

## CONNECTED TRANSACTIONS

### DISCONTINUED CONNECTED TRANSACTIONS

We have the following connected transaction during the Track Record Period:

#### **Purchase of raw materials from Delco Asia and HKM Metal**

Whilst most of our raw materials were procured directly from suppliers who are Independent Third Parties, we have in the past purchased some of our raw materials from Delco Asia and HKM Metal (which in turn sourced such raw materials for us from suppliers who were Independent Third Parties). Delco Asia is a company incorporated with limited liability in Hong Kong on 30 November 2001 and is indirectly jointly-owned by Mr. van Ooijen and Mr. de Leeuw, two of our Controlling Shareholders. HKM Metal is wholly-owned by Mr. Fang.

For the years 2007 and 2008, purchases of raw materials from Delco Asia, being Mixed Metal Scrap, accounted for 30.5% and 18.6% of the total purchases of raw materials of the Group for each of the two years ended 31 December 2008. For the same period, purchases from HKM Metal accounted for approximately 9.3% and 0% of our total purchases of raw materials, respectively. Our Group was not the sole customer of Delco Asia and HKM Metal and Delco Asia and HKM Metal were not our sole supplier for each of the two years ended 31 December 2008. Delco Asia used to appoint Delco Europe to provide purchasing services in many of its purchasing transactions.

Effective from the beginning of 2008 and 1 August 2008 respectively, we have ceased sourcing raw materials from HKM Metal and Delco Asia.

The table below sets forth the revenue and net results of Delco Asia and HKM Metal for each of financial years which our Group had business relationship with them:

	<b>Year ended 31 December</b>	
	<b>2007</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Delco Asia</b>		
– Revenue	639,352	541,769
– Net profit after taxation	4,893	13,705
<b>HKM Metal</b>		
– Revenue	178,472	8,025
– Net profit/(loss) after taxation	1,990	(1,743)

*Notes:*

- (1) The above financial information is based on the audited financial information furnished by Delco Asia and HKM Metal.
- (2) Since the beginning of 2008, HKM Metal has ceased to carry out any business with the Group.
- (3) Based on the information provided by Delco Asia and HKM Metal which we have not independently verified, Delco Asia and HKM Metal each had 5 and 2 customers, respectively, during 2007 and 2008.

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### Purchasing services arrangement with Delco Europe

CT HK is currently one of our main international raw materials procurement subsidiaries. Since 1 August 2008, CT HK has taken up the metal scrap procurement operation, in terms of operation staff and the relevant suppliers' relationship from Delco Asia and it has also obtained the Supplier Registration Licence in December 2008.

Before CT HK obtained the Supplier Registration Licence in December 2008, we procured Mixed Metal Scrap from overseas suppliers or import agents, including Delco Europe, that have obtained such a licence. Further, to ensure that CT HK will have access to the suppliers of Delco Asia and to facilitate the procurement before CT HK obtains the Supplier Registration Licence, Delco Europe entered into a purchasing service agreement (the "**Purchasing Service Agreement**") with CT HK on 14 August 2008 under which Delco Europe agreed to provide to CT HK, on an exclusive basis, certain purchasing services in relation to our purchase of raw materials from other suppliers. Delco Europe was formerly held in equal shares by SVO and HPL and our Group acquired Delco Europe from SVO and HPL with effect from 1 January 2010.

Such purchasing services include the provision of support and assistance to CT HK in its procurement activities in Europe, collecting of information relating to price and strategic developments of the metal scrap markets, assisting with enquiries from and resolving disputes with suppliers and monitoring the procurement activities of CT HK to ensure its compliance with the applicable laws and regulations in the European Union. The Purchasing Service Agreement is for a term of 2 years after the date of the Purchasing Service Agreement or, if later, 3 years after the Listing Date if the listing has become unconditional on or before 31 March 2009. The arrangement enabled us to make use of the purchasing services of Delco Europe to source raw materials from suppliers in Europe without establishing an office there.

In connection with this arrangement:

- Delco Europe has provided us with information of suppliers of Mixed Metal Scrap which are known to Delco Asia and Delco Europe and will continue to provide such information from time to time;
- Delco Europe will continue to assist us in establishing and maintaining relationships with all these Mixed Metal Scrap suppliers by maintaining an office in the Netherlands;
- all purchasing agreements will be entered into directly between us and the relevant suppliers after CT HK obtained the Supplier Registration License in December 2008;
- Delco Europe will negotiate with CT HK for a renewal of the Purchase Servicing Agreement after its expiration, upon request by CT HK; and
- there is no agreement or arrangement whatsoever between Delco Europe or Delco Asia and any of the Mixed Metal Scrap suppliers which may restrict or prohibit such suppliers from selling their products to us.

The terms of the Purchasing Service Agreement were negotiated on an arm's length basis, on normal commercial terms and in the parties' ordinary course of business. The fees payable by CT HK under the Purchasing Service Agreement will be based on Delco Europe's actual costs for rendering the services thereunder with a mark-up of 10% representing its profit margin. The Dutch Tax authorities have confirmed in writing by means of an Advance Tax Ruling the arms' length nature of the terms of the Purchasing Service Agreement.

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The aggregate fees payable under the Purchasing Service Agreement shall not exceed a cap of Euro400,000 (approximately HK\$4,600,000) for every financial year or a pro rata amount thereof for less than a full financial year. The cap is based on the estimated costs of purchasing service, determined by reference to estimated overheads and staff costs, from Delco Europe (which include costs of labour, tax, administration and accounting fees and travelling expenses) in respect of the projected transactions during the term of the agreement with reference to the transaction amounts for the Track Record Period.

Since September 2009, Delco Europe has handled a large amount of purchase activities on the behalf of CT HK. The annual cap of EUR400,000 could not recover the actual cost incurred by Delco Europe. Thus, Delco Europe and CTHK entered into a supplementary agreement that allows Delco Europe to charge CT HK an additional fee based on the actual cost incurred by Delco Europe with a mark-up of 10% representing its profit margin.

The Directors (including the independent non-executive Directors) confirm that (i) the above connected transactions were entered into on normal commercial terms and in our ordinary and usual course of business, are fair and reasonable to us and are in the interests of the Shareholders as a whole; and (ii) the proposed annual cap is fair and reasonable and in the interests of the Shareholders as a whole.

Following our acquisition of Delco Europe with effect from 1 January 2010, we continued to engage Delco Europe to provide purchasing services. However, such services are no longer considered connected transactions under the Listing Rules.

The value of raw materials procured under the Purchasing Service Agreement for the 2 financial years ended 31 December 2008 and 31 December 2009 was HK\$263.9 million and HK\$731.9 million (representing 9.4% and 33.1% of the total raw material costs for the same period). Save for our business relationship with Delco Europe under the Purchasing Service Agreement, our Group has not been a customer of Delco Europe and Delco Europe has not been a customer of our Group during the Track Record Period.

The table below sets forth the revenue and net results of Delco Europe for each of the financial years which our Group had business relationship with them:

	<b>Year ended 31 December</b>	
	<b>2008</b>	<b>2009</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	5,279	5,467
(Loss)/profit for the year	(7,444)	2,312

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*Note:* For further disclosures relating to the financial results of Delco Europe, please refer to the Accountants' Report in Appendix I to this prospectus.