production and sales functions. Approximately 97.1% of our inventory as of 31 December 2008 had been sold to customers by 31 March 2009. As of the Latest Practicable Date, we had not experienced a significant pileup of inventory.

Since the onset of the global financial crisis, there has been a general tightening of credit with customers and suppliers, and we as well as our suppliers have been placing greater emphasis on timely collection of receivables. Our turnover days of average trade receivables and bills receivable increased slightly from 47 days for the six months ended 30 June 2008 to 52 days for the year ended 31 December 2008, while our turnover days of average trade payables decreased from 19 days for the six months ended 30 June 2008 to 14 days for the year ended 31 December 2008. However, our working capital turnover days have been relatively stable during this period, increasing slightly from 43 days for the six months ended 30 June 2008 to 50 days for the year ended 31 December 2008. As a result, the Directors believe there has been no significant impact on our cash flow position since 30 June 2008.

Although metal prices have declined, demand for our recycled scrap metal products has remained relatively stable as of the Latest Practicable Date. Our Directors believe this is due to the sharper decrease in the cost of scrap steel compared to the cost of iron ore since the middle of 2008, which encourages the use of scrap steel in steel production, as well as a general trend towards electric arc furnace steelmaking in the PRC. The Directors expect demand for recycled scrap metal in the PRC to continue to be relatively stable over the next few quarters as a result of continued economic growth in the PRC, the recently announced stimulus measures in the PRC and the trend towards electric arc furnace steelmaking. Accordingly, the Directors do not expect the recent disruptions in the credit markets, the economic downturns or the declines in metal prices to have a significant impact on our expansion plans. Nevertheless, we intend to monitor these developments and their impact on our industry and business, and adjust our expansion plans to the extent we believe it to be appropriate. We cannot assure you that developments in the financial markets, the downturn in the United States or other major economies or the slowdown in the PRC economy will not have a material adverse effect on our business, financial condition or results of operations.

OUR COMPETITIVE STRENGTHS

We believe there are significant opportunities for growth in the scrap metal recycling industry and that we are well positioned to benefit from these opportunities. We believe we have the following principal competitive strengths:

- We are the largest scrap metal recycling company in China, based on revenue for 2008 according to CAMU, and have broad geographic coverage;
- Our production facilities are strategically located in areas with high demand for recycled scrap metal, strong supply of raw materials and convenient access to water transportation;
- We have a strong profile of quality customers and an expanding procurement network;
- We are an efficient recycled scrap metal producer and utilise advanced equipment to produce quality recycled scrap metal products; and
- We have an experienced and dedicated senior management team.

OUR BUSINESS STRATEGIES

Our goal is to maximise shareholder value and enhance our market position in the scrap metal recycling industry in China. To achieve this, we plan to continue to capitalise on opportunities to leverage our competitive strengths and implement the following strategies:

- Strengthen our leading position in southern China, and capitalise on our advanced equipment and experience to expand in northern, eastern and central China;
- Enhance our operating efficiency through further investment in advanced equipment;
- Expand our customer base and our supply network;
- Further develop our management team and recruit and retain quality staff; and
- Expand our capacity or regional coverage through selective acquisitions.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, the selected financial data from our consolidated financial information. You should read the summary historical consolidated financial information below in conjunction with the Accountants' Reports for the Group and for Zhangjiagang Rongli, our subsidiary acquired in January 2008, in Appendices I and II to this document, which have been prepared in accordance with Hong Kong Financial Reporting Standards, or HKFRS.

Summary consolidated income statement data

	Year ended 31 December		
	2006	2007	2008
	HK$'000	HK$'000	HK$'000
Revenue	1,090,338	1,942,400	6,526,594
Cost of sales	(971,752)	(1,701,013)	(6,031,534)
Gross profit	118,586	241,387	495,060
Other income	2,607	11,975	21,998
Distribution and selling expenses	(1,991)	(3,832)	(7,804)
Administrative expenses	(11,745)	(20,306)	(49,756)
Change in fair value of derivative financial instruments	2,730	(6,446)	16,181
Finance costs	(13,999)	(39,419)	(147,413)
Share of result of an associate	4,047	3,710	2,654
Profit before taxation	100,235	187,069	330,920
Income tax expense	(4,855)	(8,342)	(23,007)
Profit for the year	95,380	178,727	307,913
Attributable to:			
Equity holders of the Company	46,626	137,691	294,431
Minority interests	48,754	41,036	13,482
	95,380	178,727	307,913
Dividends	16,879	90,000	—
	HK$	HK$	HK$
Earnings per share[(1)]			
— basic	9.34	0.26	0.42
— diluted	N/A	0.26	0.42

