You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. We have prepared the consolidated financial information on the basis set out in Note 2 of Section II of Appendix I and in accordance with the accounting policies that are in conformity with HKFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section entitled "Risk Factors" in this prospectus.

TRADING RECORD DURING THE TRACK RECORD PERIOD

The following table summarises our audited consolidated results for the Track Record Period which has been prepared on the basis set out in, and should be read in conjunction with the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December					
	2007	% of Revenue	2008	% of Revenue	2009	% of Revenue
	HK$'000		*HK$'000*		*HK$'000*	
Revenue	1,798,332	100.0%	2,505,168	100.0%	2,339,243	100.0%
Cost of sales	(1,683,399)	93.6%	(2,740,007)	109.4%	(1,784,806)	76.3%
Gross profit (loss)	114,933	6.4%	(234,839)	–9.4%	554,437	23.7%
Other income	1,217	0.1%	8,501	0.3%	5,711	0.2%
Other gains and losses	23,710	1.3%	37,050	1.5%	98,200	4.2%
Distribution costs	(709)	0.0%	(1,700)	–0.1%	(1,757)	–0.1%
Administrative expenses	(14,799)	–0.8%	(28,137)	–1.1%	(34,917)	–1.5%
Other expenses	–	0.0%	(10,575)	–0.4%	(5,657)	–0.2%
Finance costs	(18,431)	–1.0%	(41,598)	–1.7%	(28,823)	–1.2%
Profit (loss) before tax	105,921	5.9%	(271,298)	–10.8%	587,194	25.1%
Income tax (expense) credit	(22,958)	–1.3%	71,166	2.8%	(167,540)	–7.2%
Profit (loss) for the year	82,963	4.6%	(200,132)	–8.0%	419,654	17.9%
Other comprehensive income						
Exchange difference arising on translation to presentation currency	17,540	1.0%	11,658	0.5%	3,481	0.2%
Total comprehensive income (expense) for the year	100,503	5.6%	(188,474)	–7.5%	423,135	18.1%

For illustration purposes only, the following table sets out gross profit and the profit for the year during the Track Record Period if the Inventory Provision had not been taken into account:

	Year ended 31 December					
	2007	**% of Revenue**	**2008**	**% of Revenue**	**2009**	**% of Revenue**
	HK$'000		*HK$'000*		*HK$'000*	
Gross profit without Inventory Provision	114,933	6.4%	73,774	2.9%	245,824	10.5%
Profit for the year without Inventory Provision	82,963	4.6%	31,936	1.3%	187,587	8.0%
(Inventory Provision) write-back of Inventory Provision	–	–	(308,613)	12.3%	308,613	13.2%

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	110,973	132,269	135,284
Prepaid lease payments	35,440	36,798	35,962
Deposits paid for acquisition of property, plant and equipment	–	2,825	4,150
Deferred tax assets	–	81,545	–
	146,413	253,437	175,396
Current Assets			
Inventories	324,092	569,808	1,167,437
Trade and other receivables	283,727	160,157	188,826
Bills receivables	1,712	2,999	1,365
Prepaid lease payments	807	858	858
Amount due from a related party	–	313	371
Derivative financial instruments	–	67	1,072
Tax recoverable	–	42,250	–
Pledged bank deposits	–	16,292	241,440
Restricted bank deposits	2,570	20,491	5,535
Bank balances and cash	20,113	44,174	69,428
	633,021	857,409	1,676,332
Current Liabilities			
Trade and other payables	25,745	94,860	136,605
Bills payables	–	91,593	114,126
Amounts due to related parties	145,606	411,093	93,205
Derivative financial instruments	357	17,785	1,603
Tax payable	1,373	–	44,119
Bank borrowings	422,916	500,552	799,046
	595,997	1,115,883	1,188,704
NET CURRENT ASSETS (LIABILITIES)	37,024	(258,474)	487,628
TOTAL ASSETS LESS CURRENT LIABILITIES	183,437	(5,037)	663,024
CAPITAL AND RESERVES			
Share capital	10	–	–
Share premium and reserves	183,427	(5,037)	418,098
TOTAL EQUITY	183,437	(5,037)	418,098
NON-CURRENT LIABILITIES			
Deferred tax liabilities	–	–	21,218
Amounts due to related parties	–	–	223,708
	183,437	(5,037)	663,024

OVERVIEW

The Company is a limited company incorporated in the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at Taizhou Industrial zone of Metal Recycling, Fengjiang, Lugiao Taizhou, Zhejiang, the PRC. Our Company is the investment holding company of our Group.

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. We are a Mixed Metal Scrap recycler in China with the largest import volume for Mixed Metal Scrap during the Track Record Period, and of the different 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.

The functional currency of our Company and its subsidiaries is Renminbi but the financial information in this prospectus is presented in Hong Kong dollars.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation, which was completed on 27 August 2008 by interspersing our Company and CT International between our shareholders and and Hefast, our Company became the ultimate holding company of the companies now comprising our Group.

The consolidated statements of comprehensive income and consolidated statements of cash flow which include the results and cash flows of the companies comprising our Group for the Track Record Period, have been prepared as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or acquisition where this is a shorten period.

The consolidated statements of financial position as at the end of each reporting period have been prepared to present the assets and liabilities of the companies comprising our Group as if the current group structure had been in existence at those dates, taking into account the effective date of incorporation or acquisition.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that reflect significant judgments and uncertainties and may potentially yield materially different results under different assumptions and conditions. The critical accounting policies adopted and estimates made in preparation of our consolidated financial statements include the following:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year in which the item is derecognised.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are stated at cost and amortised on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Our management reviews 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 price of inventories are to decline, additional provision may be required. All our inventories are stated at cost in the consolidated statement of financial position at the end of each reporting period except that our inventories as at 31 December 2008 were stated at net realisable value.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of our foreign operations are translated into the presentation currency of our Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other year and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in consolidated statement of comprehensive income, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of comprehensive income.

Financial assets

Our financial assets are classified into one of two categories, including loans and receivables and financial assets at fair value through profit or loss. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, amounts due from related parties, pledged bank deposits, restricted bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment of financial assets below)

Financial assets at fair value through profit or loss

Our financial assets classified as financial assets at fair value through profit or loss are derivatives that are not designated and effective as hedging instruments.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in consolidated statement of comprehensive income in the period in which they arise.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, an objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Financial assets such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of comprehensive income. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated statement of comprehensive income.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in our assets after deducting all of its liabilities. Our financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Our financial liabilities classified as financial liabilities at fair value through profit or loss are derivatives that are not designated and effective as hedging instruments. At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, bills payables, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by our Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives not designated and effective as hedging instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of comprehensive income immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and we have transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in consolidated statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of comprehensive income.

Government grants

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and the year-to-year comparability of our financial results are affected by a number of factors, including the following:

- **Sales volume and average selling prices**

The sales volumes of our business are primarily a function of our processing and production capacity as well as the realisable value for our Recycled Metal Products and Foundry Products. The sales volume of our Wholesale Products is primarily affected by our ability to source metal scrap that matches the requirements of our customer. The major drivers contributing to the changes in our overall sales volume include (i) the various commodities price benchmarks for our products; (ii) market perception of future price trends for our products; (iii) the impact of our sales on our cash flow requirements; (iv) maintenance of financial ratios to meet our legal obligations on loan documents entered into between ourselves and our banks or financial institutions, if any; and (v) maintenance of our inventory position.

Pricing of our products is generally determined by market forces of supply and demand. In general, prices for our products are determined with reference to various open markets commodities price benchmark such as the SHFE and the LME and are influenced by the same factors that influence our sales volume described above. Fluctuations in raw material prices have also affected and are expected to affect our pricing policy continuously.

The table below sets forth the sales volumes and average selling prices of our major Recycled Metal Products, Foundry Products and Wholesale Products during the Track Record Period and each of the months ended 31 January 2010, 28 February 2010 and 31 March 2010:

	Year ended 31 December			(unaudited) Month ended 31 January	(unaudited) Month ended 28 February	(unaudited) Month ended 31 March
	2007	2008	2009	2010	2010	2010
Metal recycling business						
Copper scrap (廢銅)						
Revenue *(HK$'000)*	1,096,057	1,407,523	1,164,966	163,953	79,458	287,900
Quantity *(tonnes)*	22,420	29,236	32,118	3,654	1,638	6,449
Average selling price per tonne *(HK$)*	48,887	48,143	36,271	44,867	48,506	44,642
Steel scrap (廢鋼)						
Revenue *(HK$'000)*	323,881	542,351	490,246	86,279	32,734	83,165
Quantity *(tonnes)*	146,299	136,717	141,993	26,609	10,260	24,260
Average selling price per tonne *(HK$)*	2,214	3,967	3,453	3,242	3,191	3,428
Aluminium scrap (廢鋁)						
Revenue *(HK$'000)*	87,550	59,376	52,280	1,985	3,815	6,963
Quantity *(tonnes)*	5,677	4,478	4,635	131	267	475
Average selling price per tonne *(HK$)*	15,422	13,259	11,279	15,127	14,280	14,659

	Year ended 31 December 2007	2008	2009	(unaudited) Month ended 31 January 2010	(unaudited) Month ended 28 February 2010	(unaudited) Month ended 31 March 2010
Iron scrap (舊生鐵)						
Revenue *(HK$'000)*	88,059	134,958	114,271	15,462	4,641	23,359
Quantity *(tonnes)*	37,966	37,608	43,027	5,546	1,662	8,268
Average selling price per tonne *(HK$)*	2,319	3,589	2,656	2,788	2,792	2,825
Foundry business						
Aluminium-alloy ingots (鋁錠)						
Revenue (HK$'000)	137,907	179,923	189,988	20,609	11,141	33,392
Quantity (tonnes)	8,002	10,587	14,463	1,246	687	2,030
Average selling price per tonne (HK$)	17,234	16,995	13,136	16,543	16,220	16,452
Copper rods and wires (銅桿銅綫)						
Revenue *(HK$'000)*	–	–	180,649	52,555	10,303	7,176
Quantity *(tonnes)*	–	–	3,584	903	178	123
Average selling price per tonne *(HK$)*	–	–	50,404	58,228	58,019	58,322
Wholesale business						
Other metal scrap without processing						
Revenue *(HK$'000)*	–	20,686	114,172	7,902	9,154	7,993
Quantity *(tonnes)*	–	3,412	41,176	2,517	3,001	1,907
Average selling price per tonne *(HK$)*	–	6,063	2,773	3,140	3,050	4,192

The average selling prices for our non-ferrous metal products, namely copper scrap, aluminium scrap and aluminium-alloy ingots, decreased between 2007 and 2008 as the commodity prices for such metals were at its peak throughout 2007 and the first half of 2008, and experienced a sharp drop since July 2008. On the other hand, there were an increase in the average selling prices for our ferrous metal products, namely steel scrap and iron scrap, between 2007 and 2008 which were in line with the rising trend of the commodity prices for such metals from 2007 to July 2008. During the last few months of 2008, there were a drop in such prices to a level similar to that in 2007. The decline in average selling prices of all our products between 2008 and 2009 resulted from the sharp collapse of commodities prices in all open markets towards the fourth quarter of 2008 which, up till the Latest Practicable Date, did not improve to the levels we experience prior to the 2008 financial crisis. Since the fourth quarter of 2008, there has been a significant improvement in the average selling prices, which have continued to improve up till January 2010. Recent fluctuations in commodities price benchmarks for our products in the first quarter of 2010 has seen a slight decline in late January and early February 2010 followed by a rebound in March 2010. As a result, the average selling prices of most of our products have decreased in line with the commodities price benchmarks for the month of February 2010. However, as we have been able to realise higher selling prices from the sale of recovered copper scrap with copper content higher than usual, the average selling price of our copper scrap products increased during that month. Sales volume of our products also decreased during the month of February 2010 as a result of the slow down of our production and sales activities during the Chinese New Year holiday period.

- **Processing and production capacity**

According to the Import Scrap Materials Environmental Risk Assessment Reports issued by Zhejiang ESRD for CT Metals, our approved capacity for CT Metals to recycle Mixed Metal Scrap was 300,000 tonnes, 380,000 tonnes and 527,242 tonnes in 2007, 2008 and 2009, respectively. Based on the assessment by the Ningbo SWAC our processing capacity for CT Metals (Ningbo), which commenced operations in December 2009 was 80,000 tonnes for 2010. During the Track Record Period, our production capacities of aluminium-alloy ingots and copper rods and wires were 60,000 tonnes and 20,000 tonnes, respectively. Our processing and production capacity directly affects our processing and production volume, which in turn affects our overall sales of our Recycled Metal Products and our Foundry Products, respectively.

- **Product mix**

As detailed in the "Business" section of this prospectus, we are principally engaged in the metal recycling business, the foundry business and the wholesale business. The processing volume of Recycled Metal Products, such as steel scrap and copper scrap that we manage to recycle from Mixed Metal Scrap, and production volume of Foundry Products, directly affects our product mix, which ultimately affects our gross margin.

- **Cost of sales**

Cost of sales mainly consists of cost of raw materials used in our processing and production process. The cost of raw materials is mainly related to the cost of Mixed Metal Scrap such as motor scrap, and electric wire and cable scrap we import and process in connection with our metal recycling business and other metal scrap we procure and sell without further processing as part of our wholesale business. All Mixed Metal Scrap and Other Metal Scrap are purchased from overseas suppliers, including from Europe and the US. 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 produced from our metal recycling business.

The table below sets forth the purchase volumes and average purchase price of our purchase of raw materials during the Track Record Period:

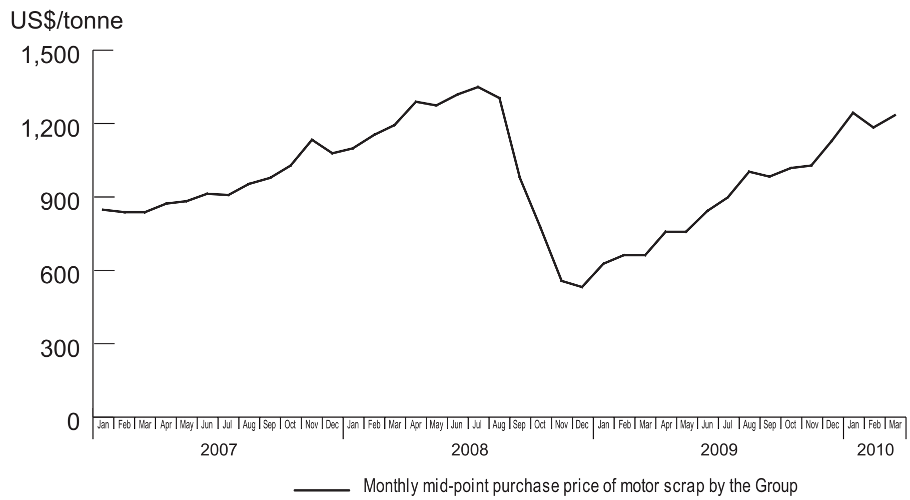
	Year ended 31 December		
	2007	**2008**	**2009**
Motor scrap and Mixed Metal Scrap			
Amount *(HK$'000)*	1,590,412	2,786,687	2,210,797
Quantity *(tonnes)*	228,069	298,010	358,082
Average purchase price per tonne *(HK$)*	6,973	9,351	6,174
Other scrap materials *(Note)*			
Amount *(HK$'000)*	55,500	33,258	997
Quantity *(tonnes)*	4,013	2,602	108
Average purchase price per tonne *(HK$)*	13,830	12,782	9,231

Note: "Other scrap materials" include (a) single metal scrap and other metal scrap that we process and sell in connection with the metal recycling business as well as (b) other metal scrap that we procure and on-sell without further processing to our customers in connection with our wholesale business.

Monthly mid-point purchase price of motor scrap

The chart below sets out the trend of the Group's monthly mid-point purchase price of motor scrap throughout the Track record Period and up to 31 March 2010:

Monthly mid-point purchase price of motor scrap by the Group



The average purchase price of motor scrap and Mixed Metal Scrap increased between the year ended 31 December 2007 and 31 December 2008 due to the increasing price for the key component commodities of such motor scrap from March 2007 to July 2008. The decline in average purchase price of motor scrap and Mixed Metal Scrap between the year ended 31 December 2008 and 31 December 2009 resulted from the sharp collapse of prices for the key component commodities of such motor scrap and Mixed Metal Scrap from July 2008 to December 2008. The purchase price has rebounded significantly since the end of 2008, increasing by 133% from its low point in December 2008 to January 2010. The market price of motor scrap has declined slightly during the month of February 2010 and recovered in March 2010. The changes in average purchase price of other scrap materials over the Track Record Period were due to changes in the market price of component commodities of such other scrap as well as changes in the mix of such other scrap materials over the Track Record Period.

The average purchase price of other scrap materials decreased throughout the Track Record Period mainly due to the difference in quality and grading of other scrap materials purchased.

In general, prices for our raw materials are determined with reference to prevailing market prices of their key component commodities and are influenced by various factors including (i) the various commodities price benchmarks for our products; (ii) market perception of future price trends for our products; and (iii) the impact of our sales on our cash flow requirements. In practice, we are able to increase the selling prices of our products if the market prices of our raw materials increase. Our results of operations may be adversely affected if prices of raw materials rise, but at the same time we are unable to make either corresponding increment in the prices of its products.

- **Gross profit and net profit**

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Gross profit (loss)	114,933	(234,839)	554,437
Gross profit (without Inventory Provision)	114,933	73,774	245,824
Gross profit (loss) margin	6.4%	(9.4%)	23.7%
Gross profit margin (without Inventory Provision)	6.4%	2.9%	10.5%
Net profit (loss)	82,963	(200,132)	419,654
Net profit (without Inventory Provision)	82,963	31,936	187,587
Net profit (loss) margin	4.6%	(8.0%)	17.9%
Net profit margin (without Inventory Provision)	4.6%	1.3%	8.0%

We recorded gross profits of HK$114.9 million and HK$554.4 million for the years ended 31 December 2007 and 31 December 2009, respectively, and a gross loss of HK$234.8 million for the year ended 31 December 2008 as a result of the Inventory Provision.

Our gross profit margin was 6.4% and 23.7% for the years ended 31 December 2007 and 31 December 2009, respectively. Due to the gross loss for the year ended 31 December 2008, we recorded a negative gross margin of 9.4%.

We recorded net profits of HK$83.0 million and HK$419.7 million for each of the two years ended 31 December 2007 and 31 December 2009, respectively, and a net loss of HK$200.1 million for the year ended 31 December 2008 as a result of the Inventory Provision.

Our net profit margin was 4.6% and 17.9% for the years ended 31 December 2007 and 31 December 2009, respectively. Due to the gross loss for the year ended 31 December 2008, we recorded a negative net margin of 8.0%.

- **Impact of the recent financial crisis on our Group**

The metal recycling industry has historically been highly cyclical and is affected significantly by general economic conditions, both domestically and internationally. Historically, in periods of national recession or periods of slowing economic growth, the metal scrap recycling industry has experienced cyclical downward adjustments. After rising during 2007 and through the third quarter of 2008, recycled metal scrap product prices in global markets fell sharply towards the fourth quarter of 2008 as a result of collapsing global demand and the resulting excess supply in the industry. Under these circumstances, the average selling prices of and the global demand for our Recycled Metal Products were adversely affected. The average selling prices of all the products we sold (other than aluminium scrap) declined sharply between 2008 and 2009. Revenue from all the products of the Group (other than aluminium scrap) contributed 98% of our total revenue for 2008.

Although we recorded profits attributable to shareholders of HK$83.0 million for the year ended 31 December 2007, the sharp collapse in global commodities prices in the fourth quarter of 2008 resulted in the Inventory Provision. We recorded a loss of HK$200.1 million for 2008. The Inventory Provision was made pursuant to the accounting policies of the Group relating to "Provision for inventories" as set out in page I-13 of this prospectus. Please refer to the table on page 133 for the prices used by the Board in estimating the net realisable value of our inventory of Recycled Metal Products and Foundry Products.

Apart from affecting the global demand on recycled metal products, 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 payment 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. To the contrary, at the beginning of 2009, we managed to secure additional banking facilities to further strengthen its working capital position.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data set forth below have been extracted from our consolidated financial information for each of the Track Record Period (the "Financial Information"), all of which is set forth in the Accountants' Report attached as Appendix I to this prospectus. The Financial Information has been prepared on the basis set out in Note 2 to Section II of Appendix I to this prospectus and in accordance with the accounting policies that are in conformity with HKFRS. Investors should read these selected consolidated financial data together with Appendix I to this prospectus and the discussion under the paragraph headed "Description of the major components of our results of operations" below.

Description of the major components of our results of operations

The table on page 192 of this prospectus sets forth selected results and operations data expressed as a percentage of our revenue, for the periods indicated. Our historical results of operations are not necessarily indicative of the results for any future periods.

Revenue

We generate turnover from the following three main sources of revenue:

(a) metal recycling business – sales of Recycled Metal Products;

(b) foundry business – sales of Foundry Products; and

(c) wholesale business – sales of Wholesale Products.

Major factors that affect our sales are sales volume, average selling price and product mix. Our product mix affects our sales as Recycled Metal Products have different sales prices in the market, and these prices are subject to various factors including (i) the various commodities price benchmarks for our products; (ii) market perception of future price trends for our products; and (iii) the impact of our sales on our cash flow requirements.

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

	Year ended 31 December					
	2007		**2008**		**2009**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Metal recycling business						
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%
Foundry business						
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%
Wholesale business						
Other metal scrap without processing *(Note 2)*	–	0.0%	20,686	0.8%	114,172	4.9%
	1,798,332	100.0%	2,505,168	100.0%	2,339,243	100.0%

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.

During the Track Record Period, we derived 99.8%, 99.2% and 97.7% of our revenues from customers in the PRC.

The changes in our turnover during the Track Record Period were mainly attributable to the following factors:

(i) Growing environmental awareness. In the face of growing environmental awareness, and constraints on fuel and energy supplies, metal production via scrap materials has grown in attractiveness because it is typically less energy intensive and therefore conserves natural resources in the long term. This trend has been given further impetus by the Chinese government's greater promotion of recycling.

(ii) Changes in demand in the Chinese market. As China is experiencing rapid economic growth, demand for construction and industrial materials has increased. In light of the growing environmental awareness and greater Chinese government promotion of recycling, demand for metal processed or produced from scrap materials has increased accordingly.

(iii) Increase in raw materials purchased and in turn, increase in production volume. We procure our raw materials based on the volume of Mixed Metal Scrap import as approved by the MEP. We increased our procurement during the Track Record Period as the MEP increased the level of imports approved for the same period. Thus, we are able to increase our level of production over the Track Record Period.

(iv) Fluctuations in average metal prices in the global market of the key component commodities that we process from the raw materials we import.

(v) General uptrend in the value of natural resources. As natural resources such as primary metals are becoming scarcer in the world, this increases the demand of recycled metals and their selling prices increased accordingly.

Cost of sales

Cost of sales mainly consists of cost of raw materials used in our processing and production processes, labour cost, depreciation of plant and equipment, utility expenses and other manufacturing overheads.

Major raw materials consumed in our processing include Mixed Metal Scrap such as motor scrap and electric wires and cables scrap. Our cost of raw materials fluctuates with the market prices of the key component commodities of Mixed Metal Scrap and will increase as our production scale and purchase volume of raw materials increase.

Our labour costs include salary, staff benefits and other related expenses we incurred in respect of our staff. Labour costs generally increase in line with expansion of our production scale and the rising headcount. Depreciation represents charges on machinery and equipment used in the production process. Utility expenses including water and electricity expenses and other manufacturing overheads include expenses such as customs declaration expenses for imports of raw materials.

Gross profit and gross profit margin

We recorded gross profits of HK$114.9 million and HK$554.4 million for the years ended 31 December 2007 and 31 December 2009, respectively, and a gross loss of HK$234.8 million for the year ended 31 December 2008 as a result of the Inventory Provision. Our gross profit margin, which is equal to gross profit divided by revenue, was 6.4% and 23.7% for the years ended 31 December 2007 and 31 December 2009, respectively. Due to the gross loss for the year ended 31 December 2008, we recorded a negative gross margin of 9.4%.

For each of the three years comprising our Track Record Period, our gross profits (without Inventory Provision) were HK$114.9 million, HK$73.8 million and HK$245.8 million, respectively. Our gross profit margin (without Inventory Provision) for each of three years comprising our Track Record Period was 6.4%, 2.9% and 10.5%, respectively. Our gross profits (without Inventory Provision) and gross profit margin (without Inventory Provision) increased between 2008 and 2009 in line with the increase in the prices of the various commodities price benchmarks for our products since we purchased our raw materials in 2008. The decline in gross profit (without Inventory Provision) and gross profit margin (without Inventory Provision) between 2007 and 2008 resulted from the sharp collapse of prices for the key component commodities of such motor scrap towards the fourth quarter of 2008.

Other income

Our other income mainly consists of interest income, rental income, various government subsidies and sundry income.

