

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Business Strategies” in this prospectus for a detailed description of the Group’s future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us in connection therewith, are estimated to be approximately HK\$641.1 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$2.78 per Share, being the mid-point of the proposed Offer Price range of HK\$2.43 to HK\$3.13 per Share. We currently intend to use such net proceeds as follows:

- as to approximately HK\$320.6 million (equivalent to approximately RMB281.2 million), representing approximately 50% of the net proceeds from the Global Offering, will be used to purchase raw materials. The allocation of the 50% of the net proceeds will be applied over a period of 9 months for the purchase of additional raw materials necessary for maintaining a normal business operation in accordance to our expected increase in production volume as stated in the section headed “Business – Business Strategies” of this prospectus. The proceeds dedicated to the purchase of raw materials will be deposited in separate bank accounts designated for such specific purpose, and we will put in place formal internal control procedures to allow our Directors to monitor the application of such proceeds and to ensure that it is not used for speculative purposes. Please refer to the paragraph headed “Monitoring procedures for the use of proceeds of the Global Offering” in the section headed “Business – Risk management of commodity price fluctuations” on page 155 to this prospectus for details of our internal control procedures. As at the Latest Practicable Date and based on the actual volume of imported Mixed Metal Scrap that has cleared the relevant customs, we have utilised 161,507 tonnes of our approved import volume for 2010. Accordingly, based on our total approved import volume of 470,000 tonnes for 2010, the remaining approved import volume that was unutilised as at the Latest Practicable Date was 308,493 tonnes. Subject to any unforeseen circumstances, our Directors believe that we currently have sufficient approved import volume for us to utilise the proceeds we designate for the purposes of purchasing raw materials according to our current plan. In the event that we intend to import Mixed Metal Scrap over and above the current approved import volume, we will make the necessary applications in accordance with the requirements as set out in the “Provisional Regulations on Environmental Protection in relation to Wastes Importation”. Any import of raw materials purchased that requires permits or licenses for import, as described in the paragraph headed “PRC Rules Relating to Qualification, Permits or Licences Required for our Business” in the section headed “Rules and Regulations” on page 100 of this prospectus, will be subject to the approved import volume amount secured at the relevant time. Our PRC legal advisor has advised that, based on the assessment criteria issued by the relevant authority, the approved import volume obtained by our Group in previous years and the processing capacity of our Group as assessed by the relevant authority and provided that the total import volume of the additional approvals and existing approved import volume are within the processing capacity of our Group as assessed by the relevant authority at the relevant time, there is no legal impediment to us obtaining such additional approved import volume amount, where required. Please refer to the paragraph headed “PRC Rules Relating to Qualification, Permits or Licences Required for our Business” in the section headed “Rules and Regulations” on page 100 of this prospectus for the criteria issued by the relevant authority in granting the approved import volume. Whilst we increase the amount of raw material we purchase, we will also increase our processing volume as well as the sales of our Recycled Metal Products in order to meet our targeted inventory turnover days of 90 days we adopted as part of our hedging policy. As our Recycled Metal Products are sold to our customers as a commodity and are priced with reference to the prices of refined metals quoted on established exchanges such as the LME and SHFE, our sale of our Recycled Metal Products is determined by our willingness

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to sell having considered factors including the margins we make on each sale, the urgency of such sale at times of reduced margin or losses and our financial status at the time of the sale. In addition, market research by CRU Strategies as set out in the section headed "Industry Overview" in this prospectus indicated an expectation of further growth in consumption and demand of these Recycled Metal Products;

