



CHIHO-TIANDE GROUP LIMITED
齊合天地集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 976

GLOBAL
OFFERING

Sole Global Coordinator, Sole Bookrunner,
Sole Lead Manager and Sole Sponsor



IMPORTANT

If you are in any doubt about any content of this prospectus, you should obtain independent professional advice.



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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	250,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to adjustment)
Number of International Offer Shares	:	225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$3.13 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund), plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	976

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified under the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or about Friday, 2 July 2010 (Hong Kong time) and, in any event, not later than Saturday, 3 July 2010 (Hong Kong time). The Offer Price will not be more than HK\$3.13 per Offer Share and is expected to be not less than HK\$2.43 per Offer Share. The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$2.43 to HK\$3.13 per Offer Share) at any time prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such a reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such announcement will also be available at the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and our website at www.chiho-tiande.com. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us on or before 3 July 2010, the Global Offering will not proceed and will lapse. In such circumstances, an announcement will be made in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese). Such announcement will also be available at the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and our website at www.chiho-tiande.com. If applications for the Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The operating subsidiaries of our Company are incorporated, and our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic, and financial systems between the PRC and Hong Kong and that there are different risk factors relating to making an investment in companies incorporated in the PRC. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix V to this prospectus.

The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise at any time prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States.

28 June 2010

EXPECTED TIMETABLE

(Note 1)

Latest time for lodging **PINK** Application Forms 4:00 p.m. on Wednesday, 30 June 2010

Application lists open (Note 2) 11:45 a.m. on Friday, 2 July 2010

Latest time for lodging **WHITE** and **YELLOW**
Application Forms 12:00 noon on Friday, 2 July 2010

Latest time to give **electronic application instructions**
to HKSCC (Note 3) 12:00 noon on Friday, 2 July 2010

Latest time to complete electronic applications under
the **White Form eIPO** service through
the designated website at **www.eipo.com.hk** (Note 4) 11:30 a.m. on Friday, 2 July 2010

Latest time to complete payment of
White Form eIPO applications by effecting internet
banking transfer(s) or PPS payment transfer(s) 12:00 noon on Friday, 2 July 2010

Application lists close (Note 2) 12:00 noon on Friday, 2 July 2010

Expected Price Determination Date (Note 5) Friday, 2 July 2010

Announcement of the Offer Price,
the indication of the level of interests
in the International Offering, the level of
application under the Hong Kong Offer Shares,
the basis of allotment of the Hong Kong Offer Shares
to be published in South China Morning Post (in English)
and Hong Kong Economic Times (in Chinese),
on our Company's website (www.chiho-tiande.com)
and the Stock Exchange's website (www.hkexnews.hk)
on or before Friday, 9 July 2010

Announcement of results of allocations
in the Hong Kong Public Offering
(with successful applicants' identification document,
where applicable) available through a variety of
channels as described in the sections headed
"How to Apply for the Hong Kong Offer Shares
– Publication of Results" in this prospectus including the website
of our Company at www.chiho-tiande.com and the website of
the Stock Exchange at www.hkexnews.hk from Friday, 9 July 2010

Results of allocations in the Hong Kong Public Offering
will be available at **www.iporeresults.com.hk** with
a "search by ID" function Friday, 9 July 2010

Despatch of Share certificates in respect of wholly or
partially successful applications on or before (Note 6) Friday, 9 July 2010

Despatch of White Form e-Refund payment
instructions/refund cheques in respect of wholly or
partially unsuccessful applications on or before (Note 7) Friday, 9 July 2010

Dealings in the Shares on the Main Board
expected to commence at 9:30 a.m. on Monday, 12 July 2010

EXPECTED TIMETABLE

Notes:

1. All times refer to Hong Kong local time except where otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus. If there is any change in the above expected timetable of the Hong Kong Public Offering, an announcement in Hong Kong will be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).
2. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 July 2010, the application lists will not open and close on that day. See the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.
3. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "Applying by giving electronic application instructions to HKSCC" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.
4. You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. The Price Determination Date is expected to be on or about Friday, 2 July 2010 and, in any event, not later than 12:00 noon (Hong Kong time) on 3 July 2010. If for any reason, we and the Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
6. Share certificates will only become valid if the Global Offering becomes unconditional and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the date on which our Shares are first listed and from which dealings therein are permitted to take place on the Stock Exchange, or the Listing Date, which is expected to be Friday, 9 July 2010. No dealing should take place in the Offer Shares prior to commencement of dealing in the Shares on the Stock Exchange. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.
7. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price is less than the price per Share payable on application. If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have indicated in your Application Form that you wish to collect your refund cheque (where relevant) and Share certificate(s) (where relevant) personally, you may collect your refund cheque (where relevant) and your share certificate(s) (where relevant) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 July 2010 or any other day that we publish in the newspapers as the date of despatch of share certificates/e-Refund payment instructions/refund cheques. If you are an individual applicant and you have elected for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant and you have elected for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant application. If you have applied for less than 1,000,000 Hong Kong Offer Shares or have applied for 1,000,000 Hong Kong Offer Shares or more but have not indicated in the Application Form that you wish to collect Share certificates and/or refund cheques, your Share certificates (if applying by using a **WHITE** Application Form) and/or refund cheques will be sent to the address on the application on Friday, 9 July 2010, by ordinary post and at your own risk. For further information, you should refer to the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