Other gains and losses

Our other gains and losses mainly consists of exchange gain/loss, disposal gain/loss and changes in fair value of derivative financial instruments.

Distribution costs

Distribution costs represent transportation fees incurred when delivering our products to customers, and were mainly incurred for the foundry business. Customers of our metal recycling business typically collect our Recycled Metal Products from our processing sites and arrange transportation of products by themselves, transportation fees were mostly borne by our customers.

Administrative expenses

Administrative expenses mainly consist of bank and financial transaction charges, salaries of administrative and management personnel, depreciation of equipment other than those used in production process, travelling expenses and management fee paid to Delco Europe pursuant to the purchasing services agreement.

Other expenses

Other expenses mainly consist of audit fees, legal fees and other professional fees.

Finance costs

Finance costs primarily consist of interest on bank borrowings and advances from related parties.

Income tax (expense) credit

The fluctuations in our effective tax rate are primarily attributable to changes in the level of taxable income and the tax benefits granted to our PRC subsidiaries during the Track Record Period.

Our Company and our subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

BVI and Cayman Islands profits tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, we are not subject to any profits tax in the Cayman Islands and BVI.

Hong Kong profits tax

All our Hong Kong subsidiaries are subject to Hong Kong Profits Tax at 17.5% for the year ended 31 December 2007 and at the rate of 16.5% thereafter on their respective estimated assessable profits.

PRC income tax

Pursuant to the income tax rules and regulations of the PRC, the PRC entities of our Group are liable to PRC Enterprise Income Tax as follows:

(i) CT Metals was subject to PRC Foreign Enterprise Income Tax at ("FEIT") a rate of 33% for the year ended 31 December 2007.

(ii) CT Foundry is an approved foreign investment enterprise engaging in processing of metal scrap and was eligible to a preferential FEIT rate of 24%, together with local tax of 2.4%, for the period prior to 1 January 2008. According to Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》), CT Foundry was entitled to an exemption from the FEIT for two years starting from its first profit making year, followed by a 50% reduction of tax for three years thereafter ("Tax Holiday"). The first profit making year of CT Foundry was the year 2004. Accordingly, the applicable FEIT rate in 2007 was 12%, plus local tax of 1.2%.

    On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New EIT Law. In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the New EIT Law. Under the New EIT Law, Implementation Regulation and tax circulars, PRC Enterprise Income Tax ("EIT") rate applicable to CT Metals changed from 33% to 25% from 1 January 2008 onwards. For CT Foundry, according to the transition agreement under the New EIT Law, it can continue to enjoy the Tax Holiday. Therefore, the actual EIT rates for 2008 and 2009 were 12.5% and 25% respectively.

(iii) CT Metals (Ningbo) and CT Copper (Ningbo) were subject to PRC Enterprise Income Tax at the rate of 25% for the Track Record Period.

Share option expenses

We did not grant options to purchase Shares to our Directors or employees during the Track Record Period. However, we adopted the Pre-IPO Share Option Scheme on 23 June 2010 under which we have conditionally granted options to purchase Shares with an exercise price equal to the Offer Price per Share. An aggregate of 12,140,000 Shares are issuable upon exercise of options granted under the Pre-IPO Share Option Scheme, representing approximately 1.21% of the Shares in issue following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised). These options vest in 3 installments on the first 3 anniversaries of the Listing Date.

In addition, we conditionally approved the Post-IPO Share Option Scheme on 23 June 2010, and we will incur additional expenses to the extent we grant options under the Post-IPO Share Option Scheme.

Additional information regarding the Share Option Schemes is set forth in the section headed "Further Information about Directors, Substantial Shareholders and Experts – Share Option Schemes" in Appendix VI of this prospectus.

YEAR-TO-YEAR ANALYSIS OF OUR TRADING RECORD

Year ended 31 December 2009 compared with year ended 31 December 2008

Revenue

Revenue decreased by HK$166.0 million, or 6.6%, from HK$2,505.2 million in 2008 to HK$2,339.2 million in 2009. The decrease was principally due to a fall in average selling prices relating to our Recycled Metal Products. During the first nine months of 2008, the market prices of our Recycled Metal Products reached a historical high followed by a sharp collapse due to the financial crisis. Since the sharp collapse in prices during the fourth quarter of 2008, the market prices of our Recycled Metal Products have remained at a lower level when compared to the corresponding period in 2008. Although the market prices recovered significantly during the second half of 2009, the average selling prices of our Recycled Metal Products did not reach the same level as in 2008.

Cost of sales

Our cost of sales decreased by HK$955.2 million, or 34.9%, from HK$2,740.0 million in 2008 to HK$1,784.8 million in 2009. Cost of sales (without Inventory Provision) decreased by HK$338.0 million, or 13.9%, from HK$2,431.4 million in 2008 to HK$2,093.4 million in 2009, in line with the decline in our revenue mainly due to a fall in purchase volume as well as average purchase prices relating to our raw materials.

Gross profit and gross profit margin

Set forth below is information on gross profit or loss by business segments:

	Year ended 31 December 2009 Metal recycling business						Foundry business			Wholesale business	
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap with processing	Sub-total	Aluminium-alloy ingots	Copper rods and wires	Sub-total	Other metal scrap without processing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,164,966	490,246	52,280	114,271	32,671	1,854,434	189,988	180,649	370,637	114,172	2,339,243
Cost of sales	(992,949)	(470,752)	(48,889)	(118,872)	(28,018)	(1,659,480)	(181,797)	(142,486)	(324,283)	(109,656)	(2,093,419)
Inventory Provision	155,433	50,655	19,425	54,819	21,821	302,153	6,460	–	6,460	–	308,613
Gross profit	327,450	70,149	22,816	50,218	26,474	497,107	14,651	38,163	52,814	4,516	554,437
Gross profit (loss) (without Inventory Provision)	172,017	19,494	3,391	(4,601)	4,653	194,954	8,191	38,163	46,354	4,516	245,824
Gross profit margin	28.1%	14.3%	43.6%	44.0%	81.0%	26.8%	7.7%	21.1%	14.2%	4.0%	23.7%
Gross profit (loss) margin (without Inventory Provision)	14.8%	4.0%	6.5%	–4.0%	14.2%	10.5%	4.3%	21.1%	12.5%	4.0%	10.5%

	Year ended 31 December 2008 Metal recycling business						Foundry business			Wholesale business	
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap with processing	Sub-total	Aluminium-alloy ingots	Copper rods and wires	Sub-total	Other metal scrap without processing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,407,523	542,351	59,376	134,958	160,351	2,304,559	179,923	–	179,923	20,686	2,505,168
Cost of sales	(1,384,203)	(525,259)	(55,841)	(131,466)	(148,431)	(2,245,200)	(165,994)	–	(165,994)	(20,200)	(2,431,394)
Inventory Provision	(155,433)	(50,655)	(19,425)	(54,819)	(21,821)	(302,153)	(6,460)	–	(6,460)	–	(308,613)
Gross (loss) profit	(132,113)	(33,563)	(15,890)	(51,327)	(9,901)	(242,794)	7,469	–	7,469	486	(234,839)
Gross profit margin (without Inventory Provision)	23,320	17,092	3,535	3,492	11,920	59,359	13,929	–	13,929	486	73,774
Gross profit (loss) margin	–9.4%	–6.2%	–26.8%	–38.0%	–6.2%	–10.5%	4.1%	–	4.1%	2.3%	–9.4%
Gross profit margin (without Inventory Provision)	1.7%	3.1%	5.9%	2.6%	7.4%	2.6%	7.7%	–	7.7%	2.3%	2.9%

We recorded gross profit of HK$554.4 million for 2009 as compared to gross loss of HK$234.8 million for 2008 as a result of the Inventory Provision. For 2008, we recorded a negative gross margin of 9.4% and our gross profit margin was 23.7% in 2009. Our gross profit (without Inventory Provision) increased by 233.2% from HK$73.7 million in 2008 to HK$245.8 million in 2009, while our gross profit margin (without Inventory Provision) increased from 2.9% to 10.5% during the two years of review.

The improvement in overall gross profit margin (without Inventory Provision) was mainly attributable to the following factors:

1. We benefited from our management's decision to maintain purchases of raw materials at lower average purchase prices throughout the 2008 financial crisis which resulted in improved gross profit margins for all of our products, particularly for our copper Recycled Metal Products which recorded an improvement in gross profit margin (without Inventory Provision) from 1.7% in 2008 to 14.8% in 2009. Our gross profit margin for steel Recycled Metal Products improved marginally whilst our gross profit margin for iron Recycled Metal Products continued to decline as their market price did not improve as quickly as those in relation to other Recycled Metal Products.

2. The fluctuation of global commodities prices during the lead time between our purchase of raw materials and the sale of our Recycled Metal Products. The sharp decline in global commodities price benchmarks towards the end of 2008 reduced our cost of purchase for raw materials which we procured at prices that were benchmarked against global commodities price before such benchmarks improved in the first half of 2009, whilst our selling prices were determined with reference to improving commodities price benchmarks.

3. During the breaking down, demolition and separation process in connection with our metal recycling business, we actively identified and separated metal scrap that can be further processed to maximise the value realisable from such materials. This was particularly evident in the improvement of gross profit margin for our Recycled Metal Products classified under "Other metal scrap with processing" from 7.4% in 2008 to 14.2% in 2009.

Distribution costs

Our distribution costs remained fairly stable and increased by 3.4% from 2008 to 2009.

Administrative expenses

Administrative expenses increased by HK$6.8 million, or 24.1%, from HK$28.1 million in 2008 to HK$34.9 million in 2009. This was mainly due to increases in bank charges, salaries of administration and management personnel and management fees paid to Delco Europe which is offset by a decrease in other sundry items.

Other income

Other income decreased by HK$2.8 million, or 32.8%, from HK$8.5 million in 2008 to HK$5.7 million in 2009. This is mainly due to decrease in interest income resulting from declines in interest rate which was partially offset by new rental income generated in 2009.

Other gains and losses

Other gains increased by HK$61.1 million from HK$37.1 million in 2008 to HK$98.2 million in 2009 mainly due to gain from change in fair value of derivative financial instruments. The net gain of HK$99 million from change in fair value of derivative financial instruments for the year ended 31 December 2009 comprises gain on copper and aluminium future contracts of HK$100.6 million and loss on foreign currency forward contracts of HK$1.6 million. During the last quarter of 2008, we took certain positions in the commodities derivative market, as explained in "Quantitative and Qualitative Disclosure about Market Risk" sub-section below, to hedge and maintain our inventory positions and such positions were gradually or partially replaced and settled by ongoing physical inventory purchases and the settlement of open derivatives contracts carried forward from 2008 which generated the significant gain for us as described above. In 2008, CT Metals and CT Foundry recorded net loss from change in fair value of derivative financial instruments of HK$20 million in total while CT HK recorded net gain from change in fair value of derivative financial instruments of HK$11 million. The net loss from change in fair value of derivative financial instruments was recovered in 2009.

Other expenses

Other expenses decreased by HK$4.9 million, or 46.5%, from HK$10.6 million in 2008 to HK$5.7 million in 2009. This was mainly due to the one-off professional fees paid to various professional parties incurred for the Group's proposed fund raising activities in 2008.

Finance costs

Finance costs decreased by HK$12.8 million, or 30.8%, from HK$41.6 million in 2008 to HK$28.8 million in 2009 mainly due to a decrease in interest rates charged on our bank borrowings.

Income tax (expense) credit

The applicable enterprise income tax rate of CT Metals changed from 33% to 25% from 1 January 2008 onwards. For CT Foundry, the applicable income tax rate was changed to 12.5% from 1 January 2008 onwards and was further changed to 25% from 1 January 2009 onwards. CT Metals (Ningbo) and CT Copper (Ningbo) were subject to enterprise income Tax at the rate of 25% for the Track Record Period. For the two years ended 31 December 2009, all our Hong Kong subsidiaries are subject to Hong Kong Profits Tax at the rate of 16.5% on their respective estimated assessable profits.

The tax credit of HK$71.2 million in 2008 mainly arose from deferred tax asset recognised arising from the loss we recorded in 2008. As a result of the recognition of the deferred tax credit, at the applicable tax rate of 25%, the effective tax rate for 2008 was 26.2%. In 2009, our effective tax rate of 28.5% was calculated based on profit before tax of HK$587 million by taking in account the 10% withholding income tax imposed on dividends in respect of profits earned for 2008 onwards to foreign investors for non-resident shareholders of companies established in the PRC under the New Law starting from 1 January 2008.

