

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVERS FROM THE STOCK EXCHANGE

Waiver from Rule 8.05(1)(a) of the Listing Rules

Rule 8.05(1)(a) of the Listing Rules requires that a new applicant applying for the listing on the Stock Exchange must have a trading record of not less than three financial years during which the profit attributable to shareholders must, in respect of the most recent year, be not less than HK\$20,000,000 and, in respect of the two preceding years, be in aggregate not less than HK\$30,000,000.

Although our Group recorded profits attributable to shareholders of HK\$83.0 million for the year ended 31 December 2007, the sharp collapse in global commodities prices in the fourth quarter of 2008 had resulted in our inventories (which comprised mainly of copper, steel, aluminium and iron finished products as well as raw materials purchased by us) being stated at net realisable value instead of at cost as at 31 December 2008. As a result of the loss we recorded for 2008 due to the Inventory Provision, our Company is unable to satisfy the requirements of Rule 8.05(1)(a) of the Listing Rules to have an aggregate profit of HK\$30 million for the two years ended 31 December 2007 and 2008.

The Stock Exchange published a news release on 5 June 2009 announcing that the Stock Exchange may grant a waiver to certain listing applicants from strict compliance with the existing profit test in certain circumstances where the negative adverse financial impact arising from the recent global financial downturn is temporary in nature. We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from compliance with Rule 8.05(1)(a) of the Listing Rules on the basis that we are able to comply with all the conditions set out in the Stock Exchange's new release dated 5 June 2009.

Waiver from Rule 8.12 of the Listing Rules

Rule 8.12 of the Listing Rules requires that a new applicant applying for the listing on the Stock Exchange must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Although our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance, our Group's substantial business activities and operations are located in Zhejiang Province, the PRC. Among the three executive Directors, Mr. van Ooijen is ordinarily resident in the Netherlands and the other two executive Directors, namely Mr. Fang and Mr. Gu, are ordinarily resident in the PRC. The executive Directors ordinarily reside outside Hong Kong possess or can apply for valid travel documents which enable them to travel to Hong Kong to meet with the Stock Exchange on reasonable and advance notice when required. The relocation of the executive Directors to Hong Kong will entail application for residency in Hong Kong which is an extremely time-consuming and burdensome process and at significant administrative cost to our Company.

Our Group acknowledges that personnel should be ordinarily resident in Hong Kong to be available as contact persons to the Stock Exchange and also to handle all on-going compliance matters relating to the Listing Rules subsequent to the Listing, but if such arrangements were to draw upon our Group's key senior management resources in the PRC, this may have an adverse effect on the business of our Group. Each of the executive Directors has a vital role in our Group's business at the place where they are ordinarily resident and it is necessary for them to remain closer to our Group's operations in the PRC or assist in monitoring the sourcing of the metal scrap market in Europe, as the case may be. The Directors therefore consider that it will be unduly burdensome for our Company to maintain management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange granted, a waiver from compliance with Rule 8.12 of the Listing Rules.

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Notwithstanding the fact that none of our executive Directors is ordinarily resident in Hong Kong, our Company has put in place the following measures to maintain regular communication with the Stock Exchange and ensure that all members of our Board can be promptly informed of any matters raised by the Stock Exchange:

- (a) our Company has appointed Mr. Gu (our executive Director) and Ms. Yu Miu Cheung (our Company Secretary) as our Company's authorised representatives under Rule 3.05 of the Listing Rules who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Yu ordinarily resides in Hong Kong. Mr. Gu ordinarily resides in the PRC and he possesses valid travel document to enable him to travel to Hong Kong to meet with the Stock Exchange on reasonable and advance notice when required. Accordingly, both of them will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email to promptly address enquiries from the Stock Exchange;
- (b) the authorised representatives will have means to contact all members of the Board (including the executive Directors, non-executive Director and independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. In order to enhance communication between our Company and the Stock Exchange, (a) each executive Director, the non-executive Director and each independent non-executive Director have provided to the authorised representatives and the Stock Exchange their respective contact details such as mobile, residential and office telephone numbers, facsimile number and e-mail address; and (b) each Director will endeavour to provide valid phone number or means of communication to the authorised representatives when he or she is travelling;
- (c) all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, as and when required;
- (d) in compliance with Rule 3A.19 of the Listing Rules, our Company proposes to engage CCB International Capital Limited to act as our Company's compliance adviser and as such an additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 in respect of its financial results for the first full financial year commencing after the Listing Date. The compliance adviser will assist our Company in communicating with the Stock Exchange and will ensure that our Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in the authorised representatives and/or compliance adviser of our Company; and
- (f) our Company has maintained and will continue to maintain a principal place of business in Hong Kong, which is currently at Room 1410, 14/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong.