

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering and the Capitalisation Issue (but without taking account of the Shares to be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes and the Shares which may be taken up under the Global Offering), HWH and Delco Participation will each hold 34.5% and Green Elite will hold 6% of our entire issued share capital and, together, will be our Controlling Shareholders with a combined stake of approximately 69% of the Shares eligible to vote at general meetings of our Company.

Mr. Fang, the chairman of our Company and chief executive officer of the Group, is the sole shareholder of HWH. HWH acquired its existing interest in our Company on 27 August 2008, pursuant to a transfer by Mr. Fang to our Company of his shareholding in CT International, in consideration for the allotment and issue of 49 Shares to HWH, credited as fully paid and the payment up of the 1 nil-paid Share previously issued to him. Mr. van Ooijen, an executive Director, and Mr. de Leeuw are the shareholders of Delco Participation and each, through his respective wholly-owned company, indirectly holds a 50% interest in Delco Participation. Delco Participation acquired its existing interest in our Company on 27 August 2008 pursuant to a transfer by Delco Participation to our Company of its shareholding in CT International, in consideration for the allotment and issue of 49 Shares to Delco Participation, credited as fully paid and the payment up of the 1 nil-paid Share previously issued to him. Further details of the above transfer and other changes to the share capital of our Group in the two years immediately preceding the date of this prospectus are set out in Appendix VI “Statutory and General Information” to this prospectus.

The Shares respectively held by HWH and Delco Participation are subject to certain lock-up undertakings for periods ending six and twelve months after the Listing, further details of which are set out in the paragraph headed “Undertakings” in the section headed “Underwriting” in this prospectus.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently from each of its Controlling Shareholders and his/its associates after the Listing Date for the following reasons:

- (i) We no longer procure our raw materials from Delco Asia and HKM Metal.

Delco Asia is jointly owned by Mr. van Ooijen and Mr. de Leeuw and HKM Metal is wholly-owned by Mr. Fang. During the Track Record Period, purchases from Delco Asia in aggregate accounted for approximately 30.5%, 18.6% and 0% of our total purchases of raw materials, respectively, and purchases from HKM Metal accounted for approximately 9.3%, 0% and 0% of our total purchases of raw materials, respectively.

- (ii) We are able to independently source our supply of raw materials.

Since 1 August 2008, CT HK has taken over our metal scrap procurement operation and it has also obtained the Supplier Registration Licence in December 2008. We have also acquired Delco Europe with effect from 1 January 2010.

Please refer to the section headed “Connected Transactions – Discontinued Connected Transactions” of this prospectus for more details.

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- (iii) We have an independent management team and staff to handle our day-to-day operations.

We have our own management with in-depth experience and understanding of our operations. We have our own production, administration, finance, human resources, import and export, sales and procurement functions which are responsible for our daily operations.

We hold all relevant licenses that are material to our business operations and have sufficient operation capacity in terms of capital, production and processing facilities and employees to operate our business independently from our Controlling Shareholders.

- (iv) We have a separate financial system and independent sources of financing from our Controlling Shareholders.

As at the Latest Practicable Date, the aggregate amount due to our Controlling Shareholders and their associates amounted to approximately HK\$398.7 million. Pursuant to the Capitalisation Issue, we will capitalise HK\$223.7 million of these outstanding balances by issuing an aggregate of 749,999,900 Shares to our existing Shareholders. Aside from the sum of HK\$50 million paid out of the proceeds of the Listing to settle such related parties amounts, we will settle all remaining amounts due to related parties prior to or upon Listing. In addition, Mr. Fang has pledged his own deposits and provided personal guarantees in favour of some of our banks to secure our bank borrowings. These secured bank deposits and personal guarantees will be repaid or released upon Listing. Moreover, we have our own accounting and treasury function and can independently access third parties for financing.

We have our own finance department and have established our own internal control and accounting systems, and independent treasury function for cash receipts and payments. We have independent bank accounts, have made independent tax registrations and have employed a sufficient number of dedicated financial accounting personnel.

Therefore, in view of above, we are independent of our Controlling Shareholders in all material aspects of management, operation and financing.

### **Non-competition**

Each of HWH, Delco Participation, Green Elite, SVO, Stichting HPL and HPL is only an investment holding entity and, apart from its shareholding interest in our Company, does not carry on any operating businesses nor has any interests in other metal recycling business.

Each of the Controlling Shareholders has confirmed that there is no competing business between him/it and his/its associates and our Group.

Further, the Controlling Shareholders have entered into the Non-competition Undertaking, pursuant to which each of the Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/it would not, and would procure that his/its associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "Restricted Business").

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The Non-competition Undertaking does not apply to:

- (a) any interests in the shares of any member of our Group since the business of such member will not constitute to competition with our Group. Moreover, none of the Controlling Shareholders currently has any intention to hold shares directly in any member of our Group; or
- (b) interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that:
  - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
  - (ii) the total number of the shares held by the relevant Controlling Shareholder and/or his/its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder and his/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder and his/its associates in aggregate.

The "restricted period" stated in the Non-competition Undertaking refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) the relevant Controlling Shareholder and his/its associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholder and/or his/its associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company was no longer listed on the Stock Exchange or the relevant Controlling Shareholder came to hold less than 30% of the Shares then issue, the Non-competition Undertaking would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and The Codes on Takeovers and Mergers for the concept of "control".

Each of the Controlling Shareholders further undertakes to refer to our Company any and all new opportunities in connection with the Restricted Business which are offered to any of them.

Further, the INEDs will review, at least on an annual basis, the compliance with the Non-competition Undertaking by the Controlling Shareholders, and any options, pre-emptive rights or first rights of refusals provided by the Controlling Shareholders on their existing or future competing business. The Controlling Shareholders have also undertaken to provide all necessary information to our Company to facilitate this review by the INEDs and to the extent applicable the enforcement of their undertakings in the Non-competition Undertaking. Our Company will disclose decisions on matters reviewed by the INEDs relating to the compliance and enforcement of the Non-competition Undertaking by the Controlling Shareholders in its annual report.

In addition, the Controlling Shareholders will make an annual declaration to our Company on compliance with the Non-competition Undertaking to be included in the annual report of our Company as the independent non-executive Directors of our Company think fit and/or as required by the relevant requirements under the Listing Rule.

None of the Directors had any interest in any business that directly or indirectly competes with the business of our Group as of the Latest Practicable Date.