(1) Earnings per Share is calculated assuming the [●] described in this document occurred at the beginning of the relevant period. Our earnings per Share decreased from HK$9.34 in 2006 to HK$0.26 in 2007 primarily due to the increase in the weighted average number of Shares used in calculating earnings per Share, from 5.0 million Shares in 2006 to 533.4 million Shares in 2007, as a result of the capitalisation of shareholders' loans of HK$40.6 million in December 2006. Our earnings per Share increased from HK$0.26 in 2007 to HK$0.42 in 2008 due to an increase in profit for the year attributable to equity holders of the Company, offset in part by an increase in the weighted average number of Shares, from 533.4 million Shares in 2007 to 700.0 million Shares in 2008, primarily due to a capital contribution of HK$234.0 million from Wellrun in February 2008 from the proceeds of the Exchangeable Notes.

Summary consolidated balance sheet data

	As of 31 December		
	2006	2007	2008
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	47,444	50,070	82,537
Inventories	65,186	144,691	257,536
Trade and other receivables and deposits	173,943	803,715	835,573
Bills receivable	107,594	40,689	304,601
Pledged bank deposits	55,053	117,772	72,455
Bank balances and cash	43,299	277,798	343,293
Total assets	583,274	1,585,317	2,102,263
Trade and other payables	101,446	421,908	52,330
Discounted bills	107,594	28,333	304,601
Secured bank borrowings	161,676	189,525	139,573
Senior Notes	—	624,718	696,724
Total liabilities	373,768	1,272,031	1,205,911
Net current assets	102,186	766,983	630,797
Net assets	209,506	313,286	896,352
Equity attributable to equity holders of the Company	100,224	278,527	831,554

OTHER DATA

Set out below is our average sales price per metric ton for recycled scrap ferrous and non-ferrous metal for each of the periods indicated. The fluctuations in the average sales price are primarily due to price movements of the relevant metals in the underlying commodity markets and product mix for non-ferrous metals.

	Year ended 31 December		
Average sales price per metric ton	2006	2007	2008
	HK$	HK$	HK$
Ferrous metals	1,822	2,368	3,785
Non-ferrous metals	51,944	55,989	38,481(1)

(1) The decrease in the average sales price per metric ton of recycled scrap non-ferrous metal in 2008 compared to 2007 was primarily due to a decrease in the price of copper, from HK$55,989 per metric ton in 2007 to HK$51,644 per metric ton in 2008, and a greater percentage of sales from recycled scrap stainless steel and aluminium, which had a lower price than copper. Copper accounted for approximately 67.6% of sales of recycled scrap non-ferrous metal (by volume) in 2008 and approximately 99.9% in 2007.

The following table sets forth our sales volume (both in metric tons and as a percentage of total sales volume) and revenue (both in Hong Kong dollars and as a percentage of total revenue) for sales of recycled scrap ferrous and non-ferrous metal for each of the periods indicated:

	Year ended 31 December											
Product	**2006**				**2007**				**2008**(1)			
	Sales Volume (metric tons)	**%**	**Sales (HK$'000)**	**%**	**Sales Volume (metric tons)**	**%**	**Sales (HK$'000)**	**%**	**Sales Volume (metric tons)**	**%**	**Sales (HK$'000)**	**%**
Ferrous metals	263,093	95.7	479,481	44.0	296,886	93.1	703,032	36.2	605,385	84.6	2,291,541	35.1
Non-ferrous metals .	11,760	4.3	610,857	56.0	22,136	6.9	1,239,368	63.8	110,055	15.4	4,235,053	64.9
Total	274,853	100.0	1,090,338	100.0	319,022	100.0	1,942,400	100.0	715,440	100.0	6,526,594	100.0

(1) Results for 2008 reflect the acquisition of Zhangjiagang Rongli in January 2008.

DIVIDEND POLICY

The payment and amount of any dividends to our shareholders will depend on our results of operations, cash flows, financial condition, contractual, statutory and regulatory restrictions on the payment of dividends by us or our subsidiaries, our prospects and other factors that our Directors may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The payment and amount of dividends will be subject to the discretion of our Directors.

Our ability to pay dividends will also depend upon the amount of distributions, if any, received from our subsidiaries. Under PRC law and regulations, dividends may be paid by our subsidiaries only after they have established the required statutory surplus reserve and the required income tax has been paid. See the section headed "Risk Factors — Risks Relating to Our Business — We are a holding company and rely on dividend payments from our subsidiaries and associated companies."