Profit for the year and net profit margin

As a result of the factors discussed above, the profit for the year increased by HK$619.8 million from a loss of HK$200.1 million in 2008 to HK$419.7 million in 2009. The net profit margin improved from a negative of 8.0% in 2008 to a positive of 17.9% in 2009.

Year ended 31 December 2008 compared with year ended 31 December 2007

Revenue

Revenue increased by HK$706.9 million, or 39.3%, from HK$1,798.3 million in 2007 to HK$2,505.2 million in 2008. The increase was mainly contributed by an increase in sales volume as well as average selling prices for our copper and steel Recycled Metal Products.

Cost of sales

Our cost of sales increased by HK$1,056.6 million, or 62.8%, from HK$1,683.4 million in 2007 to HK$2,740.0 million for 2008. Cost of sales (without Inventory Provision) increased in line with the increase of our revenue by HK$748.0 million, or 44.4%, from HK$1,683.4 million in 2007 to HK$2,431.4 million in 2008, primarily due to an increase in our sales volume and in the average purchase prices relating to our raw materials.

Gross profit and gross profit

Set forth below is information on gross profit or loss by business segments:

	Year ended 31 December 2008 Metal recycling business						Foundry business			Wholesale business	
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap with processing	Sub-total	Aluminium-alloy ingots	Copper rods and wires	Sub-total	Other metal scrap without processing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,407,523	542,351	59,376	134,958	160,351	2,304,559	179,923	–	179,923	20,686	2,505,168
Cost of sales	(1,384,203)	(525,259)	(55,841)	(131,466)	(148,431)	(2,245,200)	(165,994)	–	(165,994)	(20,200)	(2,431,394)
Inventory Provision	(155,433)	(50,655)	(19,425)	(54,819)	(21,821)	(302,153)	(6,460)	–	(6,460)	–	(308,613)
Gross profit	(132,113)	(33,563)	(15,890)	(51,327)	(9,901)	(242,794)	7,469	–	7,469	486	(234,839)
Gross profit (without Inventory Provision)	23,320	17,092	3,535	3,492	11,920	59,359	13,929	–	13,929	486	73,774
Gross profit margin	–9.4%	–6.2%	–26.8%	–38.0%	–6.2%	–10.5%	4.1%	–	4.1%	2.3%	–9.4%
Gross profit margin (without Inventory Provision)	1.7%	3.1%	5.9%	2.6%	7.4%	2.6%	7.7%	–	7.7%	2.3%	2.9%

	Year ended 31 December 2007 Metal recycling business						Foundry business			Wholesale business	
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap with processing	Sub-total	Aluminium-alloy ingots	Copper rods and wires	Sub-total	Other metal scrap without processing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,096,057	323,881	87,550	88,059	64,878	1,660,425	137,907	–	137,907	–	1,798,332
Cost of sales	(1,020,572)	(303,037)	(81,144)	(82,359)	(66,953)	(1,554,065)	(129,334)	–	(129,334)	–	(1,683,399)
Gross profit	75,485	20,844	6,406	5,700	(2,075)	106,360	8,573	–	8,573	–	114,933
Gross profit margin	6.9%	6.4%	7.3%	6.5%	–3.2%	6.4%	6.2%	–	6.2%	–	6.4%

Our gross profit for 2007 was HK$114.9 million and we recorded a gross loss of HK$234.8 million for 2008 as a result of the Inventory Provision. Our gross profit margin was 6.4% in 2007 whereas, due to the gross loss for 2008, we recorded a negative gross margin of 9.4%.

Our gross profit (without Inventory Provision) decreased by 35.8% from HK$114.9 million for the year ended 31 December 2007 to HK$73.8 million for the year ended 31 December 2008, while our gross profit margin (without Inventory Provision) decreased in line with the sharp decline in our gross profit margin from 6.4% to 2.9% during the two years of review.

The decline in overall gross profit margin (without Inventory Provision) was mainly due to the fluctuation of global commodities prices during the lead time between our purchase of raw materials and the sale of our Recycled Metal Products. The sharp decline in global commodities price benchmarks towards the end of 2008 adversely affected the selling price of our Recycled Metal Products whilst we had procured our raw materials at prices that were benchmarked against global commodities price prior to that decline. The gross profit margin (without Inventory Provision) for our other metal scrap with processing improved from a negative of 3.2% in 2007 to a positive of 7.4% in 2008 as we actively identified and separated metal scrap that can be further processed to maximise the value realisable from such materials.

Distribution costs

Our distribution costs increased by HK$1.0 million, or by 142.8% from HK$0.7 million in 2007 to HK$1.7 million in 2008 due to increase in sales volume. The distribution costs were mainly incurred for the delivery of our Foundry Products directly to our customers.

Administrative expenses

Administrative expenses increased by HK$13.3 million, or 89.9%, from HK$14.8 million in 2007 to HK$28.1 million in 2008. This was mainly due to increase in staff salaries of administration and management personnel, bank charges and financial institutions' handling fees and travelling expenses.

Other income

Other income increased by HK$7.3 million, or 608.3%, from HK$1.2 million in 2007 to HK$8.5 million in 2008. This is mainly due to an increase in bank interest income in 2008.

Other gains and losses

Other gains and losses increased by HK$13.4 million or 56.5% from HK$23.7 million in 2007 to HK$37.1 million in 2008 mainly due to net foreign exchange gains resulting from Renminbi appreciation against the US dollar.

Finance costs

Finance costs increased by HK$23.2 million, or 126.1%, from HK$18.4 million in 2007 to HK$41.6 million in 2008 primarily due to increase in interest resulting from an increase in interest rate as well as new bank borrowings raised during 2008.

Income tax (expense) credit

The applicable enterprise income tax rate of CT Metals changed from 33% to 25% from 1 January 2008 onwards. For CT Foundry, the applicable income tax rate was changed to 12.5% from 1 January 2008 onwards. All our Hong Kong subsidiaries are subject to Hong Kong Profits Tax at 17.5% for the year ended 31 December 2007 and at the rate of 16.5% thereafter on their respective estimated assessable profits.

As a result of its acquisition of plant and equipment in China, the Group enjoyed a tax refund from PRC tax bureau in 2007, and the effective tax rate was reduced to 21.7%. The tax credit of HK$71.2 million in 2008 mainly arose from deferred tax asset recognised arising from the loss we recorded in 2008. As a result of the recognition of the deferred tax credit, at the applicable tax rate of 25%, the effective tax rate for 2008 was 26.2%.

Profit for the year and net profit margin

As a result of the factors discussed above, the profit for the year decreased by HK$283.1 million from a profit of HK$83.0 million in 2007 to a loss of HK$200.1 million in 2008. The net profit margin declined from approximately 4.6% in 2007 to a negative of 8.0% in 2008.

Key financial ratios

The following table sets forth certain of our financial ratios as of the date for the years indicated:

	Notes	**Year ended 31 December** **2007**	**2008**	**2009**
Profitability ratios				
Gross profit margin (%)	*1*	6.4	(9.4)	23.7
Net profit margin (%)	*2*	4.6	(8.0)	17.9
Return on assets (%)	*3*	10.6	(18.0)	22.7
Return on equity (%)	*4*	45.2	N.A.	100.4
Liquidity ratios				
Current ratio	*5*	1.06	0.77	1.41
Quick ratio	*6*	0.52	0.26	0.43
Gearing ratio (%)	*7*	54.3	45.1	43.2
Inventory turnover days	*8*	66	60	178
Debtor's turnover days	*9*	4	3	7
Creditor's turnover days	*10*	1	4	17

Notes:

1. Gross profit margin is calculated based on the gross profit divided by turnover and multiplied by 100%.

2. Net profit margin is calculated based on the profit attributable to equity holders of our Company for the year divided by turnover and multiplied by 100%.

3. Return on assets is calculated based on the profit attributable to equity holders of our Company for the year divided by the total assets at the end of the year and multiplied by 100%.

4. Return on equity is calculated based on the profit attributable to equity holders of our Company divided by capital and reserves at the end of the year and multiplied by 100%.

5. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.

6. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year.

7. Gearing ratio is calculated based on the borrowings divided by total assets and multiplied by 100%.

8. Inventory turnover days is calculated based on the average of the beginning and ending inventory balances for the year, divided by the total cost of sales during the year multiplied by 365 days.

9. Debtor's turnover days is calculated based on the average of the beginning and ending balances of trade receivables for the year, divided by turnover during the year multiplied by 365 days.

10. Creditor's turnover days is calculated based on the average of the beginning and ending balances of trade payables for the year, divided by the total cost of sales during the year multiplied by 365 days.

Current and quick ratios

Both current and quick ratios are used to measure our short term liquidity.

Over the Track Record Period, both our current ratio and quick ratio declined in 2008 before improving in 2009. The drop in both our current ratio and quick ratio in 2008 was due mainly to an increase in amounts due to related parties from HK$145.6 million in 2007 to HK$411.1 million in 2008 and an increase of bank borrowings from HK$422.9 million in 2007 to HK$799.0 million in 2009. The subsequent improvement of these two ratios was mainly attributable to the decrease in amounts due to related parties from HK$411.1 million in 2008 to HK$316.9 million in 2009 and increase of pledged bank deposits from HK$16.3 million to HK$241.4 million during that period. Between 2008 and 2009, the rate of increase in current ratio is higher than the rate of increase in the quick ratio due to an increase in inventory balance.

Gearing ratio

In general, our gearing ratio decreased over the Track Record Period from 54.3% as at 31 December 2007 to 43.2% as at 31 December 2009. The decrease in gearing ratio was the result of an increase in total asset by HK$1,072.2 million or 137.6% from HK$779.4 million to HK$1,851.6 million between 2007 and 2009 which resulted mainly from an increase in inventory, bank deposits and bank balances over the same period. Meanwhile, our bank borrowings grew by HK$376.1 million or 88.9% from HK$422.9 million in 2007 to HK$799.0 million in 2009.

Return on assets

Return on assets usually indicates the profitability of a company relative to its total assets and indicates the efficiency of a company in utilising its assets to generate earnings. Our return on assets for each of the two years ended 31 December 2007 and 2009 amounted to 10.6% and 22.7%, respectively, representing more than twofold improvement on return of assets notwithstanding the decline recorded in 2008. The decrease in our return on assets between 2007 and 2008 was due to the net loss of HK$200.1 million in 2008. The improving return on assets in 2009 after the decline in 2008 was mainly attributable to improvement of our profitability.

Return on equity

Return on equity measures the efficiency of a company in generating profits from net assets invested. Our return on equity for each of the years ended 31 December 2007 and 2009 amounted to 45.2% and 100.4%, respectively. As we recorded a net loss for the year ended 31 December 2008 and was at a net liability position as at 31 December 2008, the calculation for return on equity ratio is not applicable.

Inventories and inventory turnover days

Inventory balance at the end of each reporting period:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	176,743	492,194	892,824
Less: provision for inventories	–	(152,190)	–
Finished goods	147,349	386,227	274,613
Less: provision for inventories	–	(156,423)	–
	324,092	569,808	1,167,437

Our inventory can be further analysed as follow:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials:			
Motor scrap	103,982	460,220	862,053
Copper scrap	–	4,787	14,409
Steel scrap	–	102	–
Aluminium scrap	–	16,035	5,393
Other scrap materials	72,761	11,050	10,969
Sub-total	176,743	492,194	892,824
Finished goods:			
Copper scrap	90,642	167,146	70,188
Steel scrap	1,302	63,526	67,597
Aluminium scrap	3,831	40,683	1,901
Iron scrap	4,866	42,930	19,214
Aluminium-alloy ingots	34,823	27,491	36,910
Copper rods and wires	–	–	44,095
Others	11,885	44,451	34,708
Sub-total	147,349	386,227	274,613
Stock provision	–	(308,613)	–
Total	324,092	569,808	1,167,437
Inventory turnover days	66 days	60 days	178 days
Inventory turnover days (excluding the Inventory Provision)	66 days	90 days	178 days

We monitor and control the level of inventory on a regular basis to ensure that our inventory level will satisfy our business expansion requirements.

In addition, our management assesses whether the cost of inventories exceeds their net realisable value at the end of each reporting period. Management estimates the net realisable value for inventories based primarily on the quoted prices on applicable commodity exchanges. The inventories as at 31 December 2007 and 2009 are stated at cost. As at 31 December 2008, market price of inventories declined, and a provision of HK$308.6 million was recorded. All our inventories were stated at cost in the consolidated statements of financial position at the end of each reporting period except that our inventories at 31 December 2008 were stated at net realisable value.

Our inventories level stood at HK$324.1 million, HK$569.8 million and HK$1,167.4 million as at 31 December 2007, 2008 and 2009, respectively. The increase in inventories during the Track Record Period was due mainly to an increase in the level of raw materials we purchased in line with our expansion plan and our increasing processing capacity. The significant increase in inventory balance from HK$569.8 million in 2008 to HK$1,167.4 million in 2009 was due to the Inventory Provision amounting to HK$308.6 million recorded during 2008 and all our inventories were stated at net realisable value as of 31 December 2008. The Inventory Provision was subsequently written back in 2009 as market prices of our inventories recovered. In addition, our purchase volume of raw materials increased significantly during the second half of 2009 to cater for the anticipated growth in our business in the coming year. For the Track Record Period, the total amount of our raw material inventory stood at HK$176.7 million, HK$492.2 million and HK$892.8 million, respectively, as compared to the finished goods inventory level of HK$147.3 million, HK$386.2 million and HK$274.6 million, respectively.

Our inventory turnover days were 66, 60 and 178 days for each of the three years ended 31 December 2007, 2008 and 2009, respectively. Without taking into account the Inventory Provision, our inventory turnover days for 2008 and 2009 were 90 days and 178 days, respectively. The procurement time of 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, which will be followed by approximately two weeks for the breaking down, demolishing and separation of our Mixed Metal Scrap into their pure metal components. Taking into account the time required for the procurement and processing of our Mixed Metal Scrap, our inventory turnover days will be relatively longer when compared with that of a metal recycler that sources its raw materials locally or a metal recycler that recycles single metal scraps that require less processing time. 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. Our inventory turnover days increased throughout the Track Record Period (a) as we seek to maintain a level of inventory to meet our future expansion needs as well as a stable supply that will satisfy our customers' requirements given our position as the largest importer of Mixed Metal Scrap in China; (b) the decrease in our sales volume due to an overall slow-down of business activities occasioned by the 2008 financial crisis beginning in the fourth quarter of 2008; and (c) as our inventory level increased towards the end of 2009 to cater for the anticipated growth in our business in the coming year. Due to the recovery of the global demand for commodities in second half of 2009 and the increase in sales of the Group in the same period, our turnover day has decreased from 238 days for the first half of 2009 to 142 days for the second half of 2009. We have not acquired inventory to speculate on price movements in the underlying metal during the Track Record Period.

The sharp collapse in global commodities prices in the fourth quarter of 2008 resulted in our inventories being stated at net realisable value as at 31 December 2008 instead of at cost with a provision of HK$308.6 million being recorded for 2008. This provision has been written back in 2009, as the market prices of our inventories recovered significantly towards the end of 2009 and the net realisable value of our inventories were higher than its cost.

Up to 30 April 2010, all of our inventories as at 31 December 2009 has been fully utilised or sold.

As at 30 April 2010, our inventories of Mixed Metal Scrap and Recycled Metal Products amounted to HK$722.6 million and HK$361.0 million respectively. We are not aware of any circumstances that would suggest that the costs of our inventory of Mixed Metal Scrap and Recycled Metal Products may be below their net realisable value.

We will aim to maintain our inventory turnover days within a threshold of not more than 90 days. Based on the updated market information of commodities prices 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 change to our inventory turnover day criteria will require our Board's approval. Further information on our inventory level management policy is set out in the section "Business – Risk management of commodity price fluctuations" on page 150 of this prospectus.

Trade receivables and debtor's turnover days

Trade receivables balance at the respective balance sheet dates during the Track Record Period represent the outstanding amounts receivable by us from our customers which have been granted a credit period. For our recycling, reuse and processing of Mixed Metal Scrap business, our sales are largely conducted on cash on delivery basis and we do not typically grant any credit period. For our foundry business, the granting of credit to our customers is assessed on a case-by-case basis and we may grant credit terms of 30 to 90 days in connection with aluminium-alloy ingots and 7 to 10 days for copper rods and wires to customers with whom we have maintained a long term business relationship. Other factors such as their credit standing, trading and payment records, annual sales volume, type of transactions and current market conditions are also considered when granting credit terms. Before accepting any new customer, we assess the potential customer's credit quality and defines credit limits by customer. Credit limits to customers are reviewed regularly. With reference to the track records of these customers, the Directors consider all trade receivables at the reporting period end dates are of good credit quality.

	As at 31 December		
Trade and other receivables	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	19,541	23,856	65,882
Other receivables	264,186	136,301	122,944
	283,727	160,157	188,826
Debtors' turnover days	4 days	3 days	7 days

Aging analysis of our trade receivables net of allowance for doubtful debts based on the invoice date at the end of the reporting period are as follows:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables:			
0 – 30 days	9,386	10,133	45,805
31 – 60 days	3,786	4,005	13,248
61 – 90 days	2,747	2,845	1,161
91 – 180 days	1,348	5,512	5,104
over 181 days	2,274	1,361	564
	19,541	23,856	65,882

Included in the trade receivable balance are the following past due debts for which no impairment loss has been provided:

Aging analysis of trade receivables which are past due but not impaired

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Not exceeding 30 days	–	–	–
31 – 60 days	1,265	–	1,463
61 – 90 days	1,290	–	142
91 – 180 days	660	5,512	660
over 181 days	250	1,361	53
	3,465	6,873	2,318

Movements in the allowance for doubtful debts

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	–	–	553
Impairment losses recognised on receivables	–	546	247
Amounts written off during the year as uncollectible	–	–	(247)
Foreign exchange difference	–	7	1
Balance at end of year	–	553	554

We did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality.

The increase in trade receivables from HK$23.9 million as of 31 December 2008 to HK$65.9 million as of 31 December 2009 was due to the commencement of our wholesales business since late 2008. As at 31 December 2009, our trade receivables balance consists of HK$31.7 million arising from our wholesale business.

Overall the debtor's turnover days was maintained at a short period ranging from 3 days to 7 days during the Track Record Period mainly due to the substantial portion of our sales derived from our recycling, reuse and processing of Mixed Metal Scrap business was conducted on cash on delivery basis. The increase in debtors' turnover days from 3 days to 7 days between 2008 to 2009 was primarily due to the credit terms which we generally granted in connection with our copper rods and wires business which commenced commercial production in 2009.

Up to 30 April 2010, HK$64.8 million representing 98.4% of our trade receivable as at 31 December 2009 has been settled.

During the Track Record Period, we have not provided for any impairment loss as the amounts in question are still considered recoverable.

	As at 31 December		
Other receivables	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Deposits and prepayments	22,762	34,272	51,852
Deposits paid for purchase of raw materials	209,739	3,690	51,774
VAT recoverable	29,284	96,101	15,413
Rental receivable	–	–	2,123
Others	2,401	2,238	1,782
Total other receivables	264,186	136,301	122,944

The other receivables balance amounted to HK$264.2 million, HK$136.3 million and HK$122.9 million as at 31 December 2007, 2008 and 2009, respectively. It mainly consists of deposits and prepayments for customs declarations (including payment of import duties), prepayments for fixed assets, deposits paid and advance payments made for purchase of raw materials and advances to staff for paying repair and maintenance cost. The decrease in other receivables balance from HK$264.2 million as at 31 December 2007 to HK$136.3 million as at 31 December 2008 was mainly due to a decrease in advance payments resulting from better supply terms given by some of our key suppliers in 2008; set off by an increase in VAT recoverable resulting from less invoiced sales made in the final quarter of 2008 against which we could offset the custom duties paid. Our other receivables balance continued to decrease from HK$136.3 million as at 31 December 2008 to HK$122.9 million as at 31 December 2009 mainly due to an increase in custom duties paid arising from increasing sales which we have offset against our balance of VAT recoverable. Such decrease in VAT recoverable balance was partially offset by an increase in the deposits paid for raw materials as we did more business with suppliers who are willing to ship raw materials we procure upon the payment of deposits for such raw materials.

Aging analysis of our bills receivables at the end of each reporting period is as follows:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	321	568	1,365
31 – 60 days	107	896	–
61 – 90 days	642	625	–
91 – 180 days	642	910	–
	1,712	2,999	1,365

Bills receivables increased from HK$1.7 million in 2007 to HK$3.0 million in 2008, before falling to HK$1.4 million in 2009. All of our bills receivables arise from our sale of aluminium-alloy ingots. As part of our credit control policy, we discouraged payment in terms of bills, thus our overall bills receivables reduced from HK$3.0 million in 2008 to HK$1.4 million in 2009.

As at 30 April 2010, our bills receivables outstanding as at 31 December 2009 has been fully recovered.

Amounts due from (to) related parties

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
The Group			
Amount due from related parties			
Non-trade nature			
New Asset *(Note 1)*	–	313	371
Amount due to related parties			
Trade nature			
Mr. Fang, his close members of the family and entities controlled by him *(Notes 2 and 3)*	34,272	–	–
Non-trade nature			
Delco Asia			
– interest bearing at 3 months LIBOR+1% per annum	–	143,130	138,376
– non-interest bearing	29,011	30,165	29,156
Mr. Fang, his close members of the family and entities controlled by him *(Note 2)*			
– interest bearing at 2.52% per annum	–	85,655	–
– non-interest bearing	82,323	152,143	149,381
	111,334	411,093	316,913
	145,606	411,093	316,913

Notes:

1. This company had a beneficial interest in our Company which was subsequently transferred back to HWH and Delco Participation in October 2008.

2. Mr. Fang is a Director and a beneficial shareholder of our Company.

3. The balances were trade in nature with credit period of 30 days. They were aged within one year and interest-free.

4. These represent advances to finance the Group's operations. All the balances were unsecured. Other than certain amounts of HK$223,708,000 in aggregate, which are not repayable within one year from 31 December 2009 because the counterparties have agreed to extend the repayment date, all non-trade balances are repayable on demand, which, in the opinion of the directors of the Company will be fully repaid prior to or upon the Listing.

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 to be paid out of the proceeds of the listing to settle such related parties amounts, we will settle all remaining amounts due to related parties upon Listing. At the same time, we issued an aggregate of 749,999,900 Shares to our existing Shareholders. Please refer to the paragraph "3. Written resolutions of the Shareholders" in Appendix VI of this prospectus.

Trade payables and creditors' turnover days

Trade payables balance as at the end of each reporting period and during the Track Record Period represents the outstanding amounts payable by us to our suppliers of raw materials.

Aging analysis of our trade payables at the end of each reporting period are as follows:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables:			
0 – 30 days	2,673	62,514	64,630
31 – 60 days	–	413	18,519
61 – 90 days	–	555	8,780
91 – 180 days	–	161	8,020
Over 181 days	61	–	1,679
	2,734	63,643	101,628
Creditors' turnover days	1 day	4 days	17 days

Our creditor's turnover days were 1 day, 4 days and 17 days for each of the three years ended 31 December 2007, 2008 and 2009, respectively. Whilst we are typically not given any credit term or period by our suppliers and we normally settle payment within 7 to 10 days upon shipment loaded by our suppliers, in practice, we settle our payment before receipt by us of all custom clearing documents.

As at 30 April 2010, more than 97% of the trade payables as at 31 December 2009 were settled.

Other payables

The other payables and accruals balance as at the respective balance sheet dates consists mainly of accruals, interest payables and receipts in advance. The following table sets forth the breakdown of other payables and accruals:

	As at 31 December		
Other payables	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Other payables and accruals	14,113	17,543	23,512
Interest payable	788	1,224	918
Receipts in advance	8,110	12,450	10,547
	23,011	31,217	34,977

Other payables and accruals are mainly related to payables for construction work of the production sites, the remaining balance is related to government-related charges, levied based on our annual turnover and monthly payroll which were fully settled after the period end date. Other payables and accruals has increased from HK$14.1 million as at 31 December 2007 to HK$23.5 million as at 31 December 2009 as we increased the scale of our processing and production facilities during the Track Record Period.

Receipts in advance were incurred for the timing difference, typically 1 or 2 days, between the settlement and delivery/collection of Recycled Metal Products to customers. The amounts were fully settled upon delivery of goods.

The increase in total other payables from HK$23.0 million as at 31 December 2007 to HK$35.0 million as at 31 December 2009, is mainly due to amount payable in respect of construction at our processing sites and payables for government-related charges as we expanded our business operations.

Bills payables

Aging analysis of our bills payables at the end of each reporting period is as follows:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Bills payables:			
0-60 days	–	–	8,510
61-180 days	–	91,593	105,616
	–	91,593	114,126

Such bills payables typically have a settlement period of between 61 to 180 days. Our Directors are of the opinion that such settlement period is within normal business practices of our Group's suppliers.

Derivative financial instruments

Investment and risk management policy

Derivatives not designated and effective as hedging instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of comprehensive income immediately.

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Derivative financial assets			
Copper and aluminium future contracts	–	67	1,072
Derivative financial liabilities			
Copper and aluminium future contracts	357	17,785	–
Foreign currency forward contracts	–	–	1,603
	357	17,785	1,603

(i) Copper and aluminium future contracts

Our raw materials include a large metal content which, after processing, are sold as Recycled Metal Products, comprising mainly copper, steel and iron, and aluminium scrap products. Therefore our purchase costs and selling prices are exposed to risks associated with fluctuations in the market prices for both ferrous and non-ferrous metals which are at times volatile.

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 futures 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. These transactions allowed us to monetize our inventory and generated positive cash-flow during the few months following the collapse of commodity prices when the spread between copper spot and copper futures prices became especially pronounced. 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.

We have not acquired derivative financial instruments purely to speculate on price movements in the underlying metal during the Track Record Period.

Major terms of the outstanding copper and aluminium future contracts at the end of each of the reporting period and as at the Latest Practicable Date are set out below:

31 December 2007

Contract price	Unit bought	Maturity
Three contracts to buy copper ranging from RMB57,030 per tonne to RMB59,250 per tonne	300 tonne	15 March 2008

31 December 2008

Contract price	Unit bought	Maturity
Three contracts to buy copper ranging from RMB23,070 per tonne to RMB28,735 per tonne	5,300 tonne	From 16 March 2009 to 15 May 2009

31 December 2009

Contract price	Unit bought	Maturity
Two contracts to buy aluminium at RMB16,098 per tonne and RMB16,396 per tonne respectively	1,500 tonne	From 15 January 2010 to 15 March 2010

As at the Latest Practicable Date

Contract Price	Unit bought	Maturity
Two contracts to buy aluminium at RMB15,525 per tonne and RMB14,120 per tonne respectively	1,400 tonne	15 July 2010 and 15 August 2010 respectively
One contract to buy copper at RMB55,388 per tonne	300 tonne	15 July 2010

(ii) Foreign currency forward contracts

We primarily generate Renminbi receipts for our sales in the PRC while we pay for a large part of our purchases in US dollars. In view of the general perception that Renminbi will likely strengthen against US dollars in the foreseeable future, it is currently our policy to retain its Renminbi receipts in bank deposits which are used as collaterals for its US dollars bank loans to finance its US dollars purchases. As part of our foreign currency hedging strategy, we bought US dollars forward contracts in 2009 primarily to mitigate our exposure to fluctuation of the exchange rate between US dollars and Renminbi whilst taking advantage of the favourable forward contract exchange rates thus securing a reduction in our cost of purchases. In substance such arrangements would allow us to reduce its cost of purchases so long as the forward contracts rate justifies it.

Major terms of the outstanding foreign currency forward contracts at 31 December 2009 are set out below:

Notional amount	Exchange rates	Maturity
13 contracts to buy US$ in total of US$20,537,000	US$/RMB ranging from 6.7423 to 6.8505	From 12 April 2010 to 18 November 2010

Net current assets/liabilities position

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Current Assets			
Inventories	324,092	569,808	1,167,437
Trade and other receivables	283,727	160,157	188,826
Bills receivables	1,712	2,999	1,365
Prepaid lease payments	807	858	858
Tax recoverable	–	42,250	–
Amount due from a related party	–	313	371
Derivative financial instruments	–	67	1,072
Bank balances and cash	20,113	44,174	69,428
Restricted bank deposits	2,570	20,491	5,535
Pledged bank deposits	–	16,292	241,440
	633,021	857,409	1,676,332

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Trade and other payables	25,745	94,860	136,605
Bills payables	–	91,593	114,126
Amounts due to related parties	145,606	411,093	93,205
Tax payable	1,373	–	44,119
Derivative financial instruments	357	17,785	1,603
Banking borrowings	422,916	500,552	799,046
	595,997	1,115,883	1,188,704

We had net current assets of HK$37.0 million and HK$487.6 million as at 31 December 2007 and 2009, respectively. We recorded net current liabilities of HK$258.5 million as at 31 December 2008. Net current assets increased over the Track Record Period from HK$37.0 million to HK$487.6 million whilst we were at a net current liabilities position at the end of 2008 which resulted mainly from the Inventory Provision. The overall increase of net assets during the Track Record Period was primarily due to the increase of inventories and cash and bank deposits which was offset by an overall increase of amounts due to related parties and bank and other borrowings.

We had net assets of approximately HK$183.4 million and HK$418.1 million as at 31 December 2007 and 31 December 2009 respectively and net liabilities of approximately HK$5.0 million as at 31 December 2008. The Group was at a net liabilities position as of 31 December 2008 as a result of the net loss incurred due to the Inventory Provision during 2008, which wiped out capital and reserves of the Group. As of 31 December 2009, our Group had outstanding loans due to related parties of HK$223.7 million which will be capitalised upon Listing.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The following table summarises our cash flows during the Track Record Period:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit (loss) before tax	105,921	(271,298)	587,194
Adjustments for:			
Write-down (reversal) of inventories	–	308,613	(308,613)
Interest income	(186)	(7,151)	(2,415)
Net foreign exchange (gains) losses	(18,622)	(46,040)	585
Finance costs	18,431	41,598	28,823
Depreciation of property, plant and equipment	6,363	7,502	7,642
Amortisation of prepaid lease payments	773	847	859
(Gain) loss on disposal of property, plant and equipment	–	(131)	16
Operating cash flows before movements in working capital	112,680	33,940	314,091
Increase in inventories	(23,423)	(534,066)	(288,665)
(Increase) decrease in trade and other receivables	(143,333)	141,303	(28,570)
Decrease (increase) in bills receivables	3,907	(1,180)	1,636
Increase (decrease) in derivative financial instruments	357	17,339	(17,198)
(Decrease) increase in trade and other payables	(1,285)	67,655	41,993
Increase in bills payables	–	91,593	22,477
Decrease in amounts due to related parties	(17,791)	(34,272)	–
Cash (used in) from operations	(68,888)	(217,688)	45,764
Interest paid	(17,604)	(41,162)	(27,211)
Tax paid	(26,761)	(61,425)	(23,305)
Tax refunded	–	7,265	44,971
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(113,253)	(313,010)	40,219

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Increase in pledged bank deposits	–	(16,292)	(225,138)
Purchase of and deposit paid for property, plant and equipment	(30,287)	(27,818)	(12,049)
Advance to related parties	–	(313)	(58)
Payment of prepaid lease payments	(2,015)	–	–
(Increase) decrease in restricted bank deposits	(2,570)	(17,760)	14,969
Interest received	186	7,151	2,415
Proceeds from sales of property, plant and equipment	–	2,956	135
NET CASH USED IN INVESTING ACTIVITIES	(34,686)	(52,076)	(219,726)
FINANCING ACTIVITIES			
New bank borrowings raised	1,121,848	2,070,850	1,926,440
Repayment of bank borrowings	(877,313)	(1,973,616)	(1,625,354)
(Repayment to) advance from related parties	(85,576)	290,655	(96,352)
NET CASH FROM FINANCING ACTIVITIES	158,959	387,889	204,734
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,020	22,803	25,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,480	20,113	44,174
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	613	1,258	27
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	20,113	44,174	69,428

Cash flows

Cash flows management during the Track Record Period – an overview

During the Track Record Period, we had a large working capital investment in terms of inventories and trade receivable and a relatively small amount of investment in non-current assets in the form of property, plant and equipment as well as prepaid lease payments.

As the scale of our operations increased, there was a need for additional financing through bank borrowings, retention of accumulated profits and borrowings from Shareholders. While the amounts due to the Shareholders carried no fixed repayment term and were in principle repayable in demand, a majority of the amounts due to them were not withdrawn during the Track Record Period.

In addition to the pledge of its assets to banks to secure the bank financing, Mr. Fang has also pledged his own deposits and provided personal guarantees as collateral for our bank borrowings. We will repay the amounts due to the Shareholders and will also arrange the release of the collaterals and personal guarantees currently provided by Mr. Fang. Our future operations will be primarily financed through internally generated funds, bank borrowings, and possibly additional equity financing.

As at 31 December 2009, we had pledged bank deposits, restricted bank deposits, bank and cash balances of HK$316.4 million.

Operating activities

Net cash generated from operating activities for the year ended 31 December 2009 was HK$40.2 million, while our profit before taxation was HK$587.2 million. The difference of HK$547.0 million was primarily due to the combined effect of: (1) an increase in trade and other payables of HK$42.0 million, as some our major suppliers accepted longer settlement periods in light of our long standing relationship and bills payables of HK$22.5 million and (2) the tax refund of HK$45.0 million; which were offset by (3) an increase in trade and other receivables of HK$28.6 million which was due to increase in sales of Foundry Products and deposits paid for purchase of raw materials; and (4) an increase in inventories of HK$288.7 million in line with our business expansion.

Net cash used in operating activities for the year ended 31 December 2008 was HK$313.0 million, while we recorded a loss before taxation of HK$271.3 million during that year. The difference of HK$41.7 million was primarily due to: (1) increase in inventories of HK$534.1 million (without Inventory Provision) as we seek to maintain a level of inventory that will satisfy our future expansion; (2) interest and tax payments of HK$41.2 million and HK$61.4 million, respectively; and offset by (3) decrease in trade and other receivables of HK$141.3 million, which was due to an improvement of supply terms; (4) increase in bills payables of HK$91.6 million, resulting from an utilisation of new banking facilities; and (5) increase in trade and other payables of HK$67.7 million as some our major suppliers accepted longer settlement periods in light of our long standing relationship.

Net cash used in operating activities for the year ended 31 December 2007 was HK$113.3 million, while our profit before taxation was HK$105.9 million. The difference of HK$219.2 million was primarily due to: (1) the increase in inventories of HK$23.4 million, reflecting continuous expansion of our metal recycling business; (2) the increase in trade and other receivables, related to increase in deposits paid for purchase of raw materials, of HK$143.3 million; and (3) the tax payment of HK$26.8 million.

Investing activities

The principal items affecting net cash used in investing activities during the Track Record Period have been our capital expenditures for acquisition of property, plant and equipment and lease prepayments, acquisition of additional interest in a subsidiary as well as increase in pledged bank deposits.

Net cash used in investing activities was HK$219.7 million for the year ended 31 December 2009 which was primarily due to increase in pledged bank deposits of HK$225.1 million for additional bank borrowings.

Net cash used in investing activities was HK$52.1 million for the year ended 31 December 2008 which was primarily attributable to: (1) the purchase of property, plant and equipment of HK$27.8 million mainly relating to our new administration office in Taizhou and our copper rods and wires production line; (2) increase in the pledge of bank deposits and restricted bank deposits of HK$16.3 million and HK$17.8 million, respectively, both relating to additional bank borrowings.

Net cash used in investing activities was HK$34.7 million for the year ended 31 December 2007 which was primarily attributable to the purchase of property, plant and equipment of HK$30.3 million mainly relating to our new administration office in Taizhou and our copper rods and wires production line.

Financing activities

Our financing activities during the Track Record Period mainly included raising new bank borrowings, repayment of bank borrowings and repayment of amounts due to/advance from related parties.

Net cash generated from financing activities was HK$204.7 million for the year ended 31 December 2009 was primarily due to new bank borrowings raised of HK$1,926.4 million which was offset by: (1) repayment of bank borrowings of HK$1,625.3 million; and (2) repayment of amounts due to related parties of HK$96.4 million.

Net cash generated from financing activities was HK$387.9 million for the year ended 31 December 2008 was primarily due to new bank borrowings and advances from related parties of HK$2,070.9 million and HK$290.7 million, respectively, which was offset by repayment of existing bank borrowings of HK$1,973.6 million.

Net cash generated from financing activities was HK$159.0 million for the year ended 31 December 2007 was primarily due to new bank borrowings raised of HK$1,121.8 million; which was offset by: (1) repayment of bank borrowings of HK$877.3 million; and (2) repayment of amounts due to related parties of HK$85.6 million.

Financial resources and capital structure

Net current assets

As at 30 April 2010, being the latest practicable date for the preparation of this working capital sufficiency statement, we had net current assets of HK$387.7 million, comprising current assets of HK$2,083.6 million and current liabilities of HK$1,695.9 million. The following table sets out the composition of our unaudited current assets and current liabilities as at 30 April 2010.

	HK$'000
Current assets	
Inventories	1,083,550
Trade and other receivables	599,638
Bills receivables	1,273
Tax recoverable	16,747
Derivative financial instruments	45
Bank balances and cash	96,819
Restricted bank deposit	8,803
Pledged bank deposits	276,741
	2,083,616
Current liabilities	
Trade and other payables	141,460
Bills payables	148,214
Amounts due to related parties	355,359
Derivative financial instruments	1,839
Banking borrowings	1,048,996
	1,695,868
Net current assets	387,748

Capital structure

As at 30 April 2010, we had net assets of HK$539.6 million, comprising non-current assets of HK$173.1 million, non-current liabilities of HK$21.2 million, current assets of HK$2,083.6 million, current liabilities of HK$1,695.9 million and net current assets of HK$387.7 million.

INDEBTEDNESS DURING THE TRACK RECORD PERIOD

Borrowing

Our total loans and borrowings are set forth below:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Fixed-rate borrowings:			
Secured bank loans	111,768	197,291	497,012
Unsecured bank loans	279,962	264,796	125,590
Variable-rate borrowings:			
Secured bank loans	–	33,954	160,639
Unsecured bank loans	31,186	–	–
Bank overdrafts	–	4,511	15,805
	422,916	500,552	799,046

The effective interest rates of the borrowings are as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
Effective interest rates:			
Fixed-rate borrowings	5.70% to 7.22%	4.5% to 7.56%	1.29% to 5.31%
Variable-rate borrowings	6.74%	6.12%	1.62% to 1.82%

As of 30 April 2010, we had unultilised bank facilities of approximately HK$259 million.

Pledge of assets

At the end of each reporting period, we pledged the following assets to banks to secure the general banking facilities granted to us:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Building	2,637	48,329	50,384
Prepaid lease payments	18,029	14,774	36,820
Bank deposits	–	16,292	241,440
	20,666	79,395	328,644

In addition, our Controlling Shareholder, Mr. Fang has provided guarantees to secure our unsecured bank loans, details as set out below:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Personal guarantees provided by Mr. Fang and his close members of the family to our Group regarding banking facilities	330,864	875,220	449,921
Amount of the above facilities utilised by our Group	286,138	247,541	259,285

These guarantees are expected to be released prior to or upon Listing.

Our outstanding debts and obligations to various PRC banks as at 30 April 2010 are subject to general and usual restrictive covenants and undertakings. Such restrictive covenants and undertakings mainly include:

(1) the borrower and/or the guarantor shall obtain prior consent from the lender and/or creditor in circumstances such as undergoing by the borrower and/or the guarantor of liquidation, bankruptcy, restructuring, dissolution, winding-up, or similar legal proceedings, shareholding changes, sale, lease, or transfer of assets, public offering, capital changes, changes in mode of business operation, engaging in merger and acquisitions, joint venture, incurring and assumption of additional material indebtedness and liabilities, creation of material encumbrances on assets, provision of security, performance of security obligations, repayment of material debts to third parties, incurring of any other obligations which may have material adverse effect or prejudice the interest of the lender and/or creditor.

(2) The borrower shall give written notice to the lender and/or creditor and, where, appropriate, is required to take rectification measures, in circumstances where (a) there is change of name, legal representative, registered capital, registered address or business places, business scope or ownership of the borrower; (b) the borrower or its legal representative or persons in charge engages in any illegal or criminal activities or involves in any litigation, encounters any major difficulties in operation, there is deterioration of financial conditions or difficulties in sale of goods, or there are changes of major shareholding; (c) there is change of senior management, amendment of articles of association or change of internal management structure of the borrower; (d) the borrower provides guarantee or other types of security to a third party; (e) the borrower sells, transfers, leases, lends, mortgages, charges or denotes all or material parts of or majority of its assets; (f) the borrower is involved in any litigation or arbitration which may have material adverse effect on the borrower, or the borrower becomes aware that any of its major assets are involved in the enforcement, seizure, distrainment, freeze, lien or custody; (g) the borrower enters into any contract which would have major effect on its operation or financial conditions; (h) the borrower enters into any connected transaction, the amount of which equals or exceeds 10% of its net tangible assets; (i) the borrower becomes or may become the actual controlling party of the guarantor.

(3) The borrower shall use the loan according to the approved usage and shall not use the loan for any other usage or purposes.

(4) The borrower shall not use the loan for equity investment, financial investment, investing in stock market, investing in property development or investing in any projects that are not allowed or approved for investment under the relevant laws, regulations, rules or policies. The borrower shall not sub-lend the loan to a third party.

(5) The borrower or its legal representative or persons in charge shall not engage in any activities which may affect the rights of the lender, including dissolution, cessation of business, failure to attend to the annual inspection, de-registration, revocation of business license, engaging in any illegal or criminal activities or involving in any litigation, encountering any major difficulties in operation, deterioration of financial conditions or changes of major shareholding.

(6) The borrower and its investors shall not transfer their fund or the assets for the purpose of not performing its obligations to the lender.

(7) The borrower shall not conceal any events that may affect the financial conditions or ability to perform the obligation of the borrower and for the guarantor.

(8) The borrower shall not distribute any dividends of bonus to its shareholders in the events that the net profit after tax of the borrower is zero or a negative figure, or its profit after tax is unable to cover the accumulated losses of pervious years, or its profit before tax is unable to repay the principal, interest or fees payable in the current accounting year or to repay the next installment of principal, interests or fees.

(9) The loan from the lender shall rank higher than the shareholder's loan.

(10) The borrower shall not dispose its assets in a manner which would reduce its ability to repay the loan. The aggregate amount of security provided to third parties shall not be higher than two times of its net tangible assets and shall not exceed the limit provided in its articles of association.

(11) The borrower shall provide other security acceptable to the lender/creditors if the guarantor undergoes bankruptcy, cessation of business, de-registration or revocation of business license or suffers operating losses, or loses part of or all of its ability to guarantee the repayment of the loan, or the value of the pledged or mortgaged properties reduces.

(12) The borrower shall submit the monthly financial statements and relevant planning and statistics statements to the lender. The borrower shall provide information in relation to the usage of loan, implementation of business plan, operation management, financial activities and inventories in a complete and true manner and provide cooperation to the lender in connection with the inspection by the lender of such activities.

(13) All financial statements of the borrower shall reflect its financial conditions in a true, complete and fair manner. All information, documents and materials provided by the borrower shall be true, valid, accurate and complete and shall not be misleading or have any omission.

If the borrower and/or guarantor are in breach of the foregoing provisions, the lender shall have the right to terminate the loan agreement, declare the loan due and repayable or to take other measures. The lender shall also have the right to impose penalty interest, up to a maximum interest rate of 100% higher than the interest rate provided in the loan agreement, in the event that the borrower delays in repaying the principal and/or interest or the borrower uses the loan for the usages or purposes other than those approved by the lender.

In relation to the information that we have provided to the PRC banks, our PRC legal adviser has advised that under the Commercial Banking Law of the PRC (中華人民共和國商業銀行法), the employees of such PRC banks must not disclose any commercial secrets that they acquire during their term of service. Any violation of the provision by the employees of the PRC banks will lead to disciplinary actions or criminal responsibilities against such employees, depending on the seriousness of the violation.

The Directors confirm that, as at the Latest Practicable Date, the Group is not in breach of any of the restrictive covenants and undertakings relating to any of our PRC bank debts and obligations and none of our existing loan agreements imposes any requirement for us to maintain any financial ratios at certain prescribed level.

Our Directors have confirmed that, as at the Latest Practicable Date, the Group has not breached any debt covenants and undertakings.

Our Directors confirm that, as at 30 April 2010, being the latest practicable date for the purpose of this indebtedness statement, there have been no material changes in the Group's indebtedness and contingent liabilities.

Given our cash position and after taking into consideration the net proceeds from the Global Offering, we have no intention to raise material funds by means of debt financing in the near future.

Statement of indebtedness

At the close of business on 30 April 2010, the Group had outstanding borrowings of:

	HK$'000
Amounts due to related parties	355,359
Bank borrowings (secured)	800,176
Bank borrowings (unsecured)	199,572
Bank overdraft (unsecured)	49,248
Bills payables	148,214
	1,552,569

At the close of business on 30 April 2010, the Group had pledged the following assets to banks to secure the general banking facilities granted to the Group:

	HK$'000
Building	49,437
Prepaid lease payments	36,515
Bank deposits	276,741
	362,693

The Group's banking facilities are also secured by personal guarantees given by Mr. Fang and his close members of the family. It is expected that the guarantees will be fully released prior to or upon the Listing.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have, at the close of business on 30 April 2010, any outstanding loan capital issued or agreed to be issued, bank overdrafts and loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

Gearing ratio

During the Track Record Period our gearing ratio was 54.3%, 45.1% and 43.2%, respectively. In general, our gearing ratio decreased over the Track Record Period due to an increase in total asset by HK$1,072.2 million or 137.6% from HK$779.4 million to HK$1,851.6 million between 2007 and 2009 which resulted mainly from an increase in inventories and increase in bank deposits and bank balances over the same period. Meanwhile, our bank borrowings grew by HK$376.1 million or 88.9% from HK$422.9 million to HK$799.0 million correspondingly.

Capital expenditure

During the Track Record Period, we incurred capital expenditures to expand production capacity and production area, and to invest in machineries to improve production efficiency. During the Track Record Period, our capital expenditure amounted to HK$32.3 million, HK$27.8 million and HK$12.0 million, respectively.

In 2009, a capital expenditure of HK$12.0 million was recorded. It was in relation to expanding our processing capacity by setting up in Ningbo, relocating our warehousing facilities in Taizhou and refurbishing our new administration office in Taizhou as well as purchasing fixed assets. This capital expenditure was funded through cash flow from operations, bank borrowings and advances from related parties.

In 2008, a capital expenditure of HK$27.8 million was recorded. It was in relation to establishing our copper rods and wires production line, expanding our processing capacity, purchasing fixed assets and constructing our new administration office in Taizhou. This capital expenditure was funded through bank borrowings and advances from related parties.

In 2007, a capital expenditure of HK$32.3 million was recorded. It was in relation to establishing our copper rods and wires production line, expanding the processing site and constructing our new administration in Taizhou, purchasing fixed assets and acquiring land. This capital expenditure was funded through bank borrowings and advances from related parties.

Capital commitment

Our capital commitments during the Track Record Period are set out below:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	1,794	6,205	4,776

Capital risk management

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Our overall strategy remained unchanged throughout the Track Record Period.

Our capital structure consists of debt, which includes bank borrowings, amounts due to related parties and equity attributable to equity holders of our Company, comprising capital and various reserves.

The Directors review the capital structure periodically. The Directors also balance our overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. No changes were made in the objectives, policies or processes during the Track Record Period.

Working capital and cash flow management

We have also implemented several measures to improve our working capital management. For instance, at the beginning of each year commencing from 1 January 2008, we will prepare an annual working capital budget and will project the expected sales volume for the year to determine the level of our production that will need to be achieved before meeting such a target. We will also consider factors such as our production capacity, availability of raw materials and market trends to determine our working capital requirements for the year. These factors will be monitored on a monthly basis to ascertain whether actual results are in line with the budget. Where variances occur, our management will analyse such variances and modify our plans or implement new measures accordingly.

Profit forecast for the six months ending 30 June 2010

The forecast of the consolidated profit attributable to the equity holders of our Company for the six months ending 30 June 2010 prepared by our Directors is based on the unaudited accounts of our Group for the four months ended 30 April 2010 and a forecast of the results of our Group for the remaining two months ending 30 June 2010. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group (as summarised in the Accountants' Report, the text of which is set out in Appendix I to this prospectus) and is based on the following principal assumptions:

(a) there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which we operate, where our customers carry out business, to which we export our products or from which we import our parts and raw materials;

(b) there will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the respective countries in which our Group operates;

(c) there will be no material changes in the bases or rates of taxation applicable to our Group in the respective jurisdictions in which we operate; and

(d) our Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors, or for any unforeseeable reasons, that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

Our Directors have undertaken to the Stock Exchange that our Group's consolidated financial statements for the six months ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

Forecast consolidated profit for the six months ending 30 June 2010 *(note 1)*	not less than HK$152 million
Unaudited pro forma forecast earnings per Share *(note 2)*	not less than HK$0.15

notes:

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

2. The unaudited pro forma forecast earnings per share is calculated by dividing the forecast consolidated profit for the six months ending 30 June 2010 by a total of 1,000,000,000 shares, assuming that the shares to be in issue throughout the six months period without taking into account any shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options that may be granted under the Share Option Schemes.

Directors' opinion on the sufficiency of 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 publication of this prospectus.

Contingent liabilities

We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving our Group. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Disclaimer

Save as disclosed in the table under the section "Financial information – Financial resources and capital structure" on page 235 of this prospectus which has set out our current liabilities as at 30 April 2010, and apart from any intra-group liabilities, we did not, as at the close of business of 30 April 2010, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, shares or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances, acceptance credits or any guarantees or other material contingent liabilities outstanding. Our Directors have confirmed that there has been no material adverse change in our indebtedness and contingent liabilities since the Latest Practicable Date.

Quantitative and Qualitative Disclosure about Market Risk

We are, in the normal course of business, exposed to market risk such as commodities price risk, foreign currencies risk, interest rate risk, price risk on copper, credit risk and liquidity risk. Our risk management strategy aims to minimise the adverse effects of these risks on our financial performance.

Sensitivity analysis of the forecast consolidated profit before tax for the six months ending 30 June 2010

The following tables set forth the sensitivity analysis of the forecast consolidated profit before tax of the Group for the six months ending 30 June 2010 with respect to the variation in the average selling prices of our copper related, steel related and aluminium related products for the period from 19 May 2010 to 30 June 2010 and on the assumption that there is no change in other input variables, including fixed and variable costs:

Product price				
Copper scrap	**Copper rods and wires**	**Variance from product price**	**Corresponding 1H 2010 Forecast Profit Before Tax**	**Variance from 1H 2010 Forecast Profit Before Tax**
(HK$ per tonne)		*(%)*	*HK$'000*	*(%)*
41,555	52,744	(5.0)	199,930	(5.0)
43,742	55,520	–	210,539	–
45,929	58,296	5.0	221,148	5.0

Product price			
Steel scrap	**Variance from product price**	**Corresponding 1H 2010 Forecast Profit Before Tax**	**Variance from 1H 2010 Forecast Profit Before Tax**
(HK$ per tonne)	*(%)*	*HK$'000*	*(%)*
3,096	(5.0)	205,619	(2.3)
3,259	–	210,539	–
3,422	5.0	215,459	2.3

Product price				
Alumnium scrap	**Alumnium-alloy ingots**	**Variance from product price**	**Corresponding 1H 2010 Forecast Profit Before Tax**	**Variance from 1H 2010 Forecast Profit Before Tax**
(HK$ per tonne)		*(%)*	*HK$'000*	*(%)*
13,538	15,912	(5.0)	205,942	(2.2)
14,250	16,749	–	210,539	–
14,963	17,586	5.0	215,136	2.2

Product price							
Copper scrap	**Copper rods and wires**	**Alumnium scrap**	**Alumnium-alloy ingots**	**Steel scrap**	**Variance from product price**	**Corresponding 1H 2010 Forecast Profit Before Tax**	**Variance from 1H 2010 Forecast Profit Before Tax**
		(HK$ per tonne)			*(%)*	*HK$'000*	*(%)*
41,555	52,744	13,538	15,912	3,096	(5.0)	190,413	(9.6)
43,742	55,520	14,250	16,749	3,259	–	210,539	–
45,929	58,296	14,963	17,586	3,422	5.0	230,665	9.6

Commodity price risks

Our raw materials include a large metal content which, after processing, are sold as Recycled Metal Products, comprising mainly copper, steel and iron, and aluminium scrap products. Therefore our purchase costs and selling prices are exposed to risks associated with fluctuations in the market prices for both ferrous and non-ferrous metals which are at times volatile. Please refer to the section headed "Business – Risk management of commodity price fluctuations" on page 150 of this prospectus.

Currency Risk

The functional currency of group entities is Renminbi. We have foreign currency purchases, which expose us to market risk arising from changes in foreign exchange rates (see Note 7(b)(i) in the Accountants' Report set out in Appendix I to this prospectus). As part of our foreign currency hedging strategy, we bought US dollars forward contracts in 2009 primarily to mitigate our exposure to fluctuation of the exchange rate between US dollars and Renminbi whilst taking advantage of the favourable forward contract exchange rates thus securing a reduction in our cost of purchases. In substance such arrangements would allow us to reduce our cost of purchases so long as the forward contracts rate justifies it.

The carrying amounts of our monetary assets, monetary liabilities and derivative financial liability denominated in US dollars and Euro at the end of each reporting period are as follows:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Monetary assets			
US$	1,434	1,824	68,294
EUR	–	5,753	435
Monetary liabilities			
US$	526,629	497,873	945,557
EUR	–	7,589	1,241
Derivative financial liablity			
US$	–	–	1,603

Sensitivity Analysis

A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel because it represents management's assessment of the possible change in US dollars and Euro against Renminbi rate. On the basis of the above assets and liabilities denominated in US dollars and Euro at the end of each reporting period, and assuming all other variables remain unchanged, a 5% weakening of the US dollars and Euro against Renminbi throughout the relevant year would give rise to an exchange gain and an increase in profit for the year/a decrease in loss for the year in the following magnitude, and vice versa:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Monetary assets and liabilities			
US$	18,665	20,033	33,679
EUR	–	77	34
Derivative financial liability			
US$	–	–	60

Our sensitivity to US dollars has increased during the Track Record Periods mainly due to the increase in US dollars denominated bank borrowings.

Other than US dollars and Euro, we do not have any other major exposure to foreign currency risk.

Interest Rate Risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, variable-rate bank borrowings and amounts due related parties (see Note 7(b)(ii) in the Accountants' Report set out in Appendix I to this prospectus).

Our fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, bank borrowings and amounts due to related parties. It is our policy to maintain a certain level of bank borrowings primarily at fixed rate of interest so as to minimise the cash flow interest rate risk.

We have not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, our management monitors our related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

Sensitivity Analysis

The carrying amounts of our monetary liabilities which carried variable interest rates at the end of each reporting period are as follows:

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Liabilities	31,186	181,595	314,820

The sensitivity analysis below has been determined based on the exposure to risk of interest rate changes for variable-rate bank borrowings and amounts due to related parties at the end of each reporting period and management considers that such exposure for variable-rate bank deposits is minimal as the amount involved is not significant.

If interest rates had been 100 basis points higher and all other variables were held constant, our profit/loss for the year would be decreased/increased by the following magnitude, and vice versa:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Decrease in profit/increase in loss for the year	209	1,487	2,492

A 100 basis points increase or decrease is used when reporting interest risk internally to key management personnel because it represents management's assessment of the possible change in interest rate.

Other Price Risk

We are exposed to price risk through our investment in copper and aluminium future contracts (see Note 7(b)(iii) in the Accountants' Report set out in Appendix I to this prospectus).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risk of copper and aluminium at the end of each reporting period. If the quoted price of the copper and aluminium had been 5% higher, our profit/loss for the year would be increased/decreased by the following magnitude, and vice versa:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Increase in profit/decrease in loss for the year	797	5,901	1,077

Credit Risk

As at 31 December 2009, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, our management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

There was no significant concentration of credit risk as our financial assets are spread over a number of counterparties and customers.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings as well as advances from related parties.

The following table details the Group and the Company's remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group and the Company can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying value at the end of reporting period HK$'000
As at 31 December 2007							
Non-derivative financial liabilities							
Trade and other payables	–	3,150	–	–	–	3,150	3,150
Amounts due to related parties							
– non-interest bearing	–	145,606	–	–	–	145,606	145,606
Bank borrowings							
– fixed rate	6.37	24,613	133,865	243,940	–	402,418	391,730
– variable rate	6.74	173	31,358	–	–	31,531	31,186
		173,542	165,223	243,940	–	582,705	571,672
Derivative – net settlement							
Copper future contracts		–	357	–	–	357	357
As at 31 December 2008							
Non-derivative financial liabilities							
Trade and other payables	–	66,036	969	161	–	67,166	67,166
Bills payables							
– interest bearing	2.58	23,428	–	–	–	23,428	23,379
– non-interest bearing	–	68,214	–	–	–	68,214	68,214
Amounts due to related parties							
– fixed rate interest bearing	2.52	4,609	5,708	77,264	–	87,581	85,655
– variable rate interest bearing	2.42	143,415	–	–	–	143,415	143,130
– non-interest bearing	–	182,308	–	–	–	182,308	182,308
Bank borrowings							
– fixed rate	6.11	29,249	55,394	392,895	–	477,538	462,087
– variable rate	6.12	32,722	5,872	–	–	38,594	38,465
		549,981	67,943	470,320	–	1,088,244	1,070,404
Derivative – net settlement							
Copper future contracts	–	–	–	17,785	–	17,785	17,785
As at 31 December 2009							
Non-derivative financial liabilities							
Trade and other payables	–	78,835	27,105	9,677	–	115,617	115,617
Bills payables							
– interest bearing	2.44	8,556	58	14,637	–	23,251	23,118
– non-interest bearing	–	22,752	45,504	22,752	–	91,008	91,008
Amounts due to related parties							
– variable rate interest bearing	1.25	26,651	230	1,056	111,854	139,791	138,376
– non-interest bearing	–	66,683	–	–	111,854	178,537	178,537
Bank borrowings							
– fixed rate	3.58	180,268	123,287	324,365	–	627,920	622,602
– variable rate	1.69	16,014	418	161,586	–	178,018	176,444
		399,759	196,602	534,073	223,708	1,354,142	1,345,702
Derivative – gross settlement							
Foreign currency forward contracts							
– inflow	–	–	4,725	152,091	–	156,816	156,816
–outflow	–	–	(4,750)	(153,669)	–	(158,419)	(158,419)
		–	(25)	(1,578)	–	(1,603)	(1,603)

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIVIDEND POLICY

Dividends may be paid out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

During the Track Record Period, no dividend was paid or declared. A decision to declare or to pay any dividends in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

Subject to the factors described above, we currently intend to recommend a distribution to all Shareholders in an amount representing not less than 25% of the distributable net profit attributable to the equity holders of the Company in each of the financial years following the Global Offering. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider appropriate.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 34 to the Accountants' Report in Appendix I to this Prospectus. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable. Pursuant to the Capitalisation Issue, we will capitalise HK$223.7 million of the amounts due to related parties by issuing an aggregate of 749,999,900 Shares to our existing Shareholders. Aside from the sum of HK$50 million to be 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.

FINANCIAL INDEPENDENCE

As at the Latest Practicable Date and immediately following the Capitalisation Issue, the amount due to our Controlling Shareholders and their associates, amounted to an aggregate of HK$398.7 million. Pursuant to the Capitalisation Issue, we capitalised HK$223.7 million of the amounts due to related parties and we will settle all remaining amounts due to related parties prior to the Listing. Furthermore, all financial assistance granted by the Controlling Shareholders to our Group will be fully discharged prior to or upon Listing.

PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix IV of this prospectus. DTZ, an independent property valuer, has valued the properties owned by us as of 31 March 2010. The text of its letter, summary of valuations and valuation certificate are set out in Appendix IV to this prospectus. Disclosure of the reconciliation of our property interests and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below.

	HK$'000
Net book value as at 31 December 2009	
– Leasehold land and buildings	112,185
Movement for the period from 1 January 2010 to 31 March 2010 (unaudited)	
Add: exchange difference	(55)
Less: depreciation during the period	(1,351)
Net book value as at 31 March 2010 (unaudited)	
– Leasehold land and buildings	110,779
Valuation surplus as at 31 March 2010 (unaudited)	397,421
Valuation as at 31 March 2010 per Appendix IV to this prospectus	508,200

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group as at 31 December 2009 as if the Global Offering had taken place on 31 December 2009.

This statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustration purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2009 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group as at 31 December 2009 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 31 December 2009	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*
Based on the maximum indicative Offer Price of HK$3.13 per Offer Share	418,098	718,042	1,136,140	1.14
Based on the minimum indicative Offer Price of HK$2.43 per Offer Share	418,098	550,058	968,156	0.97

notes:

1. The audited consolidated net tangible assets of the Group as at 31 December 2009 is extracted from the Accountants' Report in Appendix I to this Prospectus.

2. The estimated net proceeds from the Global Offering are based on the maximum and minimum indicative Offer Price of HK$3.13 and HK$2.43 per Offer Share, respectively, assuming no exercise of the Over-allotment Option, after deduction of the underwriting fees and other related expenses payable by the Company in connection with the Global Offering.

3. By comparing the valuation of the Group's property interests as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as of 31 March 2010, the valuation surplus was approximately HK$397 million. The valuation surplus of the property interests will not be incorporated in the consolidated financial statements for the six months ending 30 June 2010. If the valuation surplus were to be included in the consolidated financial statements, an additional depreciation charge of approximately HK$16 million per annum would be incurred.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share is based on a total of 1,000,000,000 shares expected to be in issue immediately after the completion of the Global Offering without taking into account any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options that may be granted under the Share Option Scheme.

NO MATERIAL ADVERSE CHANGE

The 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 audited consolidated financial statements were prepared, as set out in the Accountants' Report in Appendix I to this prospectus).