- as to approximately HK\$128.2 million (equivalent to approximately RMB112.5 million), representing approximately 20% of the net proceeds from the Global Offering, will be used to further enhance our procurement network and capabilities through joint ventures and/or mergers or acquisitions. The criteria we will consider in assessing joint-ventures and/or acquisition targets would (a) strengthen our procurement network; and (b) reduce the cost of our raw materials. As at the Latest Practicable Date, we have not identified any joint venture and/or merger or acquisition targets;
- as to approximately HK\$80.1 million (equivalent to approximately RMB70.3 million), representing approximately 12.5% of the net proceeds from the Global Offering, will be used to expand the processing and production capacity in our existing production base in Ningbo as well as establishing new production bases in other cities in China where we deem appropriate. Please refer to page 121 of this prospectus for details of our expansion plans. As disclosed in the section headed "Processing and Production Capacities" in the section headed "Business" on page 136 of this prospectus, the production utilisation rate of Mixed Metal Scrap recycling facilities at our Taizhou process base was reduced from 73.5% in 2008 to 45.7% in 2009. The decrease in annual utilisation rate was due to a combination of (a) an expansion of our annual processing capacity over the Track Record Period; (b) a general slowdown in business activities resulting from the financing crisis; and (c) lower sales by our Group due to lower realisable prices for our Recycled Metal Products and excess supply in the industry for the year ended 31 December 2008 which only began to improve towards the second quarter of 2009 as the recycled metal scrap product prices in global markets improved and rebounded from their lows at the end of 2008. However, based on the expected production output by the end of 2010 for Recycled Metal Products, copper rods and wires, aluminium-alloy ingots in Taizhou and Recycled Metal Products in Ningbo as disclosed the section headed "Processing and Production Capacities" in the section headed "Business" on page 136 of this prospectus, our Directors currently expect utilisation rate of the Recycled Metal Products capacity in Taizhou and Ningbo to increase to 64.5% and 87.5%, respectively. In addition, our Directors also currently expect that the utilisation rate for CT Foundry for copper rods and wires and aluminium-alloy ingots will increase to 50% and 33.3%, respectively. Accordingly, our Directors currently expect that in preparation for the future growth of our Group, it will be necessary for our Group to further expand its processing and production capacity. The criteria we will consider in assessing the location for establishing the new production facilities would include (a) local government support (including custom and excise clearance and environmental authorities support); (b) proximity to port facilities, rail and highway networks near China's more industrially developed regions such as the Pearl River Delta in Southern China, the Yangtze River Delta in Eastern China and the Bohai Rim in Northern China; (c) availability of tax incentive, where applicable; and (d) proximity to potential customers including iron and steel mills and copper related products manufacturers and industry requiring the products we produced. As at the Latest Practicable Date, we have not identified where we will base such new processing and production facilities;
- as to HK\$50.0 million (equivalent to approximately RMB43.9 million), representing approximately 7.8% of the net proceeds from the Global Offering, will be used for the repayment of shareholders' loan and in this regard, approximately HK\$50.0 million of the proceeds received into the settlement account of CCBIC with China Construction Bank Corporation Hong Kong Branch from the Global Offering shall be held by CCBIC, and the Company has given irrevocable instructions to CCBIC, that subject to the Global Offering becoming wholly unconditional, CCBIC shall apply such sums directly to repay the shareholders' loan upon Listing; and

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- balance of approximately HK\$62.2 million (equivalent to approximately RMB54.6 million), representing approximately 9.7% of the net proceeds from the Global Offering will be used for general working capital purpose.

To the extent that the net proceeds from the Global Offering are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the Global Offering when combined with such alternate sources of financing are sufficient for the uses set forth above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$2.78 and HK\$3.13 per Offer Share, the net proceeds of the Global Offering will be increased by approximately HK\$101.1 million and approximately HK\$198.7 million, respectively. Our Directors intend to apply such additional net proceeds on a pro rata basis to (a) increase the purchase of raw materials, (b) further enhance our procurement network and capabilities through joint venture and/or mergers or acquisitions, and (c) expand the processing and production capacity in our existing production base in Ningbo as well as establishing new production bases in other cities in China where we deem appropriate.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK\$2.43 and HK\$2.78 per Offer Share, the net proceeds of the Global Offering will be increased by approximately HK\$3.5 million and approximately HK\$101.1 million, respectively. Our Directors intend to apply such additional proceeds on a pro rata basis to (a) increase the purchase of raw materials, (b) further enhance our procurement network and capabilities through joint venture and/or mergers or acquisitions, and (c) expand the processing and production capacity in our existing production base in Ningbo as well as establishing new production bases in other cities in China where we deem appropriate.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$2.78 and HK\$3.13 per Offer Share, the net proceeds of the Global Offering will be increased by nil and approximately HK\$84.8 million, respectively. Our Directors intend to apply such additional net proceeds on a pro rata basis to (a) increase the purchase of raw materials, (b) further enhance our procurement network and capabilities through joint venture and/or mergers or acquisitions, and (c) expand the processing and production capacity in our existing production base in Ningbo as well as establishing new production bases in other cities in China where we deem appropriate.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK\$2.43 and HK\$2.78 per Offer Share, the net proceeds of the Global Offering will be reduced by approximately HK\$84.9 million and nil, respectively. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on a pro-rata basis (except for the shareholders' loan which will be repaid in full) and we will finance such shortfall by internal cash resources and/or additional loans and borrowings, as and when appropriate.

To the extent that any part of the net proceeds from the Global Offering are not immediately required for the above purposes, we may hold such funds in short-term interest-bearing deposits and/or money-market instruments such as treasury bills, commercial paper and bankers' acceptances with authorised financial institutions and/or licensed banks in Hong Kong.