For details relating to the structure of the Global Offering, including conditions of the Global Offering and the mechanisms of applying for the Hong Kong Offer Shares, you should read the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Underwriters, any of our respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a Mixed Metal Scrap recycler in China and the largest importer of Mixed Metal Scrap used for recycling, reuse and processing in terms of the total import volume as approved by the MEP ^(Note 1) and the actual import volume of Mixed Metal Scrap ^(Note 2) during the Track Record Period. The recycling of imported Mixed Metal Scrap is a restricted business which is subject to licensing requirement under the Provisional Regulations on Environmental Protection in relation to Wastes Importation 《廢物進口環境保護管理暫行規定》(Huankong (環控) [1996] No. 204, implemented on 1 April 1996. Further details of the rules and regulations on such restricted business are set out on page 101 of this prospectus. Based on CRU Strategies' assessment, China represents the world's largest importer of copper waste and scrap ^(Note 3), accounting for over two thirds of global total reported import volume of 8.2 million tonnes in 2008. According to the China Customs data, we were the largest importer of copper based scrap ^(Note 4) in China in 2009.

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

Our business segment may be broadly classified into three categories:

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

Notes:

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

SUMMARY

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%
	<u>1,798,332</u>	<u>100.0%</u>	<u>2,505,168</u>	<u>100.0%</u>	<u>2,339,243</u>	<u>100.0%</u>

Notes:

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

IMPACT OF THE RECENT FINANCIAL CRISIS ON OUR GROUP

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

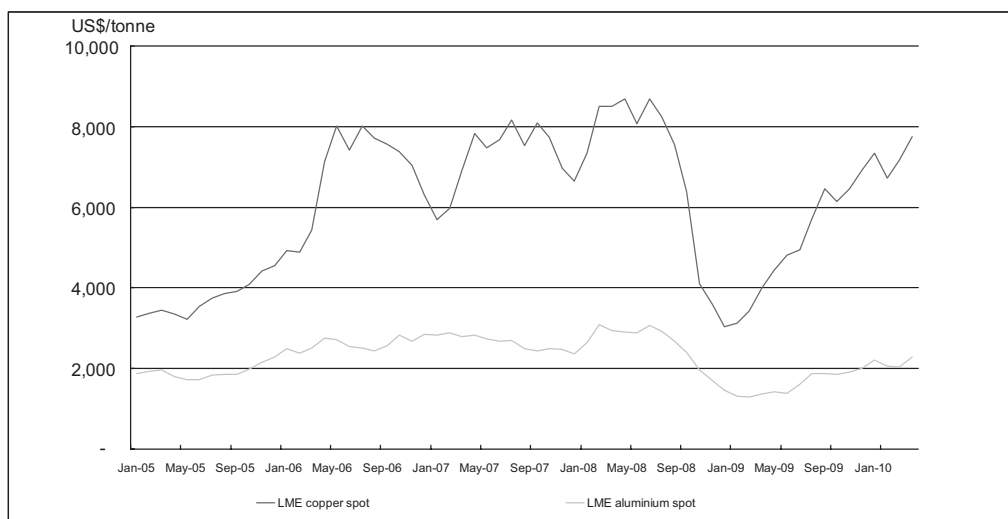
Although we recorded profits attributable to shareholders of approximately HK\$83.0 million for the year ended 31 December 2007, the sharp collapse in global commodities prices in the fourth quarter of 2008 resulted in our inventories (which comprised mainly of copper, steel, aluminium and iron recycled products as well as raw materials purchased by us) being stated at net realisable value instead of at cost as at 31 December 2008. The Group recorded inventory provision of HK\$308.6 million and a loss of HK\$200.1 million for the year ended 31 December 2008. As a result of the loss we recorded for 2008 due to the Inventory Provision, we failed to satisfy the requirements of Rule 8.05(1)(a) of the Listing Rules to have an aggregate net profit of HK\$30 million for the two years ended 31 December 2007 and 2008. The Stock Exchange published a news release on 5 June 2009 announcing that the Stock Exchange may grant a waiver to certain listing applicants from strict compliance with the existing profit test in certain circumstances where the negative adverse financial impact arising from the recent global financial downturn is temporary in nature. We have applied to

SUMMARY

the Stock Exchange for, and the Stock Exchange has agreed to grant us, a waiver from compliance with Rule 8.05(1)(a) of the Listing Rules. Please refer to the section “Waivers from Strict Compliance with the Listing Rules” in this prospectus.