To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our business. The dividends that we have paid in the past should not be used as a reference or basis to determine the level of dividends that we may declare or pay in the future, and we cannot assure you that we will be able to declare or pay any dividends in the future.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Please refer to "Appendix VI — Summary of the Constitution of our Company and Cayman Company Law" to this document.

Subject to the factors described above, the Board of Directors currently intends to recommend at the relevant shareholders meetings an annual dividend of approximately 20% of the profit attributable to equity holders of our Company for the year ending 31 December 2009.

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2009

Forecasted consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2009[1] ....not less than HK$ million

(1) The bases and assumptions on which the above profit forecast for the six months ending 30 June 2009 have been prepared are summarised in Appendix IV to this document. Under the terms of the Senior Notes, in the event that the Senior Notes are redeemed between interest payment dates (23 April and 23 October), the Company is required to pay accrued coupon interest to the next interest payment date. The Directors expect to redeem the Senior Notes between 23 April 2009 and 23 October 2009, and all the related interest expenses in an amount of approximately HK$116 million, which represents the interest accrued from 1 January 2009 to 23 October 2009, are expected to be incurred in the forecast period for the six months ending 30 June 2009, and no such interest expenses are expected to be incurred after 30 June 2009.

RISK FACTORS

Our operations are subject to a number of risks and uncertainties. A description of certain of these risk and uncertainties is set forth in the section headed "Risk Factors" in this document. We have categorised these risks and uncertainties into (i) risks relating to our business, (ii) risk relating to our industry; (iii) risks relating to the PRC, and (iv) risks relating to the Shares.

Risks relating to our business

- We may be adversely affected by the global financial crisis and disruptions in the financial markets;
- We require a high level of working capital to sustain our operations and overall growth;
- Our expansion plans may not be successful;
- Our business and prospects depend heavily on the performance of the metal and metal consuming industries in China;
- Our operations are heavily dependent on our key management;
- We rely on a few major customers;
- We rely on our major suppliers;
- We may not be able to successfully integrate newly acquired businesses or achieve expected profitability from our acquisitions;
- Our acquisition of Zhangjiagang Rongli adversely affected our profitability in 2008 and we may not be successful in significantly improving Zhangjiagang Rongli's profitability;
- Our business requires significant capital investments;
- A material disruption of our operations could adversely affect our business;
- Shortages of electricity could adversely affect our customers' and our business, and increases in the price of electricity could increase our costs and lower our profitability;
- We may be subject to liability in connection with industrial accidents at our production facilities;
- We may experience difficulties in recruiting or retaining key personnel;
- Rising interest rates would increase our borrowing costs;
- Our interests may conflict with those of our joint venture partners;
- Our import license for scrap metal and other licenses are subject to renewal from time to time or inspection by the PRC Government;
- We may not have adequate insurance coverage for our potential losses and liabilities;
- We are subject to foreign exchange exposure;

- We may incur higher income tax expenses due to changes in income tax law in Macau;
- Fluctuations in the value of the Renminbi may adversely affect demand for Chinese products, including those that contain steel and other metal and the value of dividends payable to us from our subsidiaries in the PRC;
- We are a holding company and rely on dividend payments from our subsidiaries and associated companies;
- We are subject to risks related to transportation systems;
- The interests of our Controlling Shareholder may differ from those of our other shareholders; and
- The lease and use of facilities may be adversely affected due to the lack of registration.

Risks relating to our industry

- The PRC Government may adopt measures to slow down growth in the metal manufacturing industry and other metal consuming industries, thereby adversely affecting the demand for recycled scrap metal;
- Our business is affected by fluctuations in the price of raw materials and products;
- Our industry is subject to economic and market conditions in China and other countries;
- We operate in a highly competitive industry; and
- Our business is subject to seasonality.

Risks relating to the PRC

- The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business;
- The PRC legal system has inherent uncertainties that could limit the legal protections available to us and may cause difficulties in the enforcement of judgments in China;
- Changes in foreign exchange and other regulations may adversely affect our results of operations;
- We may incur higher income tax expenses due to changes in the PRC income tax law;
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws;
- Our operations are subject to comprehensive environmental regulation and involve significant expenditures for compliance with regulations; and
- An outbreak of avian influenza or H1N1 influenza A or a recurrence of SARS or any other similar epidemic may, directly or indirectly, adversely affect our operating results and the market price of our Shares.

Risks relating to the Shares

- Dividends paid in the past are not indicative of the amount of future dividend payments or our future dividend policy;
- The industry statistics contained in this document that are derived from government official sources which may not be reliable; and
- You should read the entire document carefully and rely only on the information contained in this document in making your investment decision. We strongly caution you not to place any reliance on any information contained in press articles or other media reports not prepared or approved by us.

SENIOR NOTES, LISTCO WARRANTS AND EXCHANGEABLE NOTES

The following table shows the names of the holders of the Senior Notes, the respective principal amount and percentage of the Senior Notes and the number of Listco Warrants held by them:

Name of the Holders	Principal Amount of the Senior Notes (US$)	Percentage held by purchasers of Senior Notes	Number of Listco Warrants
UBS Limited	25,000,000	31.25%	50
Spinnaker Global Emerging Markets Fund Ltd.	14,000,000	17.50%	28
Spinnaker Global Opportunity Fund Ltd.	9,000,000	11.25%	18
Spinnaker Global Strategic Fund Ltd.	12,000,000	15.00%	24
The ADM Maculus Fund III L.P.	20,000,000	25.00%	40
Total	80,000,000	100.00%	160

The following table shows the names of the holders of the Exchangeable Notes and the respective principal amount and percentage of the Exchangeable Notes held by them:

Name of the Holders	Principal Amount of the Exchangeable Notes (US$)	Percentage held by holders of Exchangeable Notes
Spinnaker Global Emerging Markets Fund Ltd.	6,000,000	20.0%
Spinnaker Global Opportunity Fund Ltd.	3,750,000	12.5%
Spinnaker Global Strategic Fund Ltd.	5,250,000	17.5%
The ADM Maculus Fund III L.P.	15,000,000	50.0%
Total	30,000,000	100.0%

Senior Notes and Listco Warrants

We issued US$80.0 million aggregate principal amount of Senior Notes in October 2007 to a group of institutional investors. The Senior Notes bear coupon interest at 8.5% per annum, payable semi-annually in arrears. The Senior Notes are secured by substantially all of our assets outside of the PRC and a pledge of our Shares and the shares of our subsidiaries. The Senior Notes are also guaranteed by certain of our subsidiaries. Under the terms of the indenture governing the Senior Notes, we are required to redeem the Senior Notes in cash on 23 October 2009, being the maturity date of the Senior Notes, or upon the [●], whichever is earlier. In the event that the Senior Notes are redeemed between coupon interest payment dates, which are 23 April and 23 October of each year, we are required to pay the principal amount of the Senior Notes together with accrued and unpaid coupon interest to the next interest payment date.

In connection with the issuance of the Senior Notes, we also issued 160 Listco Warrants to the purchasers of the Senior Notes. The Listco Warrants are exercisable only upon a primary public offering of the Shares on an internationally recognised stock exchange acceptable to the holders of the Senior Notes, which includes the Stock Exchange. At the election of each holder of the Listco Warrants, the Shares issuable upon exercise of such Listco Warrants may be either (i) physically settled, in which case such Shares will be issued to such holder no later than 10 days after the date of exercise, or (ii) cash settled. Listco Warrantholders may physically settle a portion of their Listco Warrant and cash settle the remaining portion.

Exchangeable Notes

On 1 February 2008, Wellrun, which is wholly owned by Mr. Chun Chi-wai, issued the Exchangeable Notes in the aggregate principal amount of US$30.0 million to a group of institutional investors. Wellrun currently owns all of our issued Shares. The Exchangeable Notes, which do not bear coupon interest, are exchangeable into our Shares owned by Wellrun. As a result, the Exchangeable Notes will not result in the issuance of additional Shares by us. Wellrun contributed the net proceeds it received from the sale of the Exchangeable Notes to us as a capital contribution. The proceeds from the issue of the Exchangeable Notes were principally applied towards financing the activities of our Company, and used by members of our Group for the acquisition of fixed assets including land and machinery. The Exchangeable Notes are secured by all of Wellrun's assets and all of its issued share capital. The collateral securing the Exchangeable Notes will be released when the Exchangeable Notes are exchanged for Shares upon the [●] and/or all the secured liabilities under the Exchangeable Notes have been paid and discharged in full.

Wellrun is required to exchange Shares held by it for the Exchangeable Notes upon the occurrence of an equity offering by us that results in aggregate proceeds to us at least equal to the aggregate outstanding principal amount of the Exchangeable Notes at the time, together with accrued interest and the premium payable, if any, with respect to such Exchangeable Notes.