

## OVERVIEW

We are a Mixed Metal Scrap recycler in China and the largest importer of Mixed Metal Scrap used for recycling, reuse and processing in terms of the total import volume as approved by the MEP <sup>(Note 1)</sup> and the actual import volume of Mixed Metal Scrap <sup>(Note 2)</sup> during the Track Record Period. The recycling of imported Mixed Metal Scrap is a restricted business which is subject to licensing requirement under the Provisional Regulations on Environmental Protection in relation to Wastes Importation 《廢物進口環境保護管理暫行規定》(Huankong (環控) [1996] No. 204, implemented on 1 April 1996. Further details of the rules and regulations on such restricted business are set out on page 100 of this prospectus. Based on CRU Strategies' assessment, China represents the world's largest importer of copper waste and scrap <sup>(Note 3)</sup>, accounting for over two thirds of global total reported import volume of 8.2 million tonnes in 2008. According to the China Customs data, we were the largest importer of copper based scrap <sup>(Note 4)</sup> in China in 2009.

Our principal business comprises Mixed Metal Scrap recycling, reuse and processing which involves breaking-down, demolition and separation of Mixed Metal Scrap such as motor scrap and electric wire and cable scrap into their respective metal constituents, comprising mainly copper scrap, steel scrap, aluminium scrap and iron scrap, i.e., the Recycled Metal Products. During the breaking down, demolition and separation process, we actively identify and separate metal scrap that we believe can be reused or remanufactured for other use. The reuse or remanufacture of such metal scrap is recognised as a key concept in sustainable use of resources. As far as we are aware, developed countries have yet to develop commercially viable processes and production lines to separate all kinds of Mixed Metal Scrap into their pure metal constituents. Of the different types of Mixed Metal Scrap, we specialise in importing motor scrap for recycling and processing as our Directors believe that the relatively higher recoverable copper content in motor scrap allows us to benefit from the higher value that this commodity commands. In order to further enhance the value of Recycled Metal Products, we also engage in the foundry business which involves using our Recycled Metal Products in the production for sale of aluminium-alloy ingots and copper rods and wires, i.e., the Foundry Products. In addition to the Recycled Metal Products and the Foundry Products, we also procure and on-sell other metal scrap procured by us to our customers without further processing, i.e., the Wholesale Products.

Our business segment may be broadly classified into three categories:

- metal recycling business;
- foundry business; and
- wholesale business.

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### Notes:

1. Based on the information available from the MEP, our import volumes of Mixed Metal Scrap approved by the MEP for 2007, 2008 and 2009 were 265,000 tonnes, 350,000 tonnes and 440,000 tonnes, respectively, which were approximately 93.4%, 75.0% and 83.3% higher than the approved import volumes obtained by the second largest Mixed Metal Scrap importer in China.
2. For 2007, 2008 and 2009, our actual import volumes of Mixed Metal Scrap were 243,538 tonnes, 312,795 tonnes and 251,446 tonnes, respectively. Based on our actual import volumes of Mixed Metal Scrap for this period as compared with the approved import volumes for the second largest Mixed Metal Scrap importer as set out in the information available from the MEP, our actual import volumes were 77.8%, 56.4% and 4.8% higher than the approved import volumes obtained by the second largest Mixed Metal Scrap importer in China.
3. HS Code 7404
4. HS Code 7404

## BUSINESS

Set out below is a breakdown of our turnover by product category during the Track Record Period:

	Year ended 31 December					
	2007 HK\$'000	%	2008 HK\$'000	%	2009 HK\$'000	%
<b>Metal recycling business</b>						
Copper scrap 廢銅	1,096,057	60.9%	1,407,523	56.2%	1,164,966	49.8%
Steel scrap 廢鋼	323,881	18.0%	542,351	21.6%	490,246	21.0%
Aluminium scrap 廢鋁	87,550	4.9%	59,376	2.4%	52,280	2.2%
Iron scrap 舊生鐵	88,059	4.9%	134,958	5.4%	114,271	4.9%
Other metal scrap with processing (Note 1)	64,878	3.6%	160,351	6.4%	32,671	1.4%
<b>Foundry business</b>						
Aluminium-alloy ingots 鋁錠	137,907	7.7%	179,923	7.2%	189,988	8.1%
Copper rods and wires 銅杆銅綫	–	0.0%	–	0.0%	180,649	7.7%
<b>Wholesale business</b>						
Other metal scrap without processing (Note 2)	–	0.0%	20,686	0.8%	114,172	4.9%
	<b>1,798,332</b>	<b>100.0%</b>	<b>2,505,168</b>	<b>100.0%</b>	<b>2,339,243</b>	<b>100.0%</b>

**Notes:**

- (1) "Other metal scrap with processing" represents leftover bits and pieces of motor scrap (廢電機下腳料) and other miscellaneous items.
- (2) "Other metal scrap without processing" represents scrap compressor, scrap engine part and single metal scrap we procure and on-sell without further processing to our customers.

### IMPACT OF THE RECENT FINANCIAL CRISIS ON OUR GROUP

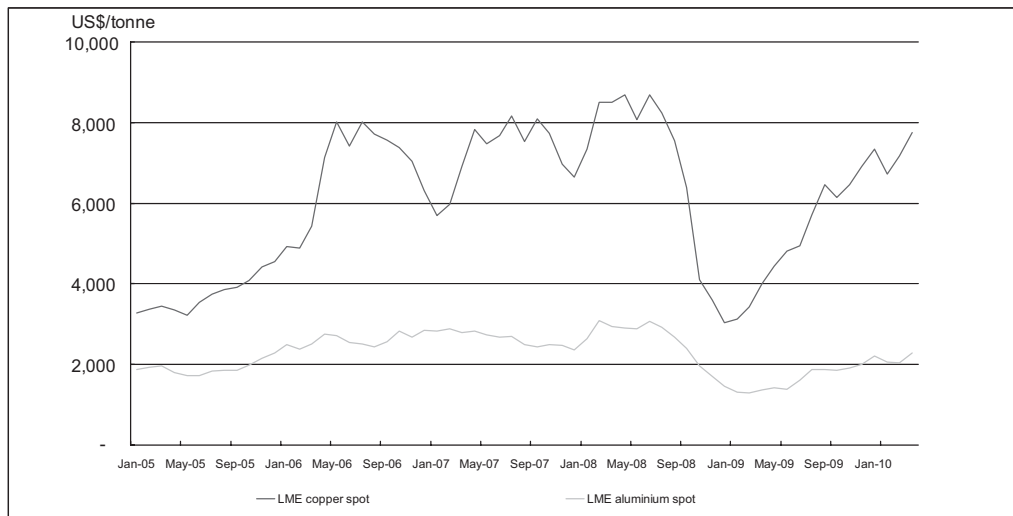
The metal scrap recycling industry has historically been highly cyclical and is affected significantly by general economic conditions, both domestic and international. Historically, in periods of national recession or periods of slowing economic growth, the metal scrap recycling industry has experienced cyclical downtrends. After rising during 2007 and through the third quarter of 2008, commodities prices in global markets fell sharply towards the fourth quarter of 2008. Under these circumstances, the average selling prices of and the realisable prices for our products were adversely affected.

## BUSINESS

Although we recorded profits attributable to shareholders of approximately HK\$83.0 million for the year ended 31 December 2007, the sharp collapse in global commodities prices in the fourth quarter of 2008 resulted in our inventories (which comprised mainly of copper, steel, aluminium and iron recycled products as well as raw materials purchased by us) being stated at net realisable value instead of at cost as at 31 December 2008. The Group recorded inventory provision of HK\$308.6 million and a loss of HK\$200.1 million for the year ended 31 December 2008. As a result of the loss we recorded for 2008, we failed to satisfy the requirements of Rule 8.05(1)(a) of the Listing Rules to have an aggregate net 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 agreed to grant us, a waiver from compliance with Rule 8.05(1)(a) of the Listing Rules. Please refer to the section “Waivers from Strict Compliance with the Listing Rules” in this prospectus.

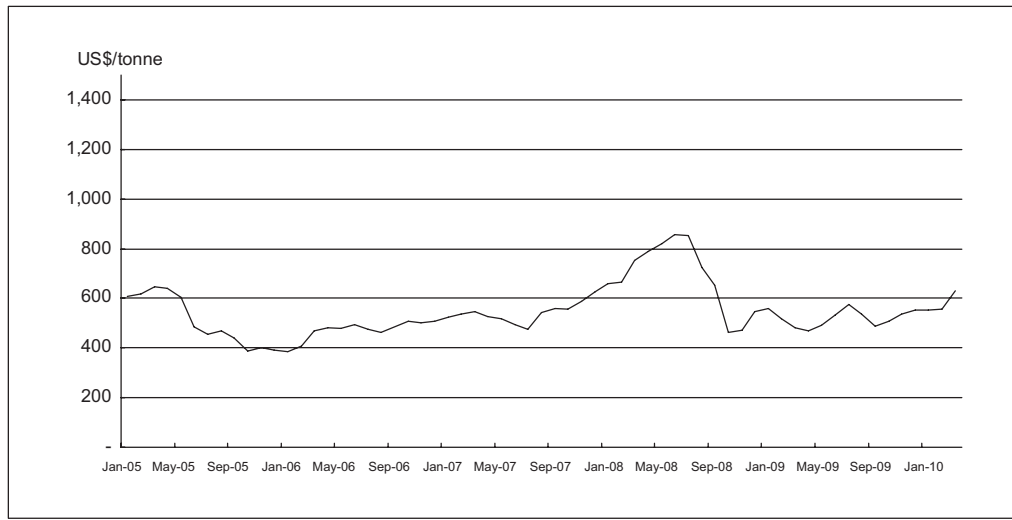
As demonstrated in Chart A below relating to the movement of copper, and aluminium as quoted on the LME, and Chart B below relating to China domestic hot rolled coil steel index for the last 5 years, the prices for these commodities have recovered quite significantly from their lows in December 2008 and commodity prices have also been experiencing their typical upswings and downswings in 2009. Accordingly, the Directors and the Sole Sponsor are of the view that the conditions and circumstances which led to the Company’s inability to meet the profit test under Rule 8.05(1)(a) of the Listing Rules, namely the sharp collapse of the commodities market occurring in tandem with the recent global market downturn, are temporary and have not continued.

**Chart A**  
**Copper spot and aluminium spot price quoted from LME**



Source: Bloomberg

**Chart B  
China domestic hot rolled coil steel index**



Source: Bloomberg

The metal scrap recycling industry has historically been highly cyclical and is affected significantly by general economic conditions, both domestic and international. Accordingly, the Directors are unable to state, with any degree of certainty, whether a similarly sharp collapse of the commodities market experienced in the recent financial crisis is likely to recur in the future. However, the Directors note that there has been no previous swings of such magnitude in the last 5 years and that the financial crisis as experienced during the period of October 2008 and February 2009 is recognised in the market as unprecedented.

Apart from affecting the global demand for commodities, the global financial crisis also resulted in global credit tightening and the deteriorating situation exacerbated the liquidity and credit crunch. This unexpected liquidity and credit crunch has affected not only the banking and financial sectors, but also the commercial sectors relying on the availability of banking facilities and bank borrowings. Our Directors confirm that during this period, we did not receive any notification from its bankers regarding withdrawals of any of its banking facilities, or requesting for early repayment of any of its outstanding bank borrowings. Our Directors further confirm that they are of the opinion that the liquidity and credit crunch did not materially and adversely affect our ability to secure and/or renew bank borrowings, nor were we being charged exceptionally high interest rate on its bank borrowings; nor was any of our credit facilities tightened or cancelled as a result of our unfavourable financial results for the year ended 31 December 2008 in accordance with terms and conditions of the relevant bank loan facilities. On the contrary, at the beginning of 2009, we managed to secure additional banking facilities to further strengthen our working capital.

Taking into account (i) the net proceeds of the Global Offering (see “Future Plans and Use of Proceeds”), (ii) the cash and cash equivalents on hand; and (iii) the expected cash flow to be generated from future operations, our Directors are of the opinion that the working capital available to us is sufficient for our present requirements and for at least the next 12 months from the date of the publication of this prospectus.

Save as disclosed above, our Directors confirm that there has been no material adverse change in our financial or trading position since 31 December 2009 (being the date to which our latest consolidated financial results were prepared as set out in the Accountants’ Report in Appendix I to this prospectus).

Further information on the impact of the recent financial crisis on us is set out in the paragraphs under “Financial Information – Impact of the recent financial crisis on our Group” of this prospectus.

## **COMPETITIVE STRENGTHS**

### **A significant player in the fast-growing metal recycling industry with established presence in China**

Due to the lack of a mature domestic collection network, China's domestic-generated scrap pool is smaller and less mature than those of more developed countries, and as a result, metal scrap imported from overseas is the prime source of raw materials for the metal recycling business in China. According to the 2008 Report of Recycling Industry, domestic nonferrous metal scrap collected in 2006, 2007 and 2008 were 2.07 million tonnes, 2.28 million tonnes and 1.96 million tonnes, respectively, while the nonferrous metal scrap imported from overseas during the same periods were 6.78 million tonnes, 7.72 million tonnes and 7.72 million tonnes respectively. The 2008 Report of Recycling Industry forecasted that nonferrous metal scrap collected in China and imported into China for 2009 is expected to reach 2.6 million tonnes and 9.3 million tonnes respectively, representing an increase of approximately 20.5% from 2008.

Over the years, we have established a long term relationship with our suppliers that have allowed us to secure a reliable source of supply of good quality Mixed Metal Scrap. On the back of such supply of quality raw materials, we have gradually expanded our processing and production capacity and capabilities, and have since become a Mixed Metal Scrap recycler in China with the largest import volume for Mixed Metal Scrap used for recycling, reuse and processing in terms of both the approved import volume of Mixed Metal Scrap by the MEP and the actual import volume of Mixed Metal Scrap during the Track Record Period<sup>(Note)</sup>.

- *A Chinese Mixed Metal Scrap recycler with the largest import volume for Mixed Metal Scrap in terms of approved import volume*

We are a Mixed Metal Scrap recycler in China and the largest importer of Mixed Metal Scrap used for recycling, reuse and processing by reference to the total approved import volumes of Mixed Metal Scrap approved by the MEP during the Track Record Period.

Based on the information from the MEP, our import volumes of Mixed Metal Scrap approved by the MEP for 2007, 2008 and 2009 were 265,000 tonnes, 350,000 tonnes and 440,000 tonnes, respectively, which were approximately 93.4%, 75.0% and 83.3% higher than the approved import volumes obtained by the second largest Mixed Metal Scrap importer in China.

- *A Chinese Mixed Metal Scrap recycler with the largest import volume for Mixed Metal Scrap in terms of actual import volume*

For 2007, 2008 and 2009, our actual import volumes of Mixed Metal Scrap were 243,538 tonnes, 312,795 tonnes and 251,446 tonnes respectively. Based on our actual import volumes of Mixed Metal Scrap for this period as compared with the approved import volumes for the second largest Mixed Metal Scrap importer<sup>(Note)</sup>, our actual import volumes were 77.8%, 56.4% and 4.8% higher than the approved import volumes obtained by the second largest Mixed Metal Scrap importer in China.

In view of the above, we are a Mixed Metal Scrap recycler in China with the largest approved import volume and with the largest actual import of Mixed Metal Scrap used for recycling, reuse and processing for the three years from 2007 and 2009. For details of the approved import volume of our major competitors, please refer to the section headed "Competition" of this prospectus.

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*Note:* Based on information available from the MEP.

**Largest importer of copper based scrap and motor scrap in China**

The Harmonised Commodity Description and Coding Systems generally referred to as “Harmonised System” or simply “HS” is a multipurpose international product nomenclature developed by the World Customs Organisation (WCO). The system is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98% of the merchandise in international trade is classified in terms of the HS. HS Code 7404 refers to copper waste and scrap.

China represents the world’s largest importer of copper scrap under HS Code 7404, and accounts for over two thirds of the global reported imports of 8.2 million tonnes in 2008. Germany, the next largest importer, imports only just 10.4% of China’s import volume in the corresponding year. Based on China Customs data, we were the largest importer of copper based scrap under HS Code 7404 in China in 2009. CRU Strategies have assessed that based on the information it reviewed, as we import predominantly motor scrap, and as it does not appear that any other companies in China could have legally imported volumes comparable to ours, we are believed to be the largest importer of copper based scrap under HS Code 7404 in China in 2009.

**Obtained all required qualifications, approvals and licences**

As advised by our PRC legal adviser, we have obtained all the required qualifications, approvals and licences for our operations, including the qualification as Designated Processing Unit for Mixed Metal Scrap and the Restricted Import Licences and we have complied with all relevant PRC laws and regulations during the Track Record Period.

Entities which intend to enter into the Mixed Metal Scrap recycling industry must be appropriately licensed. In order to obtain the necessary qualifications and licences, they will be assessed on a total of 37 items in 7 aspects, including management filing system, on-site inspection of the imported scrap, products and non-recyclable scrap, production sites, management personnel and staff, machinery and equipment, organisation and management system, environmental protection management measures. They must achieve a total score of over 80 (out of 100) in order to obtain such qualification.

The PRC government has imposed measures to control the number of Designated Processing Units on the basis of elimination of the weakest. According to these measures:

- Certain areas have been designated as trial areas under “Zone Management” (圈區管理).
- Within the trial areas under “Zone Management”, the number of Designated Processing Units may increase appropriately.
- Outside the trial areas under “Zone Management”, in principle, there will be no increase in the number of Designated Processing Units.
- Additional Designated Processing Units will be granted to entities only by eliminating existing Designated Processing Units which the MEP have found to be underperforming or has performed the worst.

At present, the metal recycling industry continues to rely largely on imported metal scrap. The volume that a metal recycler may import is pre-approved by relevant PRC authorities every year following assessment by the MEP.

## BUSINESS

We consider such qualifications, permits and licences an effective entry barrier to the industry and largely limit the number of industry players. This enables us to leverage our competitive advantages derived from our long established operating history to maintain our position in the Mixed Metal Scrap recycling industry.

### **Well established procurement network and capabilities**

We are experienced in the metal recycling business and Mixed Metal Scrap is the principal raw material used for our metal recycling business. We import nearly all of our Mixed Metal Scrap and have developed a strong international procurement network which covers Europe, North America, Oceania and Asia throughout our years of practice. During the Track Record Period, our top five suppliers have accounted for approximately 77.1%, 58.4% and 42.0%, respectively of our total purchases of raw materials and supplies. We have enjoyed business relationship with such suppliers for periods of between two years and nine years.

Our network of suppliers were mostly established and developed by us leveraging on our experience in the industry. For each of the three years ended 2007, 2008 and 2009, we imported 243,538 tonnes, 312,795 tonnes and 251,446 tonnes of Mixed Metal Scrap for our production, respectively.

### **Strategic locations in close proximity to shipping ports, transportation links and our major customers**

Our processing and production facilities are strategically located in Taizhou and Ningbo.

Taizhou is named as the “Capital for Metals Recycling in China” (中國再生金屬之都) by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) where many of the major Mixed Metal Scrap recycling companies are located.

The Taizhou Metals Recycling Park was established in 2003 and is one of the leading metals recycling zones in China. According to the 2008 Report of Recycling Industry, the Taizhou Metals Recycling Park is the largest demolishing base for motor scrap with an annual demolishing volume of more than 2 million tonnes. The total annual turnover of the recycling companies located in the Taizhou Metals Recycling Park has exceeded RMB20 billion during the period from 2005 to 2008. There are more than 40 recycling companies in the Taizhou Metals Recycling Park with an overall annual recycling capacity of 2.5 million tonnes of metal scrap.

The Ningbo Metals Recycling Park was established in 2001 and boasts a port-to-factory logistics and customs arrangement whereby the Ningbo Metals Recycling Park is responsible for transportation of scrap raw materials from the port to the custom clearance facilities within the recycling park. The services provided by the Ningbo Metals Recycling Park allow additional convenience for custom clearance.

The Taizhou Metals Recycling Park and the Ningbo Metals Recycling Park, together with the metals recycling parks in Tianjin, Taicang (太倉) and Zhangzhou (漳州), handle over 80% of the Mixed Metal Scrap imported into China as reported in the 7th Recycling Metals International Forum held in November 2007. Further, based on the 2008 Report of Recycling Industry, Zhejiang province (where both the Taizhou Metals Recycling Park and the Ningbo Metals Recycling Zone are located) imported approximately 50% of all the copper-content scrap materials imported into China for 2008.

Both our Taizhou and Ningbo sites are well served by road networks such as the Yong-Tai-Wen highway (甬台溫高速) and the Shang-San highway (上三高速) which connect us to major cities in the Yangtze River Delta, such as Hangzhou and Shanghai, where many of our customers are located. We also take advantage of our proximity to the Taizhou port and the Beilun port in Ningbo, which are located only approximately 20 km and 50 km from our respective facilities, for import of our raw materials.



## BUSINESS

Our Recycled Metal Products and Foundry Products are mainly sold to customers located in the Yangtze River Delta and adjacent areas, including Zhejiang, Jiangsu and Anhui Provinces. Our Recycled Metal Products are sold ex-factory and predominantly collected by our customers directly from our factories whereas our Foundry Products are delivered via third party logistics providers. Our proximity to our customers minimises transportation costs to our customers and helps maintain our cost competitiveness. We sell our Wholesale Products without further processing to our customers who are in the metal scrap industry. During the Track Record Period, we derived 99.8%, 99.2% and 97.7% of our revenues in China, respectively.

### **Well-designed processing flow with an experienced and cost effective workforce**

As far as we are aware, developed countries have yet to develop commercially viable processing lines to separate all kinds of Mixed Metal Scrap entirely into their pure metal constituents. In addition, machinery cannot separate Mixed Metal Scrap such as motor scrap. Dismantling needs to be done manually by hand, and labour in China is cheaper than in other manufacturing centres such as in the USA and Europe. Labour cost is an important component in the Mixed Metal Scrap manual dismantling process.

Over the years and based on our own experience, we have refined and redesigned our processing flow to maximise the utilisation and effectiveness of our machineries and labour force and to take advantage of mechanisation, whenever possible. We have a regular training programme for our workforce to ensure that they are properly skilled. Our processing management system is mature and “tried and tested”.

### **Experienced and dedicated management team**

Mr. Fang, Mr. van Ooijen and Mr. Gu, all being our executive Directors, have extensive management and operational experience in the Mixed Metal Scrap recycling business. In addition, we have a team of senior management with strong experience in recycling operations to assist our Board in the daily management of our business.

Mr. Fang, our chairman and Chief Executive Officer, has led us through our rapid growth and expansion since our establishment in 1999. He has over 15 years of experience in the Mixed Metal Scrap recycling, reuse and processing business. He is also the vice chairman of China Nonferrous Metals Industry Association Recycling Metal Branch (中國有色金屬工業協會再生金屬分會). Each of our other executive Directors, Mr. van Ooijen and Mr. Gu and certain members of our senior management, namely Mr. Ding Guopei (丁國培) and Mr. Fang Anlin (方安林), has over 10 years of experience in the industry. Please refer to the section headed “Directors, senior management and employees” of this prospectus for further details on their qualifications and experiences.

Through the strong leadership, vision and drive of our executive Directors and senior management, we have become a Mixed Metal Scrap recycler in China with the largest approved and actual import volume for Mixed Metal Scrap used for recycling, reuse and processing since 2005 <sup>(Note)</sup> and during the Track Record Period.

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*Note:* Based on information available from the MEP.



## BUSINESS

### **Effective environmental protection measures and pollution controls**

We consider that we have adopted effective environmental protection measures and pollution controls against polluted air, water, solids and noise produced during the course of our production process. As announced by the Environmental Protection Bureau of Zhejiang Province (浙江省環境保護廳), we have obtained the highest verification result among the designated processing units for imported hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap in Zhejiang Province during the Track Record Period.

### **BUSINESS STRATEGIES**

#### **We will increase our purchase of raw materials in order to increase the scale of our operation**

We will increase the volume of raw materials we purchase in order to increase the scale of our operation and as we expand our existing processing capacity and seek to establish new facilities in other locations in China. Any import of raw materials purchased that requires permits or licenses for import, as described in the sub-section headed “PRC Rules Relating to Qualification, Permits or Licences Required for our Business” in the section headed “Rules and Regulations” on page 100 of this prospectus, will be subject to the approved import volume amount secured at the relevant time. Our PRC legal advisor has advised that there is no legal impediment to us obtaining any additional approved import volume amount, where required. A typical application for an increase in the approved import amount will take approximately 2 months to complete. Please refer to the sub-section headed “PRC Rules Relating to Qualification, Permits or Licences Required for our Business” in the section headed “Rules and Regulations” on page 100 of this prospectus for the criteria issued by the relevant authority in granting approved import volume.

Whilst we increase the amount of raw material we purchase, we will also increase our processing volume as well as the sales of our Recycled Metal Products in order to meet our targeted inventory turnover days of 90 days we adopted as part of our hedging policy. As our Recycled Metal Products are sold to our customers as a commodity and are priced with reference to the prices of refined metals quoted on established exchanges such as the LME and SHFE, our sale of our Recycled Metal Products is determined by our willingness to sell having considered factors including the margins we make on each sale, the urgency of such sale at times of reduced margin or losses and our financial status at the time of the sale. In addition, market research by CRU Strategies as set out in the section headed “Industry Overview” in this prospectus indicated an expectation of further growth in consumption and demand of these Recycled Metal Products. As consumption of both primary and scrap aluminium is also expected to accelerate from 2010 onwards, we intend to increase our focus on selling both aluminium scrap and aluminium-alloy ingots in order to capitalise on such expected growth. For further details regarding the aluminium scrap sector, please refer to pages 76 and 77 in the section headed “Industry Overview” of this prospectus.

We have not acquired, during the Track Record Period, nor will we acquire raw materials to speculate on price movements in the underlying metal going forward. Our purchase of raw material and sale of our products will continue to be driven by typical commercial considerations of a normal operating company which are and will be determined by a number of factors, including principally, the need to ensure that there is sufficient inventory of Mixed Metal Scrap to maintain normal business operation at our processing and production plants, stable and adequate inventory level of Recycled Metal Products and the cash flow positions with reference to the requirements of our Group at the relevant time.

#### **Continue to develop and expand our existing processing capacity**

As disclosed on page 136 of this prospectus, the production utilisation rate of Mixed Metal Scrap recycling facilities at our Taizhou process base was reduced from 73.5% in 2008 to 45.7% in 2009 as the metal scrap suppliers were less willing to sell their inventory due to the sharp decline of prices during the financial crisis. In addition, during the corresponding period, our Taizhou processing capacity also increased from 380,000 tonnes to 527,242 tonnes. Accordingly, the combination of general slowdown in business activities and increase in production capacity during the corresponding period exacerbated the under-utilisation of the processing plants.

## BUSINESS

However, based on the expected production output by the end of 2010 for Recycled Metal Products, copper rods and wires, aluminium-alloy ingots in Taizhou and Recycled Metal Products in Ningbo as disclosed on page 136 of this prospectus, our Directors currently expect utilisation rate of the Recycled Metal Products capacity in Taizhou and Ningbo to increase to 64.5% and 87.5%, respectively. In addition, our Directors also currently expect that the utilisation rate for CT Foundry for copper rods and wires and aluminium-alloy ingots will increase to 50% and 33.3% respectively. Accordingly, our Directors currently expect that in preparation for the future growth of our Group, it will be necessary for our Group to further expand its processing and production capacity.

As part of our objective to expand our annual processing capacity to 1.0 million tonnes per annum within five years from the Listing Date, we intend to develop and expand our existing processing capacity in Ningbo and other strategic locations. We have entered into a memorandum of understanding with the Management Committee of the Ningbo Metals Recycling Park on 26 January 2010 to expand our annual processing capacity from our present 80,000 tonnes to 200,000 tonnes. We will also consider enhancing our processing and production efficiency by further streamlining our processing and production process through addition of machineries.

In addition, we are also in the process of identifying other possible locations of new processing facilities. In determining the location of our new processing facilities, we will target locations with (a) local government support (including custom and excise clearance and environmental authorities support); (b) proximity to port facilities, rail and highway networks near China's more industrially developed regions such as the Pearl River Delta in Southern China, the Yangtze River Delta in Eastern China and the Bohai Rim in Northern China; (c) availability of tax incentive, where applicable; and (d) proximity to potential customers including iron and steel mills and copper related products manufacturers and industry requiring the products we produced. We have set the above selection criteria as our raw materials are currently predominantly imported, and an efficient infrastructure network and proximity to our potential customer base would be beneficial to the development of the business in the immediate area in which we operate. As China's metal scrap collection network matures in the future, we will also consider the possibility of establishing new processing facilities in inland provinces in China, including south, south-west and north-west regions, particularly the cities along the Yangtze River.

Our expansion plans may be accelerated or decelerated in accordance to the actual rate of growth of our business, but based on the current intentions of our Directors we anticipate that this targeted processing capacity of 1.0 million tonnes is achievable in stages over the relevant five years periods with the initial addition of 120,000 tonnes in Ningbo by end of 2010, and the outstanding expansion of capacity spread over the next four years in different locations in China. We expect that approximately HK\$6 million and HK\$100 million will be invested in expanding the processing capacity in Ningbo and establishing processing facilities in other locations, respectively.

**Establish new facilities in other locations in China to capitalise on our international scrap material procurement network, expand our coverage of China and position ourselves to tap the growth potential for domestic-generated metal scrap market and align ourselves with PRC government policies**

To strengthen our position as a market leader in China's recycling industry and as part of our plan to increase our annual processing capacity to 1.0 million tonnes within five years from the Listing Date, we will explore opportunities to establish new facilities in different geographical locations in China.

## BUSINESS

In selecting the appropriate location for our new facilities, we will give priority to locations which are close to deep water ports thus allowing us to capitalise upon our strong international procurement network. However, we will also give appropriate consideration to locations situated close to our existing and potential customers so that we can more efficiently serve them when expanding our market coverage in China.

Under the 11th Five Years Plan, the State Council had emphasised the development of “Recycling Economy”. Furthermore, the Recycling Economy Promotion Law of the PRC (中華人民共和國循環經濟促進法) was also approved in the fourth meeting of the 11th National People’s Congress Standing Committee of the PRC. Further, based on the information from China Nonferrous Metals Industry Association Recycling Metal Branch, a Special Plan for the Usage of Recycled Nonferrous Metals for the Years 2009-2015 (2009-2015年再生有色金屬利用專項規劃) is currently undergoing public consultation. Pursuant to this proposed plan, it is currently forecasted that the production volume for recycled nonferrous metals is expected to reach 11 million tonnes by 2015. Based on the above, we believe that the metal recycling industry in China, including the domestic metal scrap collection and processing business, will become more organised and systematic as the recycling industry develops in China. Accordingly, we believe the volume of domestic scrap will continue to increase in the coming years. Therefore, in selecting the appropriate location for our new processing bases, we will consider how we can tap the potential growth of domestic-generated metal scrap in order to build our network for collection of domestic-generated metal scrap as well.

### **Leverage upon our existing procurement and customer network to expand the range of scrap materials we process as well as increasing our sales to our existing and potential customers**

We will leverage upon our existing procurement and customer networks to expand the range of Mixed Metal Scrap that we process and increase the volume of our sales to our existing and potential customers.

We will review and consider expanding into the recycling and processing of other Mixed Metal Scrap such as those containing aluminium and rare metals based on our expansion plans and perceived market demand and supply.

### **Expand the scope of our business to further enhance our procurement network and capabilities**

Currently our business focuses on Mixed Metal Scrap recycling, reuse and processing which involves breaking-down, demolition and separation of Mixed Metal Scrap we import into their respective metal constituents and in the foundry business which involves the production and sale of aluminium-alloy ingots and copper rods and wires from our Recycled Metal Products.

We believe that as we expand our operations to include the possibilities of operating procurement network for metal scrap materials including Mixed Metal Scrap, whether overseas or in China, we will be able to reduce the cost of our raw materials. The cost of raw material represented 97.6%, 89.6% and 96.6% of the total cost of sales, in each of the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009, respectively. We will also have the opportunity to act as a supplier of such raw materials to other metal recyclers in the metal scrap recycling industry.

### **Market consolidation and mergers and acquisition opportunities**

Unlike in overseas market in the North America and Europe, the metal recycling industry in China is highly fragmented. Leveraging on the strong international network covering Europe, North America and Asia which we have built up over the years, we believe we will be able to identify appropriate partners and potential targets for mergers and acquisition and/or joint venture. As the PRC Government introduces new measures to reform the Chinese scrap industry, and to encourage the establishment of larger scale recyclers, the Directors believe that the Chinese market will go through a period of market consolidation and we will need to position ourselves well to capitalise quickly on the opportunities.

# BUSINESS

## OUR PRODUCTS

We are principally engaged in the metal recycling business, foundry business and wholesale business.

### Metal recycling business

Our Mixed Metal Scrap recycling, reuse and processing business involves the breaking-down, demolition and separation of Mixed Metal Scrap such as motor scrap, electric wire and cable scrap into their respective metal constituents, comprising mainly copper scrap, steel scrap, aluminium scrap and iron scrap, i.e. our Recycled Metal Products. Our Recycled Metal Products are categorised and sold to metal manufacturers, which will further refine and process the metal scrap for a variety of applications used in the metallurgy, machinery and electrical industries.

### Foundry business

Our foundry business involves the manufacture and sale of aluminium-alloy ingots and copper rods and wires which have a wide range of applications including automobile and electronic accessories. In line with our business strategy of expanding our product range, we commenced commercial production of copper rods and wires (銅桿銅線) using our recycled copper scrap materials from September 2009. For our foundry business, we plan our production for each month based on our marketing department's assessment of the demand for aluminium-alloy ingots and copper rods and wires for the following month. Most of our aluminium-alloy ingots are produced according to the Japanese Industry Standards, such as standards ADC 12, 10 and 6, and a small portion of our aluminium-alloy ingots is produced according to our customers' specified requirements. Our copper rods and copper wires are produced according to our customer's requirements.

### Wholesale business

Our wholesale business involves the procurement of metal scrap without processing and on-selling them to our customers.

## Our principal products and their applications

### Recycled Metal Products (再生金屬產品)

Copper scrap  
(廢銅)



Burnt copper  
(火燒銅)

### Descriptions

It is mainly processed from the stators (定子) of motor scrap. It is a high-quality copper scrap with copper content of approximately 97-98%.

### Typical customers

It is used to produce copper wires (銅絲), copper belts (銅帶) and copper bars (銅棒). Our major customers of this product mainly engage in the production of electricity wires and cables.

**Recycled  
Metal Products**  
(再生金屬產品)



Cleaned raw copper  
(淨毛銅)

**Descriptions**

It is mainly processed from the stators (定子) of motor scrap. It is a copper scrap with copper content of approximately 94-95%.

**Typical customers**

It is used to produce brass wires (黃銅絲), high-precision brass strips (高精黃銅帶) and red copper (紫銅) and can be further processed to manufacture home electrical appliances and machinery accessories.



Raw copper  
(毛銅)

It is mainly processed from the stators (定子) of motor scrap. It is a copper scrap with copper content of approximately 86-87%.

It is used to produce electrolytic copper plates (電解板) and copper wires and belts (銅線銅帶). Our major customers of this product mainly engage in the production of electricity wires and cables.



Copper granules  
(銅米)

It is mainly processed from electricity wire scrap. It is a copper scrap with copper content of approximately 92%.

It is used to produce copper ingots (銅塊). Our major customers of this product mainly engage in the production of electricity wires and cables.

## BUSINESS

### Recycled Metal Products (再生金屬產品)

Steel scrap  
(廢鋼)



Medium-sized steel  
scrap  
(中重廢鋼)

#### Descriptions

It is mainly processed from the outer steel shells of motor scrap. It is a high-quality steel scrap.

#### Typical customers

Our major customers of this product mainly engage in the steel smelting industry.



Motor steel scrap  
(電機料廢鋼)

It is mainly processed from the scrap silicon steel sheets and stators of motor scrap.

Our major customers of this product mainly engage in the steel smelting industry.

Aluminium scrap  
(廢鋁)



Used aluminium scrap  
(舊生鋁)

It is mainly processed from the outer aluminium shells of motor scrap.

It is used to produce aluminium-alloy ingots or can be further processed to manufacture car or motor parts and machinery accessories.

Iron Scrap  
(舊生鐵)



Iron scrap  
(舊生鐵)

It is mainly processed from the outer shell of motor scrap.

Our major customers of this product mainly engage in the steel smelting industry.

### Foundry Products

Aluminium-alloy  
ingots (鋁錠)



Aluminium-alloy ingots  
(鋁錠)

They are manufactured from aluminium scrap either sourced internally or externally <sup>(Note)</sup>.

Our customers of this product mainly engage in the production of auto parts, motor parts, electrical appliances and communication devices.



## BUSINESS

### Foundry Products

Copper rods and wires (銅杆銅線)



8mm Copper rods  
(8毫米銅杆)



3mm Copper wires  
(3毫米銅線)

### Descriptions

They are manufactured from copper scrap sourced internally from our recycled copper scrap (Note).

### Typical customers

Our customers of this product mainly engage in the production of electrical wires and cables.

*Note:* During the Track Record Period, the percentage of internally-supplied raw materials for production of our aluminium-alloy ingots amounted to 47.1%, 91.3% and 95.0%, of the total volume of our raw materials used for our aluminium-alloy ingot production, respectively. Since we commenced commercial production of copper rods and wires in September 2009 and for the year ended 31 December 2009, all the raw materials we used for production of our copper rods and wires were supplied from the recycled copper scrap products we processed from our metal recycling business.

	Year ended 31 December					
	2007		2008		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Metal recycling business</b>						
Copper scrap (廢銅)	1,096,057	60.9%	1,407,523	56.2%	1,164,966	49.8%
Steel scrap (廢鋼)	323,881	18.0%	542,351	21.6%	490,246	21.0%
Aluminium scrap (廢鋁)	87,550	4.9%	59,376	2.4%	52,280	2.2%
Iron scrap (舊生鐵)	88,059	4.9%	134,958	5.4%	114,271	4.9%
Other metal scrap with processing (Note 1)	64,878	3.6%	160,351	6.4%	32,671	1.4%
<b>Foundry business</b>						
Aluminium-alloy ingots (鋁錠)	137,907	7.7%	179,923	7.2%	189,988	8.1%
Copper rods and wires (銅杆銅線)	–	0.0%	–	0.0%	180,649	7.7%
<b>Wholesale business</b>						
Other metal scrap without processing (Note 2)	–	0.0%	20,686	0.8%	114,172	4.9%
	<b>1,798,332</b>	<b>100.0%</b>	<b>2,505,168</b>	<b>100.0%</b>	<b>2,339,243</b>	<b>100.0%</b>

*Notes:*

- (1) "Other metal scrap with processing" represents leftover bits and pieces of motor scrap (廢電機下腳料) and other miscellaneous items.
- (2) "Other metal scrap without processing" represents scrap compressor, scrap engine parts and single metal scrap we procure and on sell without further processing to our customers.



## BUSINESS

Over 95.0% of our external revenues during the Track Record Period were derived from customers established in China.

The table below sets forth the revenues, sales volumes and average selling prices of the major components of our Recycled Metal Products, Foundry Products and Wholesale Products during the Track Record Period:

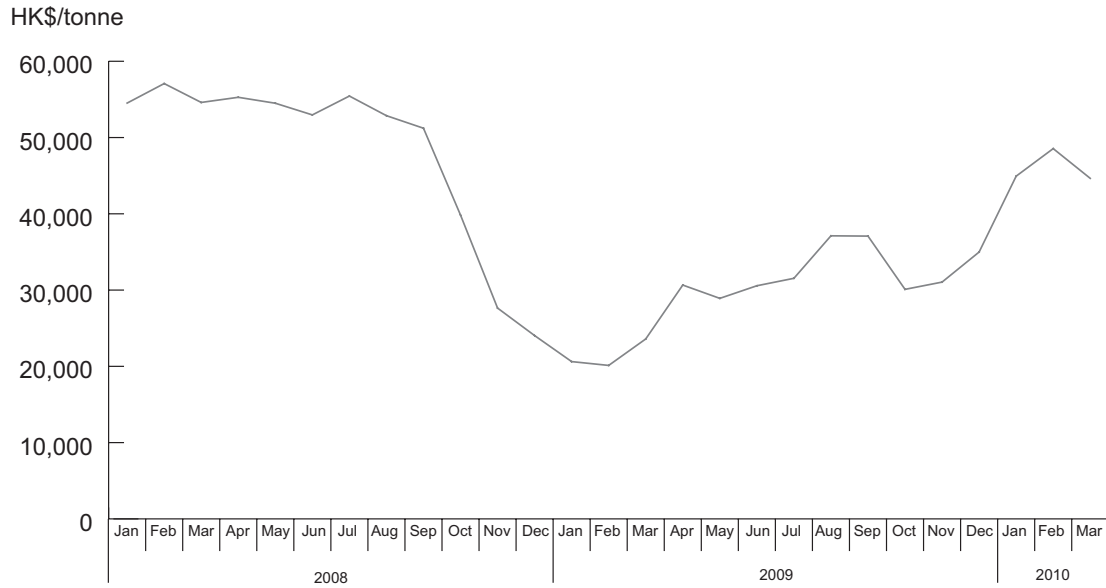
	<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Metal recycling business</b>			
<i>Copper scrap (廢銅)</i>			
Revenue (HK\$'000)	1,096,057	1,407,523	1,164,966
Quantity (tonnes)	22,420	29,236	32,118
Average selling price per tonne (HK\$)	48,887	48,143	36,271
 <i>Steel scrap (廢鋼)</i>			
Revenue (HK\$'000)	323,881	542,351	490,246
Quantity (tonnes)	146,299	136,717	141,993
Average selling price per tonne (HK\$)	2,214	3,967	3,453
 <i>Aluminium scrap (廢鋁)</i>			
Revenue (HK\$'000)	87,550	59,376	52,280
Quantity (tonnes)	5,677	4,478	4,635
Average selling price per tonne (HK\$)	15,422	13,259	11,279
 <i>Iron scrap (舊生鐵)</i>			
Revenue (HK\$'000)	88,059	134,958	114,271
Quantity (tonnes)	37,966	37,608	43,027
Average selling price per tonne (HK\$)	2,319	3,589	2,656
 <b>Foundry business</b>			
<i>Aluminium-alloy ingots (鋁錠)</i>			
Revenue (HK\$'000)	137,907	179,923	189,988
Quantity (tonnes)	8,002	10,587	14,463
Average selling price per tonne (HK\$)	17,234	16,995	13,136
 <i>Copper rods and wires (銅杆銅線)</i>			
Revenue (HK\$'000)	–	–	180,649
Quantity (tonnes)	–	–	3,584
Average selling price per tonne (HK\$)	–	–	50,404
 <b>Wholesale business</b>			
<i>Other metal scrap without processing</i>			
Revenue (HK\$'000)	–	20,686	114,172
Quantity (tonnes)	–	3,412	41,176
Average selling price per tonne (HK\$)	–	6,063	2,773

# BUSINESS

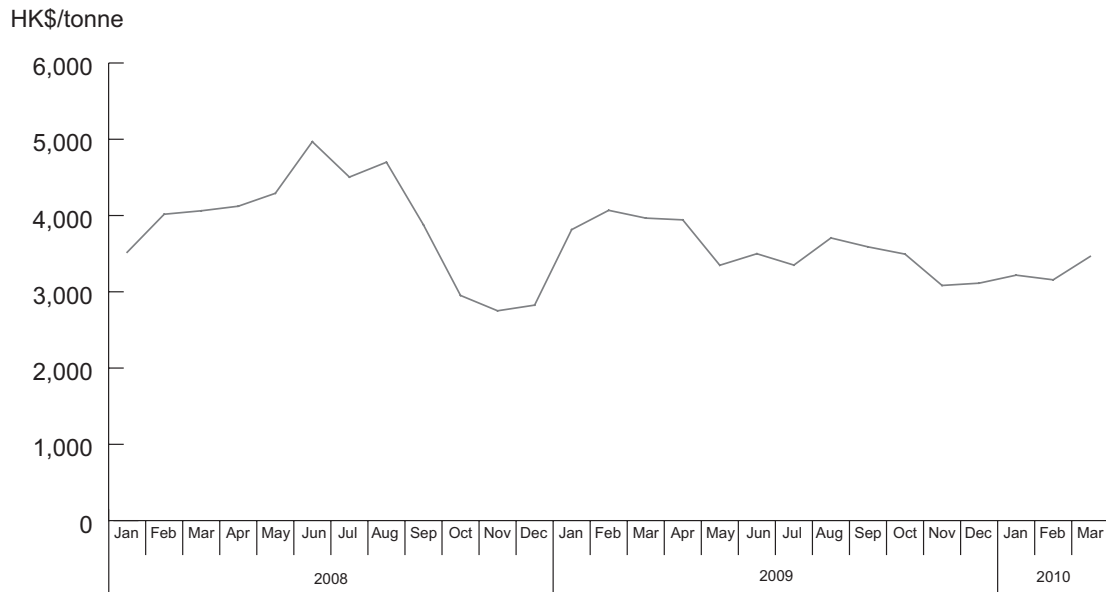
The charts below sets forth the monthly average selling prices of the major components of our Recycled Metal Products, Foundry Products and Wholesale Products from the beginning of 2008 up to the end of March 2010:

## Recycled Metal Products

### Monthly average selling price of copper scrap

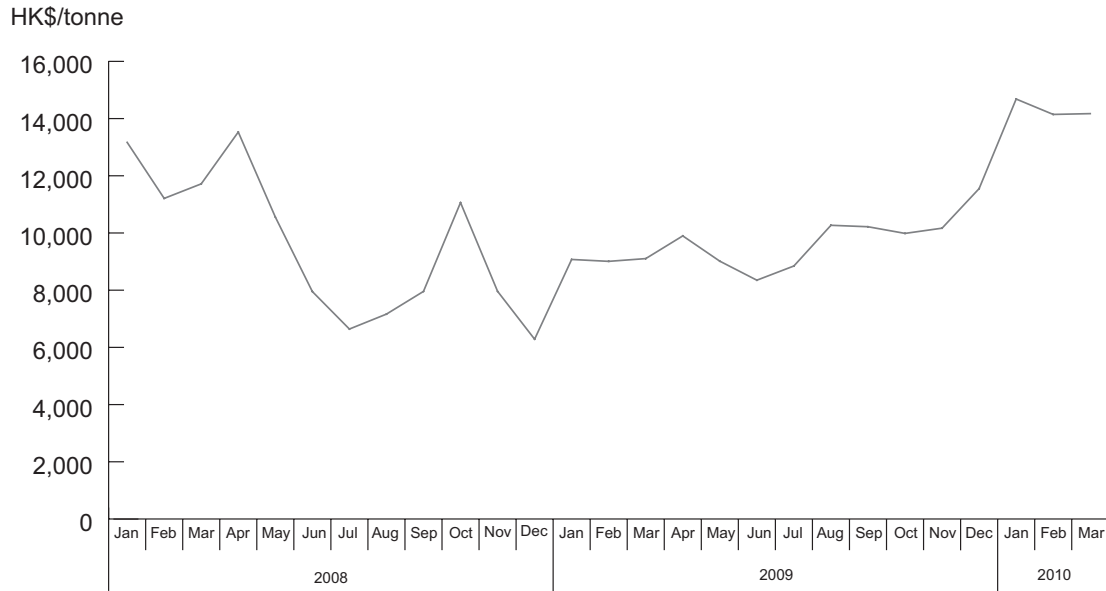


### Monthly average selling price of steel scrap

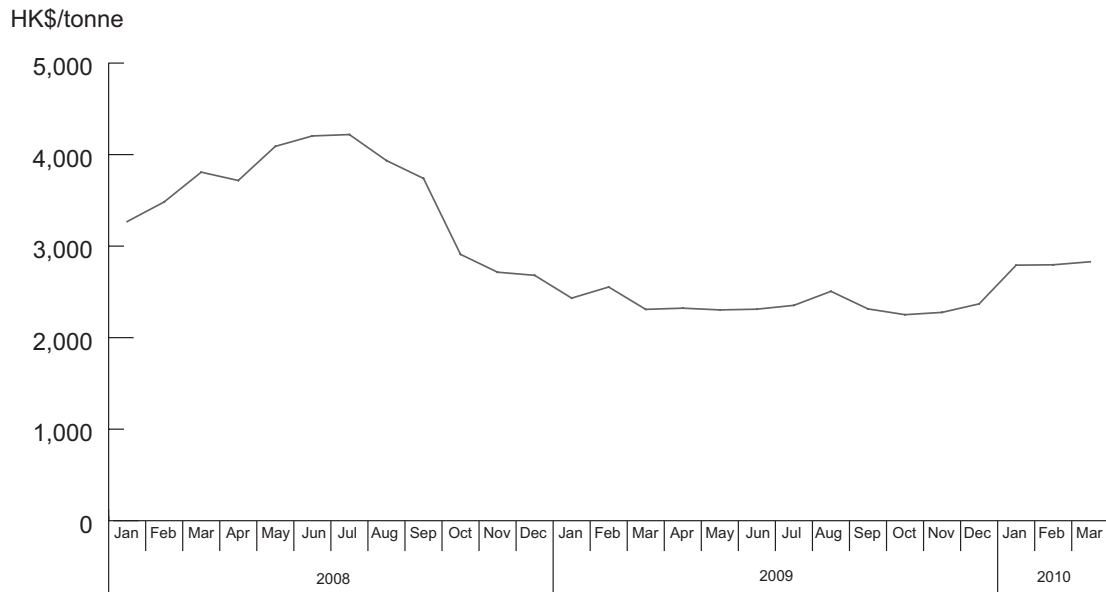


# BUSINESS

### Monthly average selling price of aluminium scrap

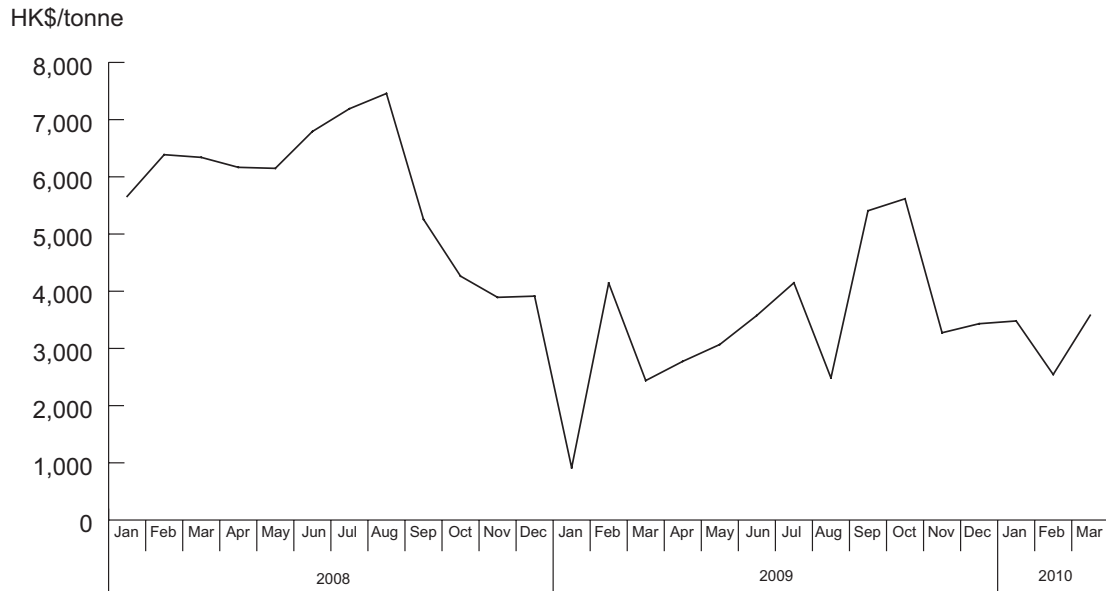


### Monthly average selling price of iron scrap



# BUSINESS

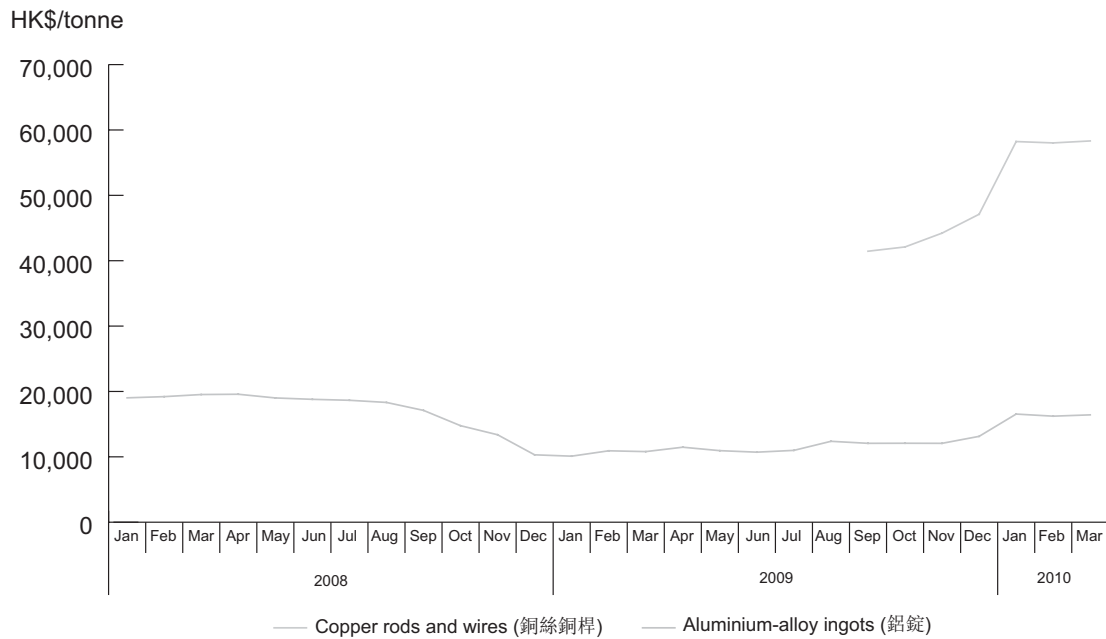
**Monthly average selling price of other metal scrap with processing**



## Foundry Products

**Monthly average selling price of Foundry Products**

**Monthly average selling price of Foundry Products**



— Copper rods and wires (銅絲銅桿)      — Aluminium-alloy ingots (鋁錠)

# BUSINESS

## Wholesale Products

### Monthly average selling price of Wholesale Products

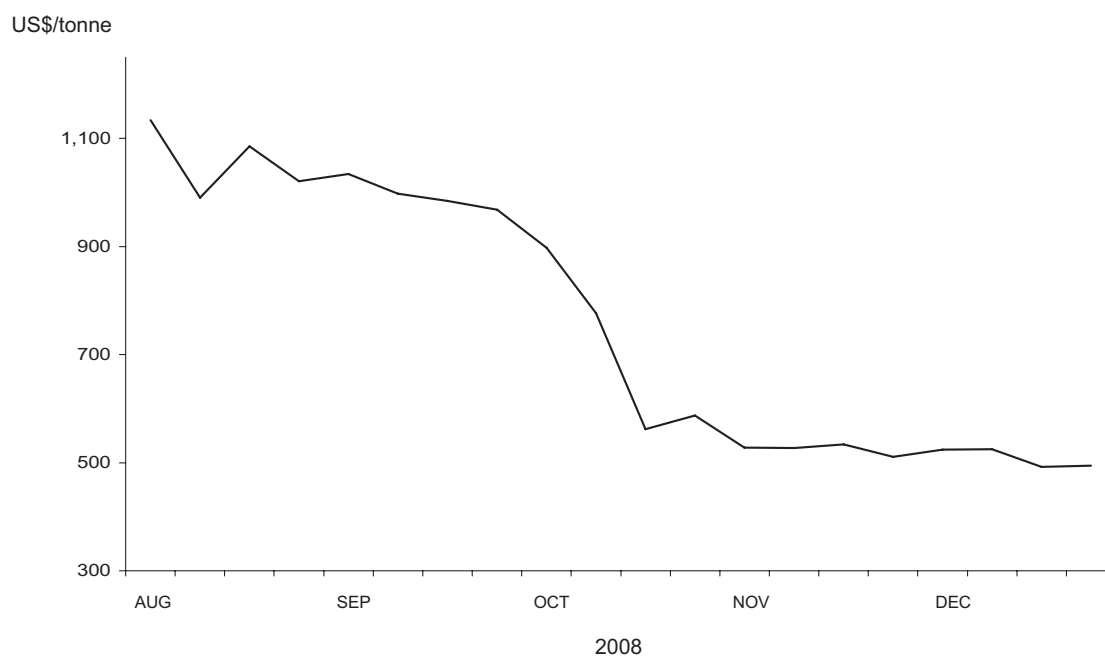


In accordance with the accounting policies of the Group relating to “Provisions for inventories” as set out on page I-13 of this prospectus, the management of the Group will review the inventories listing on a category-by-category basis at the end of each reporting period, and assesses whether the cost of the finished products will exceed their net realisable value. Management estimates the net realisable value for such inventories based primarily on the latest resale value and quoted prices on applicable commodity exchanges. If the market prices of inventories are to decline, additional provisions may be required. All the Group’s inventories were stated at cost in the consolidated statements of financial position at the end of each reporting period except that the Group’s inventories at 31 December 2008 were stated at net realisable value.

In order to facilitate a better understanding of the events leading up to the Inventory Provision, the table below sets forth the Group’s weekly average price of motor scrap for the period from August 2008 to December 2008.

## BUSINESS

### Weekly average purchase price of motor scrap by the Group



Our Group has made provisions for inventories in accordance with the accounting policies of the Group based on the following net realisable value of the inventory balances of Recycled Metal Products and Foundry Products respectively:

	<b>As at 31 December 2008</b>			
	<b>Recycled Metal Products</b>	<b>Foundry Products</b>	<b>Wholesale Products</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventory balance	849,867	27,491	1,063	878,421
Less: net realisable value	546,116	22,629	1,063	569,808
Provision for inventories	303,751	4,862	–	308,613

## BUSINESS

The table below sets forth the highest and lowest selling prices of our products during the Track Record Period:

	Products	Selling Price per tonne (HK\$)					
		2007		2008		2009	
		Highest	Lowest	Highest	Lowest	Highest	Lowest
<b>Recycled Metal Products</b>	Copper Scrap (廢銅)	58,650	28,309	62,168	17,029	52,648	15,107
	Steel Scrap (廢鋼)	20,393	1,628	30,700	1,775	21,176	1,831
	Aluminium Scrap (廢鋁)	17,507	14,268	17,749	8,625	14,279	7,071
	Iron Scrap (舊生鐵)	3,125	1,970	4,250	2,590	3,374	2,451
	Other scrap with processing	53,748	438	93,994	290	78,486	253
<b>Foundry Products</b>	Aluminium-alloy ingots (鋁錠)	21,709	16,369	21,682	9,114	16,133	9,908
	Copper rods and wires (銅杆銅線)	-	-	-	-	57,407	45,800
<b>Wholesale Products</b>		-	-	8,169	778	5,582	1,279

### PROCESSING AND PRODUCTION

#### Processing and Production Sites

Our principal processing and production site, which is involved in both the metal recycling business as well as the foundry business, is located in Taizhou City, Zhejiang Province at Taizhou Metals Recycling Park and occupies a total gross area of approximately 200,000 sq.m.. Our processing and production workshops, administration and office building, staff dormitories, warehouses and other ancillary facilities are situated in our production site. During the Track Record Period, our principal production and processing lines were located at our Taizhou facilities.

We commenced our metal recycling business in the Ningbo Metals Recycling Park in November 2009. Our premises in the Ningbo Metals Recycling Park occupies a gross site area of approximately 36,112 sq.m. We lease our premises in Ningbo for a term of five years starting from 1 October 2009.

Taizhou is named as the “Capital for Metals Recycling in China” (中國再生金屬之都) by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) where many of the major Mixed Metal Scrap recycling companies are located.

The Taizhou Metals Recycling Park was established in 2003 and is one of the leading metals recycling zones in China. According to the 2008 Report of Recycling Industry, Taizhou is the largest demolishing base for motor scrap with an annual demolishing volume of more than 2 million tonnes. The total annual turnover of the recycling companies located in the Taizhou Metals Recycling Park has exceeded RMB20 billion during the period from 2005 to 2008. There are more than 40 recycling companies in the Taizhou Metals Recycling Park with an overall annual recycling capacity of more than 2.5 million tonnes of metal scrap.



## BUSINESS

The Ningbo Metals Recycling Park was established in 2001 and boasts a port-to-factory logistics and customs arrangement whereby the Ningbo Metals Recycling Park is responsible for transportation of scrap raw materials from the port to the custom clearance facilities within the recycling park. The services provided by the Ningbo Recycling Park allow additional convenience for customs clearance.

The Taizhou Metals Recycling Park and the Ningbo Metals Recycling Park, together with the metals recycling parks in Tianjin, Taicang (太倉) and Zhangzhou (漳州), handle over 80% of the Mixed Metal Scrap imported into China as reported in the 7th Recycling Metals International Forum held in November 2007. Further, based on the 2008 Report of Recycling Industry, Zhejiang province (where both the Taizhou Metals Recycling Park and the Ningbo Metals Recycling Zone are located) imported approximately 50% of all the copper-content scrap material imported into China for 2008.

Both our Taizhou and Ningbo sites are well served by road networks such as the Yong-Tai-Wen highway (甬台溫高速) and the Shang-San highway (上三高速) which connect us to major cities in the Yangtze River Delta, such as Hangzhou and Shanghai, where many of our customers are located. We also take advantage of our proximity to the Taizhou port and the Beilun port in Ningbo, which are located only approximately 20 km and 50 km from our facilities, for import of our raw materials.

### Processing and Production Capacities

Our annual capacity to recycle Mixed Metal Scrap is approximately 300,000 tonnes, 380,000 tonnes and 607,242 tonnes (including 527,242 tonnes for Taizhou and 80,000 tonnes for Ningbo) in 2007, 2008 and 2009 respectively, according to the respective Import Scrap Materials Environmental Risk Assessment Reports issued by Zhejiang ESRD and Ningbo SWAC. According to the Provisional Regulations on Environmental Protection in relation to Wastes Importation 《廢物進口環境保護管理暫行規定》(Huankong (環控) [1996] No. 204, implemented on 1 April 1996) and notices on the assessment on designated processing and utilisation entities for imported hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap and requirements issued by the MEP and Zhejiang Environmental Protection Bureau over the years, designated processing and utilisation entities who apply for an approval to import hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap, must conduct an annual assessment on the environmental risks of the imported waste used as raw materials and its storage, transportation and process, and formulate Import Scrap Materials Environmental Risk Assessment Reports, as well as submit the relevant reports to the administrative department of the environmental protection authority for review in accordance with the relevant regulations of the MEP. Such annual Import Scrap Materials Environmental Risk Assessment Reports will assess the annual dismantling capacity of the designated processing and utilisation entities. We rely upon the annual processing capacity as set out in the Import Scrap Materials Environmental Risk Assessment Reports issued by Zhejiang ESRD and Ningbo SWAC to determine our annual processing capacity as such capacity is independently assessed and determined by the applicable authority. Our designed annual production capacity of aluminium-alloy ingots is 60,000 tonnes. Our designed annual production capacity of copper rods and wires is 20,000 tonnes.

During the Track Record Period, the annual utilisation rate of Mixed Metal Scrap recycling facilities at our Taizhou Recycling base were 75.6%, 73.5% and 45.7%, respectively. While the annualised utilisation rate of Mixed Metal Scrap recycling facilities at our Ningbo processing base was 3.2% for year 2009. The decrease in annual utilisation rate was due to a combination of (a) an expansion of our annual processing capacity over the Track Record Period; (b) a general slowdown in business activities resulting from the financing crisis; and (c) lower sales by the Group due to lower realisable prices for our Recycled Metal Products and excess supply in the industry for the year ended 31 December 2008 which only began to improve towards the second quarter of 2009 as the recycled metal scrap product prices in global markets improved and rebounded from their lows at the end of 2008. The annual utilisation rate is measured by comparing the actual processing of Mixed Metal Scrap with the annual processing capacity of Recycled Metal Products as assessed by Zhejiang ESRD (浙江省環境保護科學設計院) for Taizhou and Ningbo SWAC for Ningbo.

# BUSINESS

Set out below are our existing processing and production facilities:

Location	Taizhou Metals Recycling Park				Ningbo Metals Recycling Park			
	Metal recycling business		Foundry business		Metal recycling business			
Approved import volume as of the Latest Practicable Date								
– Mixed Metal Scrap (restricted category) <sup>(9)</sup>	400,000 tonnes		N/A		70,000 tonnes			
– Copper scrap, aluminium scrap and steel scrap (automatic category) <sup>(10)</sup>	114,600 tonnes		N/A		21,600 tonnes			
		<b>Copper scrap, aluminium scrap and steel scrap (tonnes)</b>				<b>Copper scrap, aluminium scrap and steel scrap (tonnes)</b>		
<b>Actual import volume</b>	<b>Mixed Metal Scrap (tonnes)</b>				<b>Mixed Metal Scrap (tonnes)</b>		<b>Copper scrap, aluminium scrap and steel scrap (tonnes)</b>	
–2007	243,538	867			N.A.		N.A.	
–2008	312,795	2,013			N.A.		N.A.	
–2009	240,798	11,866			10,649		431	
	<b>Recycled Metal Products</b>		<b>Copper rods and wires</b>	<b>Aluminium-alloy ingots</b>	<b>Recycled Metal Products</b>			
<b>Process/Production</b>	19 processing zones <sup>(7)</sup>		(1) One production line involving the process of melting, refining and casting of copper scrap  (2) One production line involving continuous casting and rolling of 8mm copper rods  (3) One high-speed wire-drawing machine for 3mm copper wires	One production line involving the process of melting, refining and casting of aluminium-alloy ingots	6 processing zones <sup>(7)</sup>			
<b>Commencement date of production</b>	2000		September 2009	2004	November 2009			
	<b>Processing capacity (tonnes)</b>	<b>Actual processing output (tonne)/ %<sup>(1)</sup></b>	<b>Production capacity (tonnes)</b>	<b>Actual production output (tonne)/ %<sup>(1)</sup></b>	<b>Production capacity (tonnes)</b>	<b>Actual production output (tonne)/ %<sup>(1)</sup></b>	<b>Processing capacity (tonnes)</b>	<b>Actual processing output (tonne)/ %<sup>(1)</sup></b>
– 2007 <sup>(6)</sup>	300,000	226,733/75.6%	N.A.	N.A.	60,000	5,439/9.2% <sup>(2)</sup>	N.A.	N.A.
– 2008 <sup>(6)</sup>	380,000	279,445/73.5%	N.A.	N.A.	60,000	9,352/15.6% <sup>(3)</sup>	N.A.	N.A.
– 2009 <sup>(5)(6)</sup>	527,242	240,991/45.7%	20,000	4,622/23.1%	60,000	14,943/24.9%	80,000	2,549/3.2%
<b>Expected production output by the end of 2010<sup>(8)</sup></b>	340,000 tonnes/64.5%		10,000 tonnes/50%		20,000 tonnes/33.3%		70,000 tonnes/87.5%	
<b>Planned processing and production capacity<sup>(4)</sup></b>	527,474 tonnes in 2010		20,000 tonnes		60,000 tonnes		80,000 tonnes in 2010 <sup>(11)</sup>	

## BUSINESS

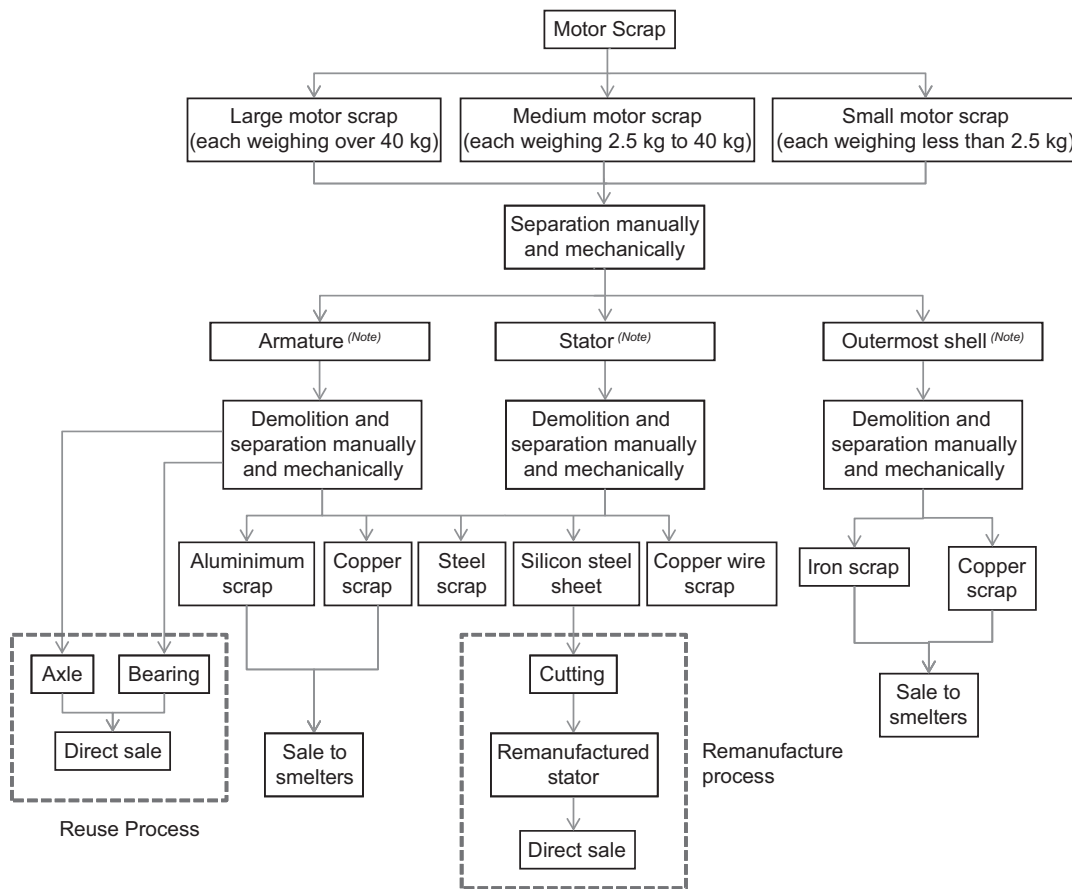
Notes:

1. Utilisation rate of our processing and production facilities.
2. Due to equipment maintenance, there is no production in CT Foundry during the second half year of 2007.
3. The utilisation of aluminium-alloy ingot production facility was relatively low compared to its capacity as it was affected by the slowdown in business activities and our credit control on our customers.
4. The processing capacities of Recycled Metal Products for the year 2010 were assessed by Zhejiang ESRD and Ningbo SWAC. The production capacities of aluminium-alloy ingots and copper rods and wires are based on the annual designed capacity of the relevant production facilities approved by Taizhou Environmental Protection Bureau Luqiao Branch (台州市環境保護局路橋分局) in 2003 and 2007 respectively.
5. During the fourth quarter of 2008 and with the beginning of the 2008 financial crisis, our management faced a situation where metal scrap suppliers were less willing to sell their inventory which was priced by reference to the market prices of the key component commodities of such scrap due to the sharp decline these prices were experiencing during that period. This situation only commenced to improve towards the second and third quarter of 2009.
6. The processing capacity of our facilities is set out based on an annual assessment by Zhejiang ESRD and Ningbo SWAC. Our annual processing capacity has exceeded our approved import volume of Mixed Metal Scrap over the Track Record Period. We have not processed Mixed Metal Scrap in excess of our approved import volume by the MEP over the Track Record Period, and as such have not during the Track Record Period sought to increase our approved import volume to the level of the processing capacity of our processing facilities.
7. We have more processing zones in our Taizhou processing facilities which is capable of processing a wider range of Mixed Metal Scrap.
8. Utilisation rate in this case is calculated by dividing the expected production output by the planned processing and production capacity for 2010.
9. According to the "List of Solid Waste Used as Raw Materials and Restricted in Import" (《限制進口類可用作原料的固體廢物目錄》) issued by the relevant government authority, Mixed Metal Scrap are solid wastes that could be used as raw materials and restricted in import.
10. According to the "List of Solid Waste Used as Raw Materials under Automatic Import Permit Category" (《自動許可進口類可用作原料的固體廢物目錄》) issued by the relevant government authority, aluminium scrap, copper scrap and steel scrap are solid wastes used as raw materials under the automatic import permit category.
11. We have entered into a memorandum of understanding with the Management Committee of the Ningbo Metals Recycling Park on 26 January 2010 to expand our annual processing capacity from our present 80,000 tonnes to 200,000 tonnes by the end of 2010.

**Metal Recycling Process**

The processing process of our metal recycling business mainly includes the separation of Mixed Metal Scrap by machinery and manual labour. Following separation, our products are sorted and graded by machine and by hand before being sold. We continue to invest in metals separation and recovery methods in order to maximise the recoverability of valuable metals. We have tight control throughout our production process to ensure maximum and clean separation of our final products. The main raw materials processed by us comprise motor scrap and electric wire and cable scrap.

(1) Processing of motor scrap (廢電機)



Note: They are the major components of a motor scrap.

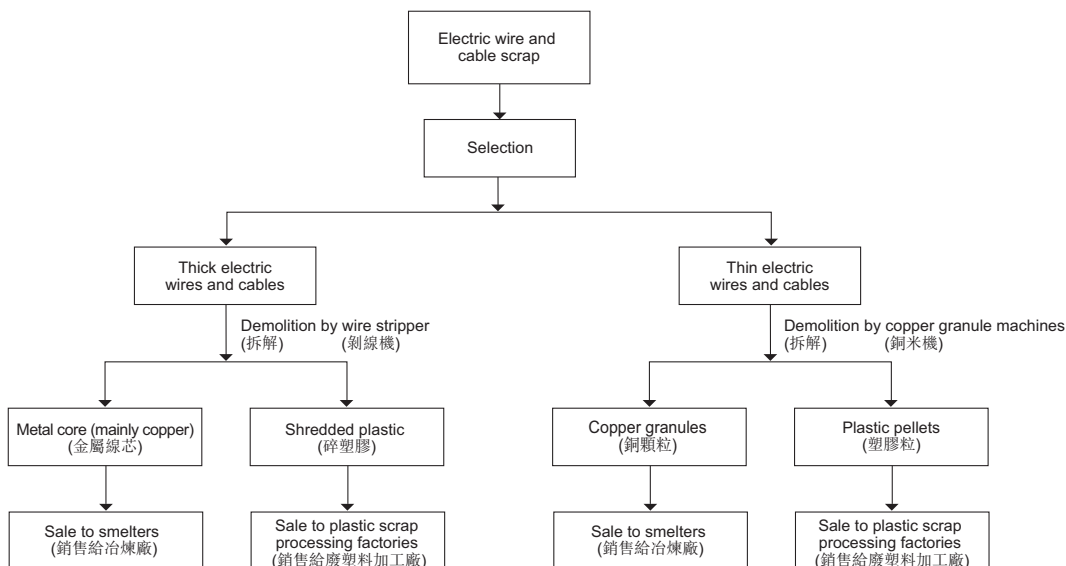
## BUSINESS

As far as we are aware, developed countries have yet to develop commercially viable processes and production lines to separate all kinds of Mixed Metal Scrap entirely into their pure metal constituents. We are a Mixed Metal Scrap recycler in China and the largest importer of Mixed Metal Scrap during the Track Record Period and we currently specialise on recycling and processing of motor scrap. We also believe we are one of the few international players in the metal recycling industry with a well established international procurement network which has the ability to process motor scrap.

A vast majority of our raw materials are motor scrap which mainly consist of copper and aluminium. The quantity of copper and aluminium we can obtain depends on the types and models of motor scrap. The separation process and recycling of motor scrap require both manual labour and machinery. We first sort the motor scrap we have purchased and inspect the raw materials to determine how they can be processed most efficiently. We have established production flows for the separation of different types and sizes of raw materials.

The machinery and technology we use are self-developed by us based on our experience. They are designed to improve the effectiveness and efficiency of our production process. We design and assemble the machinery we use, design our own operation manuals and train our workers to recycle the motor scrap. The machineries that we use include the oxy-acetylene cutting machine (氣割機) cutting machine (剪裁機), copper wire drawing machines (拉銅機). Such machineries facilitate our workers to separate the Mixed Metal Scrap in a more efficient manner with less human resources. The metals separated will be classified and stored as inventory for sale. A small proportion of the remaining scrap which cannot be further processed by us will be disposed of by our independent contracted service providers.

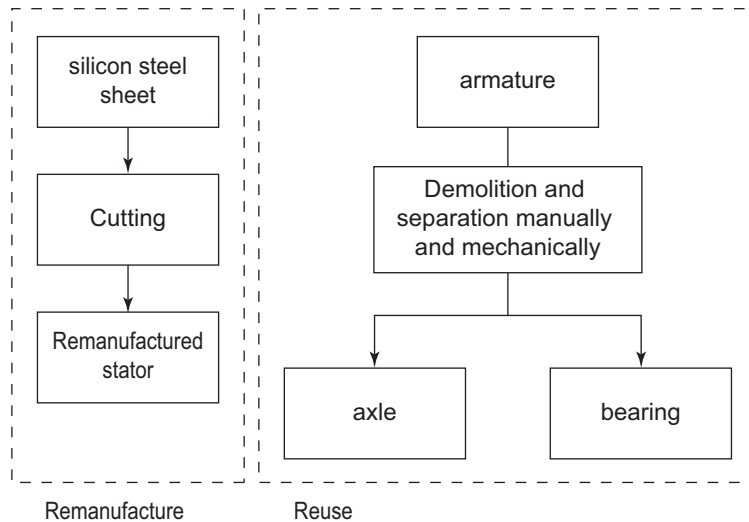
### (2) Processing of electric wire and cable scrap (廢電線電纜)



Electric wire or cable scrap comprises the metal wire, insulator and protective layer. In the separation process of electric wire and cable scrap, we will use machines like the wire stripper (剥線機) and copper granule machine (銅米機) to remove the outer layer of the electric wire and cable scrap and then further separate the metal parts. The plastic insulator will be collected, washed and packaged for sale.

(3) *Reuse/Remanufacturing Process*

Three of the components that are recovered from the breaking down, demolition and separation of the armature component of motor scrap are silicon steel sheets, axles and bearings. Silicon steel sheets considered suitable by us will be remanufactured into stator cores, while axles and bearings will be sold without further processing.



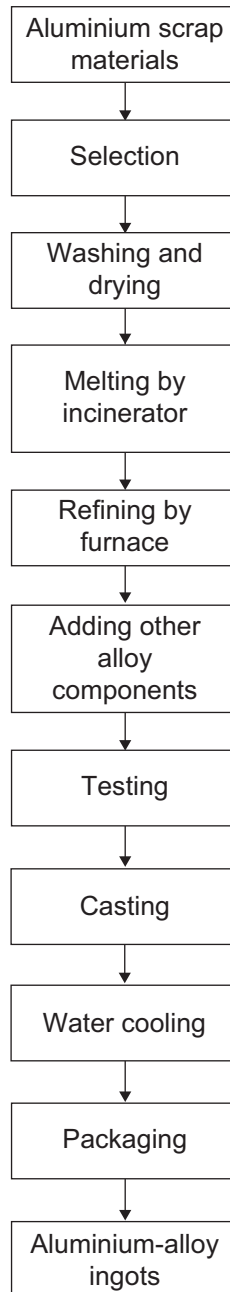
**Foundry Production Process**

The production process of our foundry business is more capital intensive when compared to our metal recycling business. It involves the use of a furnace to conduct melting, refining and casting for the processing of our recycled metal materials. Skilled workers are involved in the operation of the furnace.

(1) *Production of aluminium-alloy ingots*

The key steps in the production of aluminium-alloy ingots involve selection, washing, drying, melting, refining, casting, water cooling and packaging. The principal raw material used for the production of aluminium-alloy ingots is aluminium scrap, which may contain a small amount of impurities. We manually select the aluminium raw materials out of the aluminium scrap and wash them with water after selection. The aluminium materials selected are melted in the incinerator, then allowed to flow into the refining furnace. Extract essence is subsequently added into the refining furnace to extract the aluminium components and the various alloy components are adjusted to achieve the required specifications. The alloy components are continuously tested and adjusted to ensure that their composition meets our requirements. Liquid aluminium-alloy will then flow into the molds for casting. After cooling by water, the aluminium-alloy ingots will be packaged for sale. The hot water generated from the cooling process is channelled to the sewage treatment centre in the Taizhou Metals Recycling Park for processing and discharge.

## BUSINESS

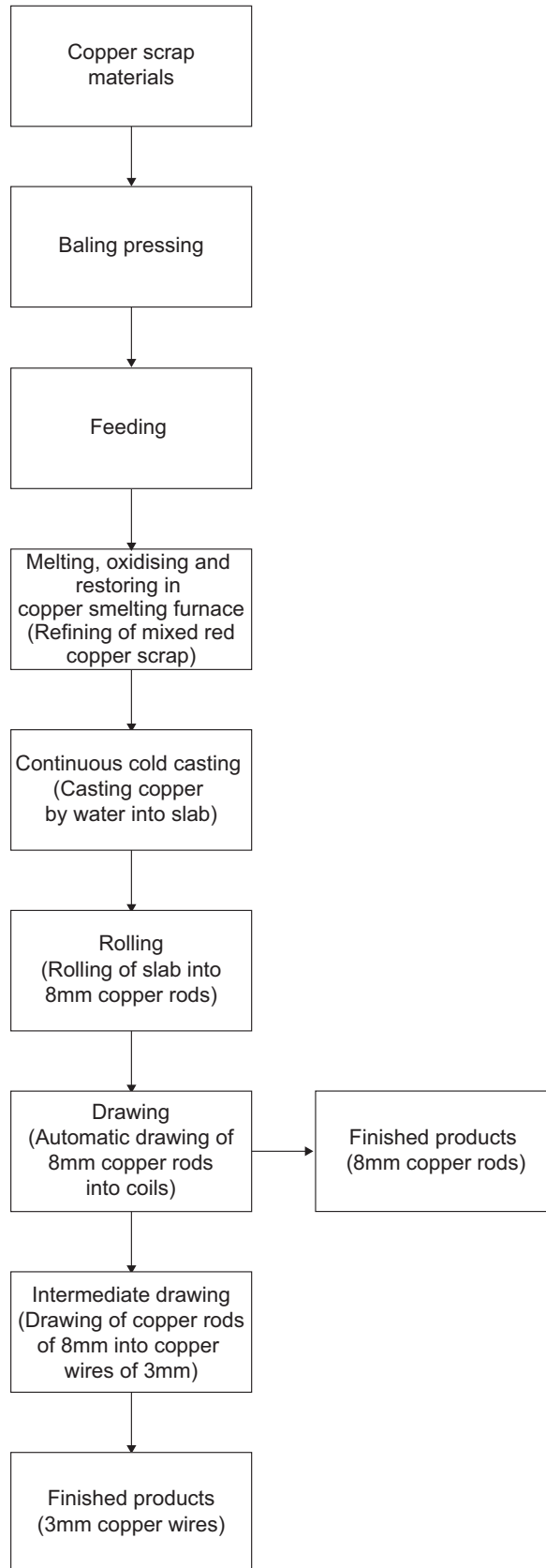


### (2) *Production of copper rods and wires*

The key steps in the production of copper rods and wires involve baling pressing, feeding, melting, oxidising, restoring, cold casting and rolling, drawing and packaging. The principal raw material used for the production of copper rods and wires is copper scrap, which may contain a small amount of impurities. We manually select the copper raw materials out of the copper scrap and press them into blocks for feeding and are melted in the open hearth. After oxidising and restoring, liquid copper will then flow into chutes and be processed into copper rods with diameter of 8mm in continuous casting and rolling machines. The copper rods are then drawn into various specifications of copper wire (including those with diameter of 3mm) by drawing machines in accordance with the requirements of the customers. The hot water generated from the cooling process is channelled to the sewage treatment centre in the Taizhou Metals Recycling Park for processing and discharge.



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## CUSTOMERS, SALES, MARKETING AND DISTRIBUTION

### Sales force, channels and market

We conduct our sales and marketing activities through our sales department. Our sales department is primarily responsible for the sale of our products including negotiating prices, taking sales orders, following-up with customers for outstanding payments and settlement and arranging delivery. Our sales department also evaluates whether the inventory level of our Recycled Metal Products and Foundry Products are sufficient before accepting orders. We sell our products directly to our customers and potential customers. A majority of our sales are made to customers located and based in China. As at the Latest Practicable Date, we employed 12 sales and marketing staff.

For the sale of our Recycled Metal Products, our customers generally arrange for their own transportation to pick up our products at our production site. Our customers normally place their orders orally over the phone or by fax. We will then enter into written contracts with our customers when they arrive at our production site to collect our products.

Our Recycled Metal Products are raw materials by nature and there is a ready market for it as long as our price is in line with the market price. We, as a Recycled Metal Products supplier, are well known in the metals industry and our customers select us mainly for our good credibility and steady supply of quality Recycled Metal Products. Therefore, minimal marketing activities are required and, consistent with industry practice, we do not have any long-term sales contracts with our customers.

The foundry business is significantly different from our metal recycling business and requires the proactive marketing of our Foundry Products by our sales team to potential and existing customers. Due to the variety of specifications and product requirements of foundry products for different customers, our sales team maintains regular contacts with our existing and potential customers in order to understand their needs and gain market information.

As a result of the nature of the business as described above, the amount of Foundry Products to be manufactured in the next month is determined by the projection of the sales team the month before. Such controls are put in place to ensure that we do not over produce Foundry Products, principally copper rods and wires, that are not as easily disposed of as Recycled Metal Products.

We commenced our wholesale business in August 2008 to procure metal scrap and, without processing, on-sell such metal scrap to our customers. We have not carried out any marketing activities to promote our wholesale business since commencement of business. The wholesale business is more of an opportunistic business built upon our ability at the relevant time to match the respective needs of our network of suppliers and customers.

### Major customers

Our customers for our Recycled Metal Products and Foundry Products include metallurgy processors, copper wire manufacturers, electrical appliance producers, raw material suppliers and smelters in China. They utilise recycled metals for production and can produce metals at a lower cost than primary smelters using refined metals from ore. This is mainly due to the significant savings in energy consumption, environmental compliance and labour costs enjoyed by the secondary smelters for melting recycled metals. These cost advantages, and the long lead-time necessary to construct new primary smelting facilities, have generally resulted in sustained demand and strong prices for our Recycled Metal Products.

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Our wholesale business customers are typically metal scrap processors who are unable to secure metal scrap directly or the volume required. Our Group's wholesale business is built upon our ability at the relevant time to match the respective needs of our network of suppliers and customers. Accordingly, our Group matches the type of scrap the suppliers have for sale against the needs of the buyers and we make arrangements for the scrap materials to be shipped directly to the buyers. Accordingly, our wholesale business is more of a trading business in nature and our Group has the legal capacity to undertake such general trading business.

During the Track Record Period, our Group, through CT HK, has procured metal scrap without processing (including both single metal scrap and Mixed Metal Scrap) for the on-sale to buyers in China, Germany and Pakistan. The trading nature of our Group's wholesale business involves matching the respective needs of its suppliers and customers which is typically undertaken on the basis that we make arrangements for the scrap materials to be shipped directly to the buyers and the buyers are responsible for all relevant approvals and permits for the import of those scrap materials to the relevant countries, where necessary. CT HK has the legal capacity to undertake the wholesale business which is trading in nature and given that CT HK has obtained the Supplier Registration Licence issued by AQSIQ, CT HK has the ability and relevant authority to on-sell metal scrap to buyers in China.

Mixed Metal Scrap which our PRC subsidiaries import into China under the relevant approved import volumes are utilised in our metal recycling business and our PRC subsidiaries are prohibited from reselling the Mixed Metal Scrap we import into China under such approved import volumes within China without first having processed it into Recycled Metal Products. Accordingly, our PRC subsidiaries are unable to and do not intend to resell the Mixed Metal Scrap they import into China under the relevant approved import volumes within China. All the metal scrap (including both single metal scrap and Mixed Metal Scrap) we, through CT HK, procure without further processing for sale under our wholesale business was sold to customers in China, Germany and Pakistan.

During the Track Record Period, sales to our five largest customers amounted to approximately 21.2%, 18.1% and 14.6% of our turnover, respectively. Our largest customer accounted for approximately 10.0%, 4.5% and 4.7% of our turnover, respectively for the same period.

None of our Directors or their respective associates or any of our existing Shareholders, whom to the knowledge of our Directors owns more than 5% of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon exercise of the Over-allotment Option and any options that have been or may be granted under the Share Option Schemes), had any interest in any of our five largest customers during the Track Record Period.

### **Pricing policy**

As advised by our PRC legal adviser, the PRC government does not impose any restriction on the pricing of our products. Our products are sensitive to market price fluctuations and are generally subject to the prevailing market prices.

Our pricing team, consisting of our sales manager, production manager and procurement and materials control manager, meet on a daily basis to discuss and agree on the price range of our products. Our sales representatives have the discretion to negotiate the selling price with our customers within the agreed price range.

Prices for our products are generally based on prevailing market rates, which can differ by region in China and are subject to market cycles that are influenced by many factors, including worldwide demand and availability of Mixed Metal Scrap that can be processed into Recycled Metal Products and Foundry Products, or on-sold to our customers. There is always a demand for our Recycled Metal Products as they are primary raw materials for various metals products which are used in a variety of industries.

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Our sales are principally denominated and settled in RMB. Our pricing team takes into account of a number of factors when determining our price range. Such factors include (1) prices quoted on the LME, (2) prices quoted on the SHFE, and (3) local prices in Taizhou or Ningbo, as the case may be, as collected by our market intelligence. We also consider other factors such as our production costs (such as raw material costs, labour costs and other overheads, logistics and distribution costs, and quality control costs), our target profits, product prices of our competitors, our inventory level and our policy for different customers.

### **Credit and payment terms**

For our Mixed Metal Scrap recycling business, our sales are predominantly conducted on a cash-on-delivery basis. Our customers pay us by cash or telegraphic transfer at the time when they collect our products from our production site. Credit period may be granted based on their credit worthiness with us, and for periods to be determined on a case-by-case basis.

For our sales of aluminium-alloy ingots and copper rods and wires, the granting of credit to our customers is assessed on a case-by-case basis and we generally allow a credit period of 30 to 90 days (for aluminium-alloy ingots) and seven to ten days (for copper rods and wires) to our customers depending on their credit standing, trading and payment records, annual sales volumes, our business relationships with them, type of transactions and current market conditions.

Our overseas wholesale business customers will pay us by documents against payment or telegraphic transfer upon shipment of the Wholesale Products, whilst our PRC customers are typically granted a 1 to 2 months credit period depending on the length of our previous business relationships with them.

Records of credit period granted and payments are kept in both the accounting and the sales departments through a computerised system so that both departments can monitor and handle the status of our customers' payments. Our accounting department takes the primary responsibility of closely monitoring the payment status of our trade receivables and will notify the sales department of any trade receivables falling due. Following notification by the accounting department, our sales staff will then take necessary actions to follow up with the collection of payment from the relevant customers. We have not made any bad debts provision during the Track Record Period as we either have fully recovered or consider we are able to recover all of our trade receivables.

### **RAW MATERIALS, PROCUREMENT AND SUPPLIERS**

Our procurement and materials control department, which comprised 23 employees as at the Latest Practicable Date, is responsible for the procurement of raw materials and the assessment and selection of suitable suppliers. Within the monthly procurement plan set down by the senior management, our procurement and materials control department is authorised to approve the pricing and quantity of our procurement, coordinate shipping of materials and arrange logistics. Substantially all of our purchases are based on CFR, which include costs of raw materials and freight for import into China. The title to the goods passes from our suppliers to us as soon as the goods are loaded onto the ship at the port of shipment. In relation to purchases that we arranged the shipment by ourselves through CT HK, the transportation related fee were borne by us during the Track Record Period. The transportation fee of CT HK were nil, HK\$24.1 million and HK\$46.3 million for the year ended 31 December 2007, 2008 and 2009, respectively, representing 0%, 0.9% and 2.6% of the total cost of sales of the Group during the Track Record Period.

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Due to a lack of mature metal scrap collection network in China, we import Mixed Metal Scrap such as motor scrap and electric wire and cable scrap as our raw materials from overseas suppliers rather than sourcing it locally in China. As disclosed in the paragraph headed “PRC Rules Relating to Qualification, Permits or Licences Required for our Business” in the section headed “Rules and Regulations” on page 100 of this prospectus, our Group has complied with all the relevant PRC laws and has obtained the relevant permits for the import of Mixed Metal Scrap and all the qualifications and licenses required for its business operation during the Track Record Period. The metal scrap collection system in China is less developed than that in the overseas market. Domestic Mixed Metal Scrap suppliers are highly scattered and their scale of operations is relatively small. It is therefore not economically viable for us to procure from a lot of local suppliers as we may incur additional and unnecessary operating costs and manpower. According to the 2008 Report of Recycling Industry, domestic nonferrous metal scrap collected in 2006, 2007 and 2008 were 2.07 million tonnes, 2.28 million tonnes and 1.96 million tonnes, respectively, while the nonferrous metal scrap imported from overseas during the same periods were 6.78 million tonnes, 7.72 million tonnes and 7.72 million tonnes, respectively.

For our foundry business, we use internally generated Recycled Metal Products for our production of aluminium-alloy ingots and copper rods and wires. We adjust the level of internally-supplied raw materials for our foundry business based on respective market demand for our aluminium or copper scrap and aluminium-alloy ingots or copper rods and wires. During the Track Record Period, the percentage of internally-supplied raw materials for production of our aluminium-alloy ingots amounted to 47.1%, 91.3% and 95.0%, of the total volume of our raw materials used for our aluminium-alloy ingot production respectively.

We commenced the commercial production of copper rods and wires in September 2009 and for the year ended 31 December 2009, all the raw materials we used for production of our copper rods and wires were supplied from the recycled copper scrap products we produced from our Mixed Metal Scrap recycling and processing business.

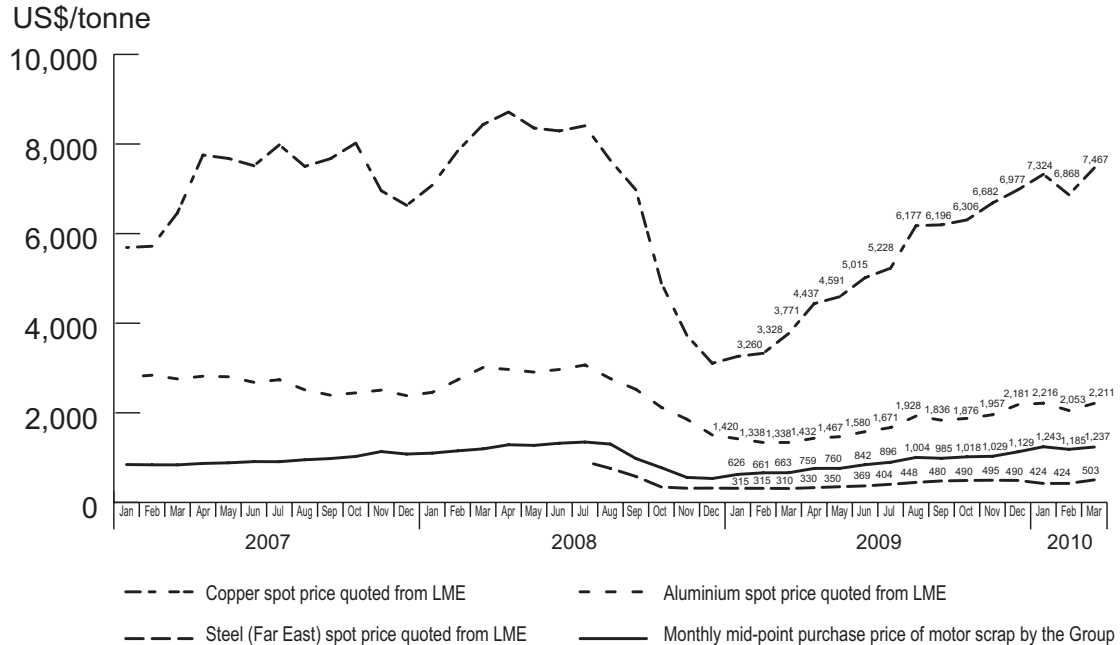
Save for the period between October 2008 and February 2009 during which our management faced a situation where metal scrap suppliers were less willing to sell their inventory as prices of such scrap declined as a result of the global financial crisis at the end of 2008, we have been able to maintain a stable and sufficient supply of raw materials since the commencement of our business. The pricing of Mixed Metal Scrap, our principal raw material, generally follows the movement of the pricing of refined metals quoted on established exchanges such as the LME and SHFE. The pricing of refined metals is open and transparent. Buyers and sellers would take into account the quotations on the exchanges when they are deciding the transaction prices. Therefore, pricing is crucial to determine whether we can procure our raw materials. We believe that as long as our purchase price is broadly consistent with the market price, there is no impediment to our stable procurement of raw materials under normal operating and market conditions.

Notwithstanding the fact that we are of the view that the procurement difficulties we experienced during the period between October 2008 and February 2009 were occasioned by extraordinary and unprecedented circumstances which were temporary in nature, we have and will continue to diversify our supplier base in order to reduce the risk of any over-reliance on a few key suppliers and to mitigate any potential difficulties in the future that may be occasioned by conditions similar to those we experienced between October 2008 and February 2009. The purchases from our five largest suppliers amounted to 77.1%, 58.4% and 42.0%, respectively of our total purchases of raw materials and supplies (including transportation costs) for the Track Record Period.

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## Price Trend of Metals and Motor Scrap

The chart below sets out the price trend of copper price, aluminium price and steel price quoted on the LME and the Group's monthly mid-point purchase price of motor scrap throughout the Track Record Period.



Source: Bloomberg

Notes:

- (1) Trading of steel rebar (螺紋鋼) future contracts on SHFE commenced since May 2009. The trading price of steel rebar is an indicator of the Group's recycled metal products. As the trading price of steel rebar is only available since May 2009, such information is not included in the chart above.
- (2) Trading of steel future contracts on the LME commenced since July 2008.

With our long operating history and our policy to make regular purchases irrespective of prevailing market conditions, we have successfully established ourselves as a credible buyer. Many suppliers choose to conduct business with us as they recognise our credibility and our daily purchase policy provides our suppliers with a stable source of income. As a result, we have established and maintained close and long-term relationships with our suppliers. In pursuing our regular purchase policy, our Directors give due regard to the existing circumstances and adjust the volume of our purchases accordingly.

We do not consider ourselves to be dependent on any particular suppliers. Pricing of our raw materials, comprising mainly of Mixed Metal Scrap, generally follows that of refined metals, which have open and transparent quotes on established metals exchange markets. As long as we procure at a reasonable price which is consistent with the market price, we can choose to buy from any of the over 3,000 suppliers that have obtained the Supplier Registration Licences and are permitted to export Mixed Metal Scrap to China.

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According to the PRC law, the import of Mixed Metal Scrap, copper scrap and aluminium scrap requires permits and annual approval from the relevant authority. For the legal requirements relating to the procurement of metal scrap overseas, please refer to the heading “Qualifications, permits and licences” in this section. Our import volume of Mixed Metal Scrap approved by MEP were 265,000 tonnes, 350,000 tonnes, 440,000 tonnes and 470,000 tonnes for the years 2007, 2008, 2009 and as at the Latest Practicable Date, respectively. The actual Mixed Metal Scrap imported by us amounted to 243,538 tonnes, 312,795 tonnes and 251,446 tonnes during the Track Record Period, respectively. Our import volume of copper scrap, aluminium scrap and steel scrap approved by MEP were 36,000 tonnes, 13,000 tonnes, 83,800 tonnes and 136,200 tonnes for the years 2007, 2008, 2009 and as at the Latest Practicable Date, respectively. The actual copper scrap, aluminium scrap and steel scrap imported by us amounted to 867 tonnes, 2,013 tonnes and 12,297 tonnes for the years 2007, 2008 and 2009 during the Track Record Period, respectively.

### Suppliers

Our suppliers are mainly Mixed Metal Scrap traders and collectors located in the US and Europe. They source obsolete materials, industrial off-cuts or other post consumer recyclables from factories or households. They also source Mixed Metal Scrap which cannot be further separated by heavy machineries from metal recyclers in the US and Europe.

In line with industry practice, we do not have any long-term contracts (i.e. more than one year) or continuing supply contracts nor do we have any intention to enter into any long term contract with any of our suppliers as the raw materials we require are readily available in the international markets. This industry practice has developed as it is difficult for Mixed Metal Scrap suppliers and metal recyclers, including us, to agree on a fixed supply price or price range for Mixed Metal Scrap in advance given that Mixed Metal Scrap pricing generally follows the fluctuations and movement of the pricing of refined metals quoted on established exchanges such as the LME and SHFE. While our Directors believe that we have an established business relationships with our suppliers, our business with them has always been, and will continue to be, conducted on the basis of actual purchase orders placed by us from time to time.

For the Track Record Period, the purchases from our five largest suppliers amounted to 77.1%, 58.4% and 42.0%, respectively of our total purchases of raw materials and supplies (including transportation costs). We have enjoyed business relationship with such suppliers for periods between two and nine years. Delco Asia was our largest supplier for 2007 and 2008 and accounted for 30.5% and 18.6% of our total purchases of raw materials and supplies (including transportation costs) for the respective year. During the year ended 31 December 2009, purchases from our largest supplier accounted for 14.9% of our total purchases of raw materials and supplies (including transportation costs).

Save for Delco Asia and HKM Metal, being two of our five largest suppliers for the years ended 31 December 2007 and 2008 respectively, none of our Directors or their respective associates or any of our existing Shareholders, who to the knowledge of our Directors owns more than 5% of our issued share capital or of any of our subsidiaries or of any of their respective associates, had any interest in any of our five largest suppliers during the Track Record Period.

Delco Asia was principally engaged in the business of sourcing and trading of Mixed Metal Scrap in Europe. During the Track Record Period, we sourced our raw materials from Delco Asia, which in turn sourced such raw materials from other suppliers. Delco Asia is owned as to 50% by SVO and as to 50% by HPL and is therefore a connected person of us and its past transactions with us constitute discontinued connected transactions according to the Listing Rules. Effective from 1 August 2008, we ceased to purchase raw materials from Delco Asia but purchase directly from its suppliers. Delco Asia also ceased all new selling activities of all forms of metal scraps on the same day. We continue to engage Delco Europe to provide certain purchasing services that are supportive of our purchase of raw materials from other suppliers during the Track Record Period. We acquired



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Delco Europe with effect from 1 January 2010, details of which are set out in the section headed “History and Development and Reorganisations” in this prospectus. For the years 2007 and 2008, our procurement of raw materials from Delco Asia accounted for 30.5% and 18.6% of our total purchases of raw materials (including transportation costs), respectively.

HKM Metal is wholly-owned by Mr. Fang and is therefore a connected person of us and its past transactions with us constitute discontinued connected transactions according to the Listing Rules. Since the beginning of 2008, we ceased to purchase raw materials from HKM Metal but to purchase directly from its suppliers and HKM Metal has ceased to carry out any metal scrap trading business. Our procurement of raw materials from HKM Metal accounted for 9.3% of our total purchases of raw materials for 2007.

### **Purchasing service arrangement**

During 2007 and 2008, Delco Asia was one of our major suppliers. Since 1 August 2008, we have ceased sourcing raw materials from Delco Asia. It is our strategy to procure raw materials for our Group and the entire procurement operation, in terms of operation staff and the relevant suppliers’ relationship of Delco Asia has been transferred to CT HK.

We did not hold any Supplier Registration Licence until CT HK obtained the Supplier Registration Licence in December 2008. Since then, CT HK has commenced operations principally as one of our main international procurement entities to procure raw materials for our Group.

In the interim, we continue to procure from overseas suppliers or import agents that have obtained such licence to import the Mixed Metal Scrap into China. We have established direct relationships with our suppliers and will be able to source sufficient Mixed Metal Scrap from independent suppliers.

To ensure that we will have access to the suppliers of Delco Asia and to facilitate the procurement process before CT HK obtained the Supplier Registration Licence, Delco Europe which has a Supplier Registration Licence, entered into an agreement with CT HK to provide certain purchasing services exclusively to our Group. Delco Europe will continue to provide purchasing services to our Group after our acquisition of Delco Europe with effect from 1 January 2010. For details of the transaction between Delco Asia and our Group, please refer to the section headed “Connected Transaction” in this prospectus.

### **Credit and payment terms**

In general, our suppliers do not grant us any credit term, which we believe, is in line with industry practice. Whilst we normally settle payment within seven to ten days upon shipment loaded by our suppliers by way of documents against payment or telegraphic transfer, in practice, we settle our payment before receipt of all custom clearing documents. Purchases are principally denominated and settled in US dollars and to a lesser extent, EUR. For shipment, we normally adopt the CFR arrangement according to the coterms and international trade practice. The title to the goods passes from our suppliers to us as soon as the goods are loaded onto the ship at the port of shipment. We maintain transportation insurance and will be able to claim damages in case there is a loss incurred in transit.

## RISK MANAGEMENT OF COMMODITY PRICE FLUCTUATIONS

We generate our revenue predominantly from the sale of Recycled Metal Products which we processed from Mixed Metal Scrap we imported into China. Accordingly, our profit comprises the margin between the selling price of our Recycled Metal Products and the cost of the Mixed Metal Scrap we import and related recovering and processing costs.

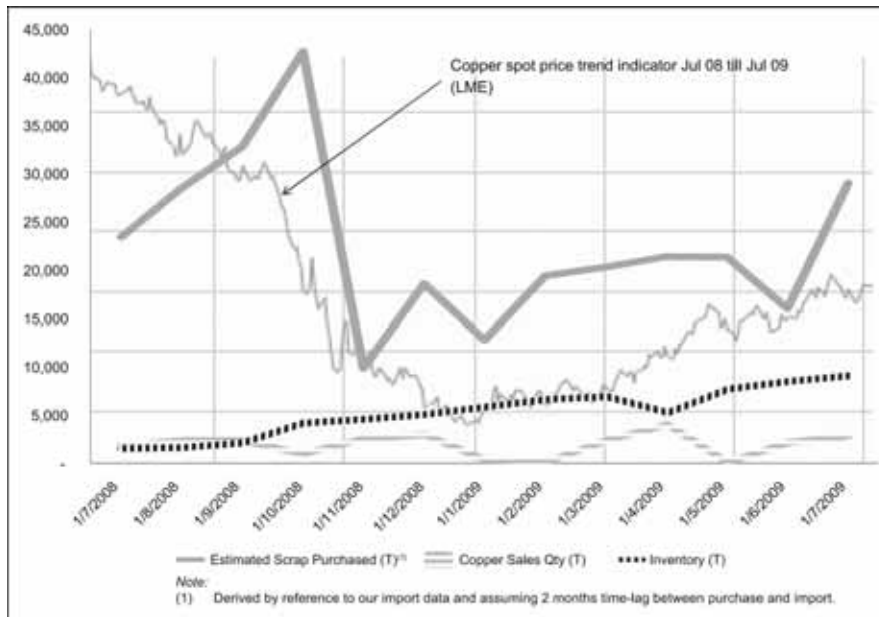
The pricing of Mixed Metal Scrap generally follows the movement of the pricing of refined metals quoted on established exchanges such as the LME and SHFE. Selling prices for our Recycled Metal Products are also determined by reference to such quoted prices (please refer to pages 129 and 147 of this prospectus for charts illustrating the monthly selling price trends of the major components of our Recycled Metal Products and price trends of motor scrap during the Track Record Period, respectively). Our Directors consider that fluctuations in commodity prices are one of the principal operating risks we face for the following reasons:

- Any unusual sharp movements of commodity prices during the 2 to 3 months time-lag between our purchase of Mixed Metal Scrap and our Recycled Metal Products being available for sale will affect the profit/loss of our operations during the time-lag period; and
  - Any unexpected and sharp decline in global commodities prices may reduce the net realisable value of our inventory below the cost we paid which may result in a write-down on the value of our inventory against our profit.
1. Any unusual sharp movements of commodity prices during the 2 to 3 months time-lag between our purchase of Mixed Metal Scrap and our Recycled Metal Products being available for sale will affect the profit/loss of our operations during the time-lag period

As we import Mixed Metal Scrap from overseas suppliers rather than sourcing it locally in China due to China's relatively less matured scrap collection network, there is a time-lag of between 2 to 3 months between our purchase of Mixed Metal Scrap and our Recycled Metal Products being available for sale during which movements of commodity prices will affect the profit/loss of our operations. As our costs of recovering and processing Mixed Metal Scrap is relatively constant, during an increasing commodity price environment, our margins generally increase as the difference in timing between buying unprocessed Mixed Metal Scrap and selling Recycled Metal Products typically results in higher margins. Conversely, decreasing prices of Recycled Metal Products generally have the opposite effect on our profit margins and profitability.

Our purchase of Mixed Metal Scrap and sale of our products are driven by typical commercial considerations of a normal operating company and are determined by a number of factors, principally, the need to ensure that there is sufficient inventory of Mixed Metal Scrap to maintain normal business operation at our processing and production plants, stable and adequate inventory level of Recycled Metal Products and the cash flow positions with reference to the requirements of our Group at the relevant time. We have not acquired inventory to speculate on price movements in the underlying metal during the Track Record Period. As illustrated in Chart A below, we do not focus on purchasing Mixed Metal Scrap from the market when the market price is low or when the market is anticipated to rise, as we have historically continued to engage in purchasing and selling of our raw materials and products irrespective of changing market conditions.

**Chart A**



2. Any unexpected and sharp decline in global commodities prices may reduce the net realisable value of our inventory below the cost we paid which may result in a write-down on the decreased value of our inventory against our profit.

For the financial year ended 31 December 2008, the sharp collapse in global commodities prices in the fourth quarter of 2008 resulted in our inventories of raw materials and processed products which arose out of our normal recovery and processing operations being stated at net realisable value instead of at cost as at 31 December 2008. The Group recorded inventory provision of HK\$308.6 million for 2008 and a loss of HK\$200.1 million. This provision for the diminution in value of our physical inventory was fully written-back in the financial year ended 31 December 2009 as commodity prices rebounded and recovered during 2009.

Our Directors believe that the unprecedented and sharp collapse of the commodity prices within a short space of three months at the end of 2008 without any sustained intermediate rebounds was out of the ordinary and made it very difficult for our Company, like other companies with similar commodity price fluctuation risk profile, to respond effectively to the crisis unless some measures of stability is brought back into the market. Our Directors further believe that our Company has, like most other companies, been caught out by the unusual and unprecedented sharp collapse in global commodities prices brought about by the recent global financial downturn. Once commodity prices have settled back to a less volatile level (however low), we will be able to adjust quickly by buying Mixed Metal Scrap (at a lower price), recover and process the scrap into Recycled Metal Products and sell the Recycled Metal Products (at a higher price). Since the Group's profit is derived from the difference between the sale price of the Recycled Metal Products and the Mixed Metal Scrap price plus the cost of transportation, recovery and processing, the actual commodity price is inconsequential.

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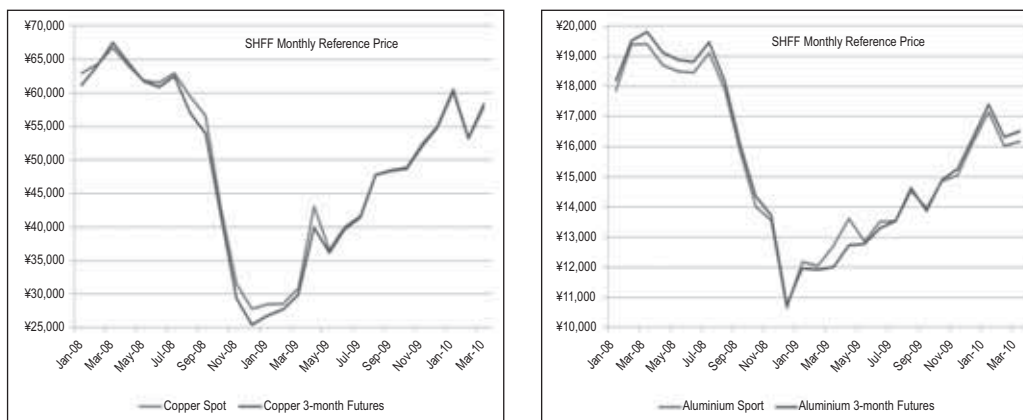
## Our treasury and risk management activities during the Track Record Period

Whilst we had carried out certain hedging activities as described below, we did not have a formal hedging policy during the Track Record Period.

As part of our treasury and risk management and not as part of our principal business activities, we bought and, to a lesser extent, sold metal futures over the Track Record Period. In 2007, with the objective of maintaining a sufficient level of inventory, we bought copper futures to supplement our physical inventory. This practice tapered-off in end 2007 once we were able to increase our inventory level. We did not buy or sell any metal future contracts during the peak commodity prices period between June 2008 and October 2008 as we were able to generate cash-flow and profit from selling our Recycled Metal Products during this period.

During the extraordinary period between October 2008 and February 2009 occasioned by the recent financial crisis, we consciously decided to continue normal operations subject to certain adjustments for lower liquidity, lower realisable prices for our Recycled Metal Products and tighter cash flow. Whilst we continued to sell our Recycled Metal Products to generate cash flow to meet our working capital requirements, we were more active in buying futures but in most cases, the quantity of futures we bought mirrored the quantity of physical Recycled Metal Products we sold. Through selling our inventory of Recycled Metal Products and buying of futures contracts almost on a matching basis at a lower price than at which we sold our physical stock, we were able to monetize our inventory during the few months following the collapse of commodity prices when the spread between copper spot and copper futures prices became especially pronounced (as set out in the Chart B below). These transactions generated positive cash-flow and enable our Group to maintain its normal operations during the financial crisis period. We began winding down our metal futures purchases from May 2009 onwards as the spread between spot and futures prices narrowed. Furthermore by December 2008, the downward spiral of commodity prices had tapered off and Mixed Metal Scrap bought in the periods from December 2008 were being processed and viably sold.

**Chart B**



**Our hedging policy**

In view of the experience gained in the recent financial crisis in the last quarter of 2008 which had a material adverse impact on our Group, we decided to put in place a formal hedging policy which our executive Directors are principally responsible for implementing. With effect from 23 June 2010 and in preparation for the Listing, we have adopted a formal hedging policy to enhance our risk management of commodity price fluctuations as follows:

**Objective**

- To mitigate commodity price risk by seeking to lock in our profits, secure our profit margin and to protect the sales price of our products

**Policy**

We will buy and sell futures contracts in organised markets with reference to professional metal commodity traders' perception and observation of the market's outlook. We will sell futures contracts to lock in our profits and mitigate any potential for loss or diminution of our profit margin. In extreme situations, we may buy future contracts to enhance our cash flow positions in order to reduce the sale of our Recycled Metal Products at undesirable prices. The decision of buying and selling of future contracts will need to be approved by our Pricing Committee as defined below. The futures contracts that may be used in our hedging activities include 1 to 12-month (but typically 3-month) copper, steel rebar and aluminium contracts on the SHFE as well as 3-month copper, aluminium and steel (Far East) futures contracts on the LME. No cut-loss limits will be set as we will buy or sell futures contracts solely for the purposes of fulfilling our hedging policy objectives and not for speculation purposes. We will only undertake real hedges and we will not maintain any long-long or short-short positions. The quantities of futures contracts we may buy or sell will be pegged to a limit of not more than 50% of the actual physical inventories we hold at the relevant time and such limits may only be extended by Board approval. We currently do not intend to fully hedge and lock-in our profits by hedging our positions with future contracts. Our Directors believe an exposure of not more than 50% is a manageable risk level for a normal operating company as any potential downside in the downward movement of net realisable prices should be leveled out by the profits that have already been locked in by our hedging activities.

- To ensure an effective risk monitoring system

With the aid of available real time price monitoring systems, our finance department will be responsible for reviewing and monitoring our risk exposure on a daily basis and for reporting their assessment to our management, our chief executive officer and our formal pricing committee which was established when we adopted our hedging policy (comprising our purchasing, sales and finance department and our management) ("**Pricing Committee**") on a daily basis. In connection with this, they will review our open positions each morning based on the broker statements we receive on a daily basis. Daily morning meetings will be held and attended by our Pricing Committee to consider our risk exposure as well as to reach daily resolutions as to offer and sell price of our physical stock as well as our hedging positions requirements. Our Pricing Committee is led by our founder, executive chairman and chief executive officer, Mr. Fang Ankong, who has over 15 years of experience in the business of metallurgy and metal scrap recycling.

## BUSINESS

- To maintain an appropriate level of inventory for our operations

We will aim to maintain our inventory turnover days within a threshold of not more than 90 days. As a precautionary measure, our Pricing Committee will monitor on a daily basis various factors, including the anticipation of the market, price and other trends in the PRC domestic and overseas markets that may affect commodity prices. Through (i) our established relationship with our suppliers, customers, China metal recycling industry authorities and professional metals commodities traders; (ii) our management's expertise and experience in the China metal recycling industry; and (iii) real time price monitoring systems, we are able to obtain latest market information including commodity price movements. Based on the updated market information and their experience and judgment in respect of commodity price trends, our management will monitor our inventory turnover days on a monthly basis and any changes to our inventory turnover day criteria will require our Board's approval. In the event that our management monthly review of the inventory turnover days demonstrates that we are not in strict compliance with our policy, we will put in place and implement a plan to accelerate the sale of our products within a reasonable period of time in order to comply with our policy. In the event that the commodity market experiences a sustained and sharp decline in prices that are likely to cause a lengthening in the inventory turnover days, we will engage and seek relevant professional firms to advise the Board on the current and future market outlook of the commodities market. Based on such advice and taking into consideration any adjustments for lower liquidity, lower realisable prices for our Recycled Metal Products and the cash flow requirements that we may need in order to continue normal operations under the prevailing conditions, our Board will consider and, if it thinks fit, grant approval for an extension of our inventory turnover criteria beyond the current 90 days. Should our Board decide that there is no need to extend our inventory turnover criteria beyond the current 90 days despite the prevailing circumstances, we will, where necessary, put in place and implement a plan to accelerate the sale of our products within a reasonable period of time in order to comply with our policy.

- To evaluate our commodity price risk management procedures on a regular basis

Our Board will continue to evaluate our risk management procedures in respect of commodity prices and will meet on a quarterly basis to review and discuss our exposure level and the corresponding procurement and inventory management strategies. Among the members of our Board, Ms. Zhang Jingdong and Mr. Li Xikui have extensive expertise and experience in the Chinese banking and finance sector coupled with our executive Directors and senior management's experience and expertise in the Chinese metal recycling industry, in particular Mr. Fang Ankong, our founder, executive chairman and chief executive officer, who has over 15 years of experience in the business of metallurgy and metal scrap recycling, our Directors consider this arrangement assists us in evaluating our commodity price risk management procedures.

## BUSINESS

- To perform annual independent review of our internal control, inventory management and commodity risk management procedures to ensure compliance with our hedging policy
- After the Listing, we will engage an independent accountancy firm to perform annual review on our internal control, inventory management and commodity risk management procedures to ensure compliance with our hedging policy. As of the Latest Practicable Date, we have not engaged such a firm to perform the annual review. The results of these reviews will be reported to our Board. Our Board will ensure that the appropriate recommendations will be adhered to and our hedging policies will be complied with. The Board will be tasked with taking necessary measures to rectify deficiency, if any, identified by the appointed firm.

Although our executive Board, comprising Mr. Fang, Mr. Gu and Mr. van Ooijen, has extensive management and operational experience in the Mixed Metal Scrap recycling business and two of our independent non-executive Directors, Ms. Zhang Jingdong and Mr. Li Xikui have extensive expertise and experience in the Chinese banking and finance sector, our Board, as a whole, may not have sufficient experience of direct relevance to ensure the effective implementation of our hedging operations.

After considering (i) the business model of our Group which does not involve any speculative trading activities; and (ii) the above commodity price risk management procedures, the Sole Sponsor is of the view that our Group's commodity price risk management policy will be sufficient and effective upon the Listing.

### **Monitoring procedures for the use of proceeds of the Global Offering**

In ensuring that the net proceeds from the Global Offering are applied as set out in this prospectus, we have put in place the following internal procedures to monitor the use of the proceeds of the Global Offering:

- Separate bank accounts
- The net proceeds from the Global Offering will be deposited and maintained in separate bank accounts for more efficient monitoring of usage.
- Establishment of a special committee
- We will establish a special committee, which will be led by Mr. Fang, our chief executive officer, and Mr. Chow Wan Hoi Paul, our chief financial officer, and will consist of our employees within our finance and procurement departments, to closely monitor the use of the net proceeds of the Global Offering.
- Regular reporting
- The special committee will provide a quarterly report to update our Board on the latest application of the use of net proceeds of the Global Offering. Our Board will review the report and ensure that the net proceeds of the Global Offering have been applied in accordance to plan and timeline, and also ensure that the purchase of raw materials are for production usage, and not for speculative purposes. Should any delay or changes are identified, our Board will take remedial actions within a reasonable time to rectify the delay or changes.



## BUSINESS

- Specific reporting requirement  
In particular, the special committee is required to provide a monthly report to our Board on the use of proceeds designated to the purchase of raw materials and ensure that the funds are applied over the timeline specified and also ensure that the purchase of raw materials are for production usage, and not for speculative purposes.
- To evaluate our monitoring procedures for the use of proceeds of the Global Offering on a regular basis  
With the support of the special committee, our Board will continue to review and evaluate our monitoring procedures for the use of proceeds of the Global Offering, and meet on a quarterly basis to discuss any weaknesses identified, and to propose any remedial actions to be carried out within a reasonable time to rectify the weaknesses.
- To perform an annual independent review of our monitoring procedures for the use of the net proceeds of the Global Offering  
After the Listing, we will engage an independent accountancy firm to perform annual review on our monitoring procedures for the use of the net proceeds of the Global Offering. A report on such review will be submitted to our Board for consideration and our Board will put in place remedial actions within a reasonable time should any weaknesses in the procedures be identified. As of the Latest Practicable Date, we have not engaged such a firm to perform the annual review.
- Final review report  
Upon the deemed full application of the net proceeds of the Global Offering in accordance to the plans as set out in this prospectus, we will engage an independent accountancy firm to perform a final review report on our use of the net proceeds to ensure that the purchase of raw materials are for production usage, and not for speculative purposes.
- Specific final review report  
It is currently expected that the net proceeds of the Global Offering designated for purchase of raw materials will be applied over a period of 9 months after Listing. Following a period of one full financial year after Listing, we will engage an independent accountancy firm to perform a specific final review report on our use of the net proceeds for purchase of raw materials in relation to its application and determination as to whether the purchase of raw materials are for production usage, and not for speculative purposes.

Although our executive Board, comprising Mr. Fang, Mr. Gu and Mr. van Ooijen, has extensive management and operational experience in the Mixed Metal Scrap recycling business and two of our independent non-executive Directors, Ms. Zhang Jingdong and Mr. Li Xikui have extensive expertise and experience in the Chinese banking and finance sector, our Board, as a whole, may not have sufficient experience of direct relevance to ensure the effective implementation of the monitoring procedures as described above.



## LOGISTICS AND DISTRIBUTION

### Warehousing and inventories

Our inventory mainly comprises raw materials, work in progress and finished goods, all of which are stored in our warehouses, workshops and some outdoor areas which are located at our Taizhou and Ningbo facilities, occupying a total area of approximately 200,000 sq.m. and 36,112 sq.m., respectively. Our warehouse department comprised 28 employees as at the Latest Practicable Date, and is responsible for safeguarding the inventory and managing the inventory according to the instructions of the procurement and materials control department.

We have put in place the following inventory management procedures to monitor our inventories:

- all purchases of raw materials must be authorised by our procurement and materials control department and recorded in our computerised inventory management system;
- we conduct inventory inspections at our warehouses on a regular basis. This allows us to confirm the accuracy of the information recorded in our inventory management system; and
- we conduct stock taking on a regular basis to ensure we keep track of the stock stored in our warehouses and generated during our production process.

For the Track Record Period, our inventory amounted to approximately HK\$324.1 million, HK\$569.8 million and HK\$1,167.4 million, respectively. The inventory turnover days for the same period were approximately 66 days, 60 days and 178 days, respectively. We have not made any provisions for inventory obsolescence during the Track Record Period as our raw materials and finished goods, namely Recycled Metal Products, are not susceptible to obsolescence.

As the raw materials we purchase principally on CFR basis (where the title to the goods passes from our suppliers to us as soon as the goods are loaded onto the ship at the port of shipment) typically takes approximately two months from the time of purchase from our overseas suppliers to delivery to our processing facilities, and a further approximately two weeks to break down, demolish and separate our Mixed Metal Scrap into their pure metal components, our inventory turnover days will be relatively longer when compared to that of a metal recycler that sources its raw materials locally or a metal recycler that recycles single metal scrap that require less processing time as compared to that required for recycling Mixed Metal Scrap. However, our Directors believe that although our inventory turnover days are relatively longer, it is nothing out of the ordinary as the recycling process for imported Mixed Metal Scrap would typically involve longer inventory turnover days for the reasons as set out above.

### Transportation and distribution

For the sale of our Recycled Metal Products, a vast majority of our customers arrange for their own transportation and collect their goods from our processing sites. Therefore, we have not maintained any delivery vehicles for our Recycled Metal Products. This arrangement minimises our capital investment and administration costs and the risks associated with it.

For the sale of our Foundry Products, we outsource our delivery of products to third party logistics providers. Such outsourcing arrangement allows us to reduce our capital investment and eliminate the risks of liability arising from accidents in transit, delivery delays or loss, as our logistics providers will bear such risks. We re-evaluate the credentials and performance of our logistics providers on a periodic basis to ensure provision of satisfactory services from them.

## BUSINESS

For the sale of our Wholesale Products, we arrange shipment of such products to the customers.

During the Track Record Period, we have not experienced any material disruption or loss in the transportation and distribution of our products.

### QUALITY CONTROL

As at the Latest Practicable Date, out of the 133 employees in our processing and production department, 21 employees and 3 employees were responsible for the quality control of our metal recycling business and our foundry business, respectively. As at the Latest Practicable Date, we have not received any material complaints or claims in relation to our products sold that would materially affect our financial position.

#### **Metal recycling business**

We purchase our raw materials from suppliers, based on a number of factors including quality of materials supplied and pricing. We conduct checks on each batch of incoming raw materials when they arrive at our facilities to ensure they meet with our standards and requirements. If the raw materials do not meet with our standards and requirements, we will submit a claim against the relevant supplier.

Quality inspection is undertaken at each stage of our processing flow. Only work-in-progress that meets with our quality standards can pass to the next stage of the processing flow. Work-in-progress that does not pass our quality standards will be delivered to the previous stage for further processing.

#### **Foundry business**

##### *Aluminium-alloy ingots*

Annual audits of quality control ISO9001:2000 system are made by the issuing agency. Our quality control officers conduct sample tests on the raw materials we use for the production of aluminium-alloy ingots. During the production process, optical spectrum testing (光譜儀) is conducted at least 3 times per day to ensure our products meet the specifications set by ourselves and/or our customers. We also conduct final inspections of our finished products before they are delivered to our customers. Our finished products may also be submitted to an independent institute for quality testing upon request of our customers.

##### *Copper rods and wires*

Annual verification of environmental ISO14000 system is made by the relevant issuing agency. The raw materials for production of the copper rods and wires are sourced from our Group. Our quality control officers select and conduct sample tests on such raw materials. To ensure our products meet the specifications set by ourselves and our customers, quality and composition testing will be conducted at least twice per day during the production process, and we also conduct two final inspections on the quality of our finished products before delivery to our customers.

### RESEARCH AND DEVELOPMENT

We focus our research and development efforts on, amongst other things, improving our production process by designing and implementing streamlined production flows for different types of scrap raw materials. We also design new production tools and equipment to facilitate our demolition and separation of Mixed Metal Scrap into its components in order to enhance our productivity and lower our labour cost.

## BUSINESS

Historically, our research and development activities do not require any substantial capital investment. Therefore, the costs incurred in our research and development activities have been relatively low as compared to our turnover during the Track Record Period. However, the Directors might decide to allocate further resources on specific research and development projects in the future, where the Directors find necessary and appropriate.

### QUALIFICATIONS, PERMITS AND LICENCES

The raw materials for our metal recycling processing business are principally motor scrap, and electric wire and cable scrap while a small amount of aluminium scrap and copper scrap is used in our foundry business.

According to the “List of Solid Waste Used as Raw Materials and Restricted in Import” (《限制進口類可用作原料的固體廢物目錄》) issued by the relevant government authority, hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap are solid wastes that could be used as raw materials and restricted in import. In accordance with the regulations of “Notice on Issues Regarding Approval and Administration of Restricted Waste Import” (《關於限制進口類廢物審批管理有關問題的通知》) (Huanban (環辦) [2003] No.61, implemented on 7 July 2003), entities that are engaged in the processing and utilisation of imported hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap have to be Designated Processing Units approved by the MEP. As stipulated under the “Notice on the Issues Concerning Assessment on Designated Processing and Utilisation Entities for Imported hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap in 2005” (《關於核定2005年進口廢五金電器、廢電線電纜和廢電機定點加工利用單位有關問題的通知》) (Huanhan (環函) [2004] No.344, issued on 10 October 2004), the MEP implemented an assessment system on designated processing and utilisation entities of hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap and imposed an import permits system on such scrap. Based on the aforesaid regulations, entities may only apply to the MEP for an approval of the import of hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap for production upon passing the designated processing and utilisation entities assessment under the MEP.

Approvals must be obtained from the relevant authorities in respect of the aforementioned matters every year, and the approved import volume is subject to the results of review, after considering factors including operation conditions, production capacity, management and compliance of regulations.

According to the “List of Solid Waste Used as Raw Materials under Automatic Import Permit Category” (《自動許可進口類可用作原料的固體廢物目錄》) issued by the relevant government authority, aluminium scrap, copper scrap and steel scrap are solid wastes used as raw materials under the automatic import permit category. An automatic import permit system for aluminium scrap, copper scrap and steel scrap has been adopted in the PRC. Applicants may directly apply to the MEP with the required certificates including a Consignee Registration Licence for an import permit of aluminium scrap, copper scrap and steel scrap.

In accordance with the relevant PRC regulations, domestic consignees (i.e. purchasers of foreign imported scrap materials) must register with AQSIQ and the latter will issue a Consignee Registration Licence.

## BUSINESS

As advised by our PRC legal adviser, since the implementation of the assessment system on designated processing and utilisation entities of scrap electronic devices, wire scrap and motor scrap in 2005, CT Metals and CT Metals (Ningbo) have, since their respective dates of establishment, passed the assessment on designated processing and utilisation entities of scrap electronic devices, wire scrap and motor scrap implemented by the MEP annually, and the MEP also announced that we have obtained the qualification of Designated Processing Units. Our PRC legal adviser has confirmed that we have obtained all other necessary licenses and approvals for its operations in China.

Suppliers importing scrap into China must obtain a Supplier Registration Licence from AQSIQ, according to the relevant PRC laws. CT HK obtained the Supplier Registration Licence in December 2008. Delco Europe obtained the Supplier Registration Licence in January 2005.

According to the Automatic Licensing Import Licence issued by the MEP, we are allowed to import 36,000 tonnes, 13,000 tonnes, 83,800 tonnes and 136,200 tonnes of copper scrap, aluminium scrap and steel scrap for the years 2007, 2008, 2009 and as at the Latest Practicable Date, respectively. According to the Restricted Import Licence issued by the MEP, we are licensed to import 265,000 tonnes, 350,000 tonnes, 440,000 tonnes and 470,000 tonnes of Mixed Metal Scrap in 2007, 2008, 2009 and as at the Latest Practicable Date, respectively.

The qualifications, permits and licences we have obtained that are crucial to our business operation are set out in “Appendix VI — Statutory and General Information” of this prospectus. A summary of such qualifications, permits and licenses that are currently in force and effect is set out below:

Qualifications/ Certificates	Company	Date of Issue	Expiry Date	Issuing Authorities
“List of selected enterprises for recycling of imported hardware and electrical appliance scrap, wire scrap and motor scrap for 2010” (Notice No. 9 of 2010)	CT Metals and CT Metals (Ningbo)	28 Jan 2010	Subject to annual examination	MEP
“Consignee Registration Licence” (B33070433)	CT Metals	1 Sep 2007	31 Aug 2012	AQSIQ
“Consignee Registration Licence” (B33070435)	CT Foundry	1 Sep 2007	31 Aug 2012	AQSIQ
“Consignee Registration Licence” (B38080829)	CT Metals (Ningbo)	1 Dec 2008	30 Nov 2013	AQSIQ
“Licence of Registration for Overseas Suppliers of Imported Scrap Materials” (A344080357)	CT HK	8 Dec 2008	7 Dec 2011	AQSIQ
“Licence of Registration for Overseas Suppliers of Imported Scrap Materials” (A528042660)	Delco Europe	1 Jan 2008	31 Dec 2010	AQSIQ

## BUSINESS

Qualifications/ Certificates	Company	Port	Total Quantity (tonnes)	Expiry Date	Issuing Authorities
Automatic Licensing Import Licences for aluminium scrap for 2010	CT Metals	Taizhou	37,800	31 Dec 2010	MEP
Automatic Licensing Import Licences for aluminium scrap for 2010	CT Metals (Ningbo)	Ningbo	10,800	31 Dec 2010	MEP
Automatic Licensing Import Licences for copper scrap for 2010	CT Metals	Taizhou	37,800	31 Dec 2010	MEP
Automatic Licensing Import Licences for copper scrap for 2010	CT Metals (Ningbo)	Ningbo	10,800	31 Dec 2010	MEP
Automatic licensing Import Licenses for steel scrap for 2010	CT Metals	Taizhou	39,000	31 Dec 2010	MEP
Restricted Import Licence for hardware and electrical appliance scrap mainly for recycling steel & iron	CT Metals	Taizhou	30,000	31 Dec 2010	MEP
Restricted Import Licence for hardware and electrical appliance scrap mainly for recycling steel & iron	CT Metals (Ningbo)	Ningbo	16,000	31 Dec 2010	MEP
Restricted Import Licence for motor scrap mainly for recycling copper	CT Metals	Taizhou Ningbo	340,000 8,000	31 Dec 2010 31 Dec 2010	MEP MEP

## BUSINESS

Qualifications/ Certificates	Company	Port	Total Quantity (tonnes)	Expiry Date	Issuing Authorities
Restricted Import Licence for motor scrap mainly for recycling copper	CT Metals (Ningbo)	Ningbo	50,000	31 Dec 2010	MEP
Restricted Import Licence for wire scrap mainly for recycling aluminium	CT Metals	Taizhou Ningbo	20,000 2,000	31 Dec 2010 31 Dec 2010	MEP MEP
Restricted Import Licence for wire scrap mainly for recycling aluminium	CT Metals (Ningbo)	Ningbo	4,000	31 Dec 2010	MEP

### EMPLOYEES

We have complied with all relevant labour and employment laws and regulations in China, Hong Kong and the Netherlands as at the Latest Practicable Date.

We provide social insurance for our employees as required by the PRC national and local social security regulations, such as insurance for retirement, unemployment, sickness, child birth and industrial injuries suffered by our employees.

As at the Latest Practicable Date, we had 274 employees. The table below sets out the numbers of employees in our different departments:

Department	No. of Employees
Production	133
Administration	73
Finance	18
Human Resources	7
Import, Export	8
Sales	12
Procurement	23
<b>Total</b>	<b>274</b>

As advised by our PRC legal adviser, the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which governs mainly the employment contracts, became effective on 1 January 2008, our employment contracts have complied with the Labour Contract Law of the PRC. Please refer to the section headed "Directors, senior management and employees" in this prospectus for further information.

### Housing Provident Fund

According to the provisions under the regulations and supervisory documents regarding the housing fund stipulated by the State, Zhejiang province and Taizhou City, employers shall register for the housing fund contribution and open accounts for their employees (hereafter only refer to those whom have established employment relationship with the employer, excluding the temporary workers who are employed through agency) at the Housing Fund Administration Centre. CT Metals and CT Foundry has registered for the payment of contribution and started making contribution since August 2008. CT Metals (Ningbo) has registered for the payment of contribution and started making contribution since February 2010.

According to the Explanatory Statement issued by Housing Fund Administration Center of Taizhou City, Luqiao sub-branch on 25 September 2008, since the issuance of Regulation on the Administration of Housing Fund (住房公積金管理條例) by the State Council in 1999, Housing Fund Administration Center of Taizhou City, Luqiao sub-branch has gradually established the housing fund system according to the applicable laws and regulations. In this regard, Taizhou issued the Implementation Rules on the Administration of Housing Fund Payment and Deposit in Taizhou (台州市住房公積金繳存管理實施細則) on 7 March 2007, and the work regarding the establishment of housing fund system has move to a higher step in Luqiao District. As of the issuance date of the aforesaid statement, all the administrative units, institutions and state-owned enterprises have established the housing fund system in Luqiao District. The work regarding the establishment of housing fund system for non-state-owned enterprises has progressed step by step, however most non-state-owned enterprises have not established the housing fund system. Housing Fund Administration Center of Taizhou City, Luqiao sub-branch is currently pushing forward such work actively so that more non state-owned enterprises will establish the housing fund system as soon as possible.

According to the certificate issued by Housing Fund Administration Centre of Taizhou City, Luqiao Sub-branch on 3 February 2010, both CT Metals and CT Foundry have completed the relevant housing fund contribution registrations, both these enterprises have made housing fund contributions in accordance with applicable laws and, as of the date of the certificate, none of them has been punished by the housing funds authority for any non-compliance. Based on the certificate issued by Housing Fund Administration Centre of Ningbo City, Zhenhai Sub-branch on 4 March 2010, CT Metals (Ningbo) has made housing fund contributions in accordance with applicable laws and, as of the date of the certificate, it has not violated the relevant laws and regulations (including local regulations) which would result in punishment by the housing funds authority.

According to relevant PRC laws, a company shall register with local housing fund administration centre and contribute housing fund for its employees within thirty (30) days after the establishment of the company. If the company does not make housing fund contribution in time, the housing fund administration centre in charge is entitled to order the company to make such contribution within certain days, failing of which the housing fund administration centre is entitled to apply to the People's court for enforcement and the maximum penalty that may be imposed is RMB50,000. CT Metals, CT Foundry and CT Metals (Ningbo) did not register for the housing fund contribution upon their establishment as requested by the law. The amount of outstanding housing fund contribution of CT Metals, CT Foundry and CT Metals (Ningbo) from the date of their respective date of establishment up till August 2008 (with respect to CT Metals and CT Foundry) and February 2010 (with respect to CT Metals (Ningbo)) was approximately RMB5 million and RMB1,000, respectively. However, based on the above-mentioned certificates issued by relevant housing fund administration centres, our PRC legal adviser's view is that the risk of being ordered by local housing fund administration centres to make housing fund contribution for the period from the establishment of CT Metals and CT Foundry to August 2008 for the employees of CT Metals and CT Foundry and for the period from the establishment of CT Metals (Ningbo) to February 2010 for the employees of CT Metals (Ningbo) is low.



## BUSINESS

### Workers

The business of recycling of Mixed Metal Scrap and the foundry business are both labour intensive. It mainly involve separation workers using tools, machinery and equipment to facilitate the separation and demolition of Mixed Metal Scrap for the production of our recycled metal products, and the selection of aluminium raw materials out of the aluminium scrap. Separation workers and selection workers of our Group mainly come from provinces outside Zhejiang and their turnover rate is high. Their wages are generally based on the quantity of work done. In light of the aforesaid characteristics of our labour, CT Metals had engaged local contractors, which in turn employed the separation workers and selection workers, based on quantity of work prior to 1 January 2008. We oversee and manage all these production processes at our own production site. For the years 2007, 2008 and 2009, there were about 900, 2,100 and 2,200 separation workers, respectively, participating in the processing of Mixed Metal Scrap at CT Metals. The labour costs of CT Metals for the years 2007, 2008 and 2009 was HK\$15.49 million, HK\$53.38 million and HK\$49.48 million, respectively. For the same period, there were about 100, 90 and 60 selection workers, respectively, participating in the production of aluminium-alloy ingots at CT Foundry. The labour costs of CT Foundry for the years 2007, 2008 and 2009 was HK\$2.17 million, HK\$2.32 million and HK\$2.07 million, respectively. Currently about 70 selection and separation workers are participating in the processing of Mixed Metal Scrap at CT Metals (Ningbo). The labour costs of CT Metals (Ningbo) in 2009 was HK\$0.17 million. We do not employ any selection and separation workers in the production of copper rods and wires.

Upon implementation of the Labour Contract Law on 1 January 2008, the separation workers and selection workers required by CT Metals and CT Foundry from time to time are provided by a labour services provider licensed by the Labour Bureau of Taizhou where contracts have been entered into by such provider with CT Metals and CT Foundry. The separation workers and selection workers required by CT Metals (Ningbo) are similarly provided by a labour services provider licensed by Labour Bureau of Ningbo, where contracts have been entered into by such provider with CT Metals (Ningbo). There is no employment relationship between CT Metals, CT Foundry and CT Metals (Ningbo) with these workers. The labour services providers maintains employment relationship with the workers pursuant to the relevant labour contracts and are responsible for the provision of remuneration and social insurance, while CT Metals, CT Foundry and CT Metals (Ningbo) will reimburse the labour services providers for such costs.

According to the Certificate issued by Labour and Social Security Bureau of Luqiao, Taizhou on 3 February 2010, it is confirmed that CT Metals and CT Foundry have complied with the Labour Law of the PRC since their establishments. Their employment of labours is in line with the general practice of the labour market of Taizhou and is in compliance with the requirement of Labour Law of the PRC and Labour Contract Law of the PRC. There is no violation of any provision of the labour laws and other governing regulations and no penalty is imposed for labour abuse. According to the Certificate issued by Labour and Social Security Bureau of Zhenlai, Ningbo on 2 March 2010, it is confirmed that CT Metals (Ningbo) has complied with the Labour Law of the PRC since its establishment. Its employment of labours is in line with the general practice of the labour market of Ningbo and is in compliance with the requirements of Labour Law of the PRC and Labour Contract Law of the PRC. There is no violation of any provision of the labour laws and other governing regulations and no penalty is imposed by labour departments.

### INSURANCE

For our Mixed Metal Scrap recycling, reuse and processing business, we maintain insurance for transportation of our imported raw materials and insurance for some of its factory buildings. We do not maintain product liability insurance because it is not a legal requirement under the PRC law that such insurance must be maintained. We believe that our insurance coverage is in line with industry practice in China. We have not experienced any major industrial accidents during the Track Record Period.



## **ENVIRONMENTAL MATTERS**

Our business is subject to the relevant PRC environmental protection laws and regulations. The prevailing laws and regulations governing our production operations include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), Provisional Environmental Protection Administrative Measures and Supplementary Provisions for Import of Waste (《廢物進口環境保護管理暫行規定及其補充規定》), Measures on the Administration of Automatic Monitoring on Pollution Sources (《污染源自動監控管理辦法》), Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》), the Law of the PRC on Appraisal of Environment Impacts (《中華人民共和國環境影響評價法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Administrative Regulations on Environmental Protection for Construction Project (《建設項目環境保護管理條例》) and the Water Law of the PRC (《中華人民共和國水法》).

For the Track Record Period, we have spent approximately RMB\$6.5 million, RMB\$4.3 million and RMB\$11.6 million, respectively on the environmental related expenses and infrastructures. The Company expects the total environmental compliance cost for the financial year ended 31 December 2010 to be approximately RMB11.6 million.

Based on the confirmation issued by the relevant governmental authority and as advised by our PRC legal adviser, CT Metals, CT Foundry and CT Metals (Ningbo) have obtained all necessary permits and approvals related to environmental protection. Further, we have complied with all applicable laws, regulations and requirements in China in relation to environment protection and have not violated any local environmental protection laws or regulations of China during the Track Record Period.

### **Environmental protection measures and pollution controls adopted by us**

As announced by the Environmental Protection Department of Zhejiang Province (浙江省環境保護廳), we have obtained the highest verification result among the designated processing units for imported hardware and electrical appliance scrap, electric wire and cable scrap, motor scrap in Zhejiang Province during the Track Record Period.

Our production processes do not consume large volume of electricity and water and therefore produce very small volume of waste materials. We consider that we have adopted sufficient environmental protection measures and pollution controls against polluted air, water, solids and noise produced during the course of our production process, brief details of which are set forth below:

#### *Solid wastes*

Our disposal of solid waste is regulated and stipulated by PRC laws. We are required to appoint an authorised agent to collect, process and dispose of the solid wastes which are basically the Mixed Metal Scrap that cannot be further separated in the course of our production. Such authorised agent is approved and registered by the local environmental protection bureau. During the Track Record Period, CT Metals has engaged an authorised agent to collect, process and dispose of the sold waste generated during its course of production. The solid wastes generated by CT Metals (Ningbo) during its course of production are collected, processed and disposed by the Ningbo Metals Recycling Park through its appointed agent.

### *Noise*

During the production process of separation and demolition, noise is generated by our labour and machineries. Our noise level is regularly tested and is maintained at an acceptable level.

### *Waste water*

All of the waste water produced in our processing and production process at CT Metals and CT Foundry is channelled to the sewage treatment centre for discharge in the Taizhou Metals Recycling Park, whilst those of CT Metals (Ningbo) is channelled to similar sewage treatment centre for discharge in Ningbo Metals Recycling Park. In both cases, the respective sewage treatment centre will be responsible for discharged after processing. We do not directly discharge sewage.

### *Polluted air*

The polluted air generated from the production process of metal scrap recycling, production of aluminium-alloy ingots and copper rods and wires is collected through an integrated filtration and discharge system. We have carefully applied the heating process and closely monitored the smoke level to ensure that the polluted air generated is controlled under the legally allowed level. CT Metals (Ningbo) does not generate polluted air from the production processing.

### **Regular environmental assessment**

CT Metals is required to conduct a discharge testing quarterly. Taizhou Environmental Science Research Centre (台州環境科學研究院) is authorised by the MEP to test our noise level, radioactivity and gas discharges and issue environment assessment report on a quarterly basis. For the Track Record Period, we are in compliance with all the parameters required by the relevant PRC laws and regulations as to all material aspects.

As the solid wastes and sewage generated by CT Metals (Ningbo) during the course of production are collected and disposed by the centralised waste disposal facilities managed by Ningbo Metals Recycling Park, CT Metals (Ningbo) is not required to conduct a discharge testing.

### **ISO14001:2004**

We have obtained ISO14001:2004 Certificates for Environmental Management System for both CT Metals and CT Foundry on 30 December 2008 and 21 January 2008 respectively which are valid for three years. We have established and implemented an environmental control management system pursuant to the requirements of ISO 14001:2004 standards. We actively monitor compliance with statutory environmental regulations relating to air, water, noise and solid wastes pollution using the management system, which specifies the anti-pollution measures to be taken at all stages of our operational process.

## OCCUPATIONAL HEALTH AND SAFETY

We are subject to various PRC work safety laws and regulations such as the Law on Production Safety of the PRC (《中華人民共和國安全生產法》). We have appointed a safety officer who works full time to oversee the occupational health and safety in our production sites. Our safety manager is responsible for maintaining a safe environment for our staff and for preventing industrial accidents. For each of our production zones, we have appointed one of our workers as deputy safety manager to ensure our safety measures and policies are well observed. We place emphasis on safe production and have implemented the following measures:

- safety guidelines and tips on occupational safety such as safety production measures and procedures for handling emergencies are provided to our employees;
- occupational safety training is organised and conducted for our staff to promote safety awareness; and
- protective clothing, accessories and equipment are made available to our employees.

Our PRC legal adviser, Taizhou Administration of Work Safety, Luqiao branch and Zhenhai branch of Ningbo Administration of Work Safety have confirmed that we are in compliance with all safety and occupational health laws and regulations. During the Track Record Period, we have not been subject to any material safety claims, lawsuits, penalties or disciplinary actions, and there have not been any material work accidents causing health or safety issues.

## LEGAL PROCEEDINGS

Our Directors and our PRC legal adviser have confirmed that, as at the Latest Practicable Date, there were no legal proceedings or arbitrations, pending or threatened, against us or any of our Directors that could have a material adverse effect on our financial position or results of operations.

## INTELLECTUAL PROPERTY

We have not engaged in any litigation or legal proceedings for violation of intellectual property rights, nor are we aware of any violation of the same. Details of our intellectual property rights are set out in Appendix VI of this prospectus.

## COMPETITION

We are a significant player in the Mixed Metal Scrap recycling industry in China in terms of both the total import volume of Mixed Metal Scrap approval by the MEP and the actual import volume of Mixed Metal Scrap. Due to the limited supply of Mixed Metal Scrap locally in China, major players in this industry normally import their raw materials from overseas suppliers. There are approximately 500 enterprises in China which have obtained the required qualifications of Designated Processing Units. The legal requirements of such qualifications and approvals have posed a relatively high entry barrier to new entrants. We compete with our competitors to secure a reliable supply of quality Mixed Metal Scrap at a competitive price, to process or on-sell. The products that we sell are essentially raw materials and are highly liquid and easily disposable. The major competition factors for the sale of Recycled Metal Products and the price that we get for our products are principally based on (i) the quality of our products; (ii) the volume of products that we can supply; and (iii) our ability in providing a stable and continuous supply of products. We believe that we are able to compete effectively and maintain our position based on our competitive strengths. For details of our competitive strengths, please refer to the sub-section headed “Competitive Strengths” in this section of the prospectus.

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We are not a leading player in the production of aluminium-alloy ingots and copper rods and wires, which is a downstream segment of our Mixed Metal Scrap recycling business.

Certain raw materials for the production of aluminium-alloy ingots come from our Recycled Metal Products. During the Track Record Period, about 4,100 tonnes, 11,894 tonnes and 11,949 tonnes of our raw materials come from our Recycled Metal Products, constituting 47.1%, 91.3% and 95.0% respectively of the total volume of our raw materials used for our aluminium-alloy ingots production.

We commenced commercial production of copper rods and wires in September 2009. For the year ended 31 December 2009, all the raw materials we used for the production of our copper rods and wires were supplied from the recycled copper scrap products we produced from our metal recycling business.

The use of our own Recycled Metal Products as raw materials for our foundry business has reduced our cost of materials and given us a competitive advantage. Such vertical integration of our downstream business has allowed us to purchase such raw materials at competitive prices. This has also enabled us to take advantage of transportation efficiency to lower the processing costs. As a result, we believe that we enjoy a competitive advantage over non-vertically integrated manufacturers. Besides, utilising our experience in management built up in our metal recycling business, we have adopted a systemic and comprehensive management and quality control system to ensure we produce high quality Recycled Metal Products which meet the requirements of our customers. Therefore, we believe our aluminium-alloy ingots and copper rods and wires are competitive in the market.

### AWARDS AND CERTIFICATION

We have received awards and recognition from various trade associations and governmental bodies. The key awards and recognition include the following:

Year of Grant	Awards/recognition	Awarding body
2009	2008 Top Industrial Enterprise (2008年度明星工業企業)	Taizhou Luqiao Committee (中共台州市路橋區委) Taizhou Luqiao People's Government (台州市路橋區 人民政府)
2009	2008 Top Ten Total Tax Payment Enterprises in Luqiao (2008年度 路橋區納稅總額十強企業)	Taizhou Luqiao Committee (中共台州市路橋區委) Taizhou Luqiao People's Government (台州市路橋區 人民政府)
2009	National Nonferrous Metal Industry Advanced Enterprise (全國有色 金屬行業先進集體)	The Human Resources and Social Security Department of the PRC (中華人民共和國人力資源和 社會保障部) China Nonferrous Metals Industry Association (中國有色金屬工業 協會)

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Year of Grant	Awards/recognition	Awarding body
2009	Establishment of Civilised and Harmonious Port Activities Advanced Group in Taizhou (台州市共建文明和諧口岸活動先進集體)	Leading Group for Establishment of Civilised and Harmonious Port Activities in Taizhou (台州市共建文明和諧口岸活動領導小組) Taizhou Anti-Smuggling and Port Coastal Defence Management Office (台州市打擊走私與海防口岸管理辦公室)
2009	2008 Energy-saving Advanced Entity of Zhejiang Province (浙江省2008年度節能先進單位)	Zhejiang People's Government (浙江省人民政府)
2009	Civilised Entity (文明單位)	Zhejiang Committee (中共浙江省委) Zhejiang People's Government (浙江省人民政府)
2008	Applicable Class A Enterprises Management (適用A類企業管理)	Hangzhou Custom (杭州海關)
2007	Taizhou Eco-environment Education and Demonstration Region (台州市生態環境教育示範基地)	Taizhou Environmental Protection Bureau, Taizhou Eco-construction Action Group (台州市環保局，市生態建設工作領導小組)
2007	Taizhou Labour Relationship in Harmony Enterprises (台州市勞動關係和諧企業)	Leading Group for Establishment of Labour Relationship in Harmony Enterprise in Taizhou (台州市創建勞動關係和諧企業活動領導小組)
2007	2006 Top Ten Privately-owned Import Enterprises in Taizhou (2006年度台州市自營進口十強企業)	Taizhou Government (台州市政府)
2006	Civilised Entity (文明單位)	Taizhou Committee (台州市委), Taizhou Government (台州市政府)
2006	2005 Top Ten Privately-owned Import Enterprises in Taizhou (2005年度台州市自營進口十強企業)	Taizhou Government (台州市政府)
2006	Zhejiang Green Enterprises (浙江省綠色企業)	Economic & Trade Commission of Zhejiang Province, Zhejiang Environmental Protection Bureau (浙江省經濟貿易委員會，省環保局)

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Year of Grant	Awards/recognition	Awarding body
2005	2004 Foreign-invested Advanced Technology Enterprises in Taizhou (2004年度台州市外商投資先進企業)	Taizhou Lu Qiao District Government (路橋區市政府)
2004	Import and Export Operation in Compliance Enterprises (進出口經營行為規範企業)	Taizhou Anti-smuggling Office, Taizhou Customs (市打私辦, 市海關)

Our Company is a member of the China Nonferrous Metals Industry Association Recycling Metal Branch (中國有色金屬工業協會再生金屬分會) (“**CMRA**”) and, as disclosed in page 120 of this prospectus, Mr. Fang is the vice-chairman of CMRA. As at the Latest Practicable Date and save for a ranking of the Mixed Metal Scrap import volume officially approved for 2009 published in April 2010 wherein CT Metals had been ranked first based on approved import volume for Mixed Metal Scrap, CMRA has not issued any other reports relating to our ranking in the Chinese metal recycling industry. The aforesaid ranking published by CMRA was based on official figures extracted from MEP. As membership with an association is not a pre-requisite for operating in the Chinese metal recycling industry, our Company has not joined any other associations in recent times other than CMRA.

### PROPERTY INTERESTS

As at the Latest Practicable Date, we owned various real properties in China as set out below:

Location and particulars	Construction area ( <i>m</i> <sup>2</sup> )	Site area ( <i>m</i> <sup>2</sup> )	Expiry date of land use right	Status
<b>Properties in Shifen</b> (十份地塊物業)				
Shifen Industrial Zone, Fengjiang Town (峰江鎮十份工業區) (Lot no. (地號): 10-4-0-236)	3,591.64	2,878.3	July 2050	Self-use
Shifen Industrial Zone, Fengjiang Town (峰江鎮十份工業區) (Lot no. (地號): 10-4-0-237)	1,356.24	26,195.24	Within which 11,695.74m <sup>2</sup> on 15 October 2048; 7,881.5m <sup>2</sup> on 30 May 2051 and 6,654m <sup>2</sup> on 31 August 2050	Self-use

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Location and particulars	Construction area (m <sup>2</sup> )	Site area (m <sup>2</sup> )	Expiry date of land use right	Status
<b>Properties inside</b>				
<b>Taizhou Metals Recycling Park (台州金屬再生園區物業)</b>				
Huangshiyang Village and Qiaoyang Village, Fengjiang Road (峰江街道黃施洋橋洋村) (Lot no. (地號): 01-005-026-0006)	74,786.62	49,059	1 November 2052	Self-use
Huangshiyang Village and Qiaoyang Village, Fengjiang Road (峰江街道黃施洋橋洋村) (Lot no. (地號): 01-005-026-0004)		49,357	1 November 2052	Self-use
Huangshiyang Village and Qiaoyang Village, Fengjiang Road (峰江街道黃施洋橋洋村) (Lot no. (地號): 01-005-026-0005)		38,215	15 October 2048	Self-use
Xiajingtou Village and Huangshiyang Village, (Note 1) Fengjiang Road (峰江街道下涇頭黃施洋村) (Lot no. (地號): 405-7-701 (1))	23,975.03	30,384.08	December 2053	Self-use

DTZ has valued the above premises at an aggregate market value of HK\$508.2 million as at 31 March 2010.

We also own office premises of 1,440 sq.ft. in Hong Kong at 1410, 14/F., Shun Tak Centre West Tower, 168-200 Connaught Road, Central, Hong Kong to serve as our office in Hong Kong. DTZ has valued the aforementioned premises at a market value of HK\$18,000,000 as at 31 March 2010. Our staff in Hong Kong assist in our procurement from overseas suppliers.

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As at the Latest Practicable Date, CT Metals (Ningbo) leased the following property in the PRC as its production facilities (“Premises”).

Location and particulars	Construction area (m <sup>2</sup> )	Site area (m <sup>2</sup> )	Lease term	Status
<b>Ningbo Metals Recycling Park</b>				
Zones 18 and 20, Phase 3, Ningbo Recycling Resources Processing Park	10,218	36,112	5 years starting from 1 October 2009	Self-use

CT Metals (Ningbo) leased the Premises from Ningbo Zheng Lian Recycling Metal Co., Ltd (the “Lessor”) for a term of 5 years commencing from 1 October 2009. The Lessor has obtained the land use right certificate and is in the process of obtaining the building ownership certificates for the Premises.

We leased the Premises based on an understanding with the Lessor that it will obtain the building ownership certificates for the Premises as soon as possible. Such understanding was subsequently set out in a letter by the Lessor and the Management Committee of Ningbo Metals Recycling Park (“Management Committee”) to the Group on 11 March 2010.

CT Metals (Ningbo) commenced its commercial production in November 2009. The Directors consider that the Premises were not crucial to our operations as the processing and production capacities of CT Metals (Ningbo) were nil, nil and 80,000 tonnes, representing 0%, 0% and 13.2% of our Group’s total processing capacities of Recycled Metal Products during the Track Record Period. Should CT Metals (Ningbo) be suspended from operation, CT Metals is fully capable of taking over the processing and production of Recycled Metal Products originally planned to be undertaken at CT Metals (Ningbo).

In addition, the Lessor has undertaken not to invalidate or revoke our lease on the grounds of the title defect. In the event that CT Metals (Ningbo) is required to relocate due to the lack of building ownership certificates for the Premises, the Lessor has further undertaken to (i) secure suitable alternative locations of similar conditions to enable CT Metals (Ningbo) to continue its normal operation; and (ii) indemnify CT Metals (Ningbo) for all losses attributable to the title defect. The Management Committee has further given its commitment to procure that the Lessor observes the aforesaid undertaking.

As a result of the above, our Directors believe that the chances of our Group having to relocate due to the title defects are remote, and as such no disruption to our Group’s operation due to relocation is expected.

Please refer to the valuation report in Appendix IV of this prospectus for further details.