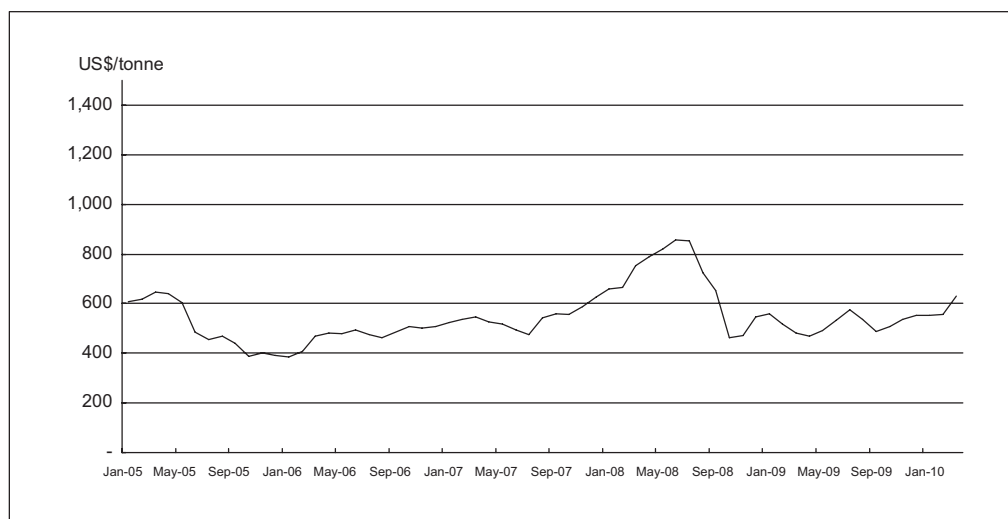
As demonstrated in Chart A below relating to the movement of copper and aluminium as quoted on the LME, and Chart B below relating to China domestic hot rolled coil steel index for the last 5 years, the prices for these commodities have recovered quite significantly from their lows in December 2008 and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

Chart A
Copper spot and aluminium spot price quoted from LME



Source: Bloomberg

Chart B
China domestic hot rolled coil steel index



Source: Bloomberg

SUMMARY

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

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

Sales volume and average selling price

The sales volume and average selling price of our products during the Track Record Period and each of the months ended 31 January 2010, 28 February 2010 and 31 March 2010 are set out as follows:

	Year ended 31 December			(unaudited) Month ended	(unaudited) Month ended	(unaudited) Month ended
	2007	2008	2009	31 January 2010	28 February 2010	31 March 2010
Metal recycling business						
<i>Copper scrap (廢銅)</i>						
Average selling price per tonne (HK\$)	48,887	48,143	36,271	44,867	48,506	44,642
Sales volume (tonnes)	22,420	29,236	32,118	3,654	1,638	6,449
<i>Steel scrap (廢鋼)</i>						
Average selling price per tonne (HK\$)	2,214	3,967	3,453	3,242	3,191	3,428
Sales volume (tonnes)	146,299	136,717	141,993	26,609	10,260	24,260
<i>Aluminium scrap (廢鋁)</i>						
Average selling price per tonne (HK\$)	15,422	13,259	11,279	15,127	14,280	14,659
Sales volume (tonnes)	5,677	4,478	4,635	131	267	475
<i>Iron scrap (舊生鐵)</i>						
Average selling price per tonne (HK\$)	2,319	3,589	2,656	2,788	2,792	2,825
Sales volume (tonnes)	37,966	37,608	43,027	5,546	1,662	8,268

SUMMARY

	Year ended 31 December			(unaudited) Month ended 31 January 2010	(unaudited) Month ended 28 February 2010	(unaudited) Month ended 31 March 2010
	2007	2008	2009			
Foundry business						
<i>Aluminium-alloy ingots (鋁錠)</i>						
Average selling price per tonne (HK\$)	17,234	16,995	13,136	16,543	16,220	16,452
Sales volume (tonnes)	8,002	10,587	14,463	1,246	687	2,030
<i>Copper rods and wires (銅桿銅線)</i>						
Average selling price per tonne (HK\$)	–	–	50,404	58,228	58,019	58,322
Sales volume (tonnes)	–	–	3,584	903	178	123
Wholesale business						
<i>Other metal scrap without processing</i>						
Average selling price per tonne (HK\$)	–	6,063	2,773	3,140	3,050	4,192
Sales volume (tonnes)	–	3,412	41,176	2,517	3,001	1,907

The average selling price for our non-ferrous metal products, namely copper scrap, aluminium scrap and aluminium-alloy ingots, decreased between 2007 and 2008 as the commodity price 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 was an increase in the average selling price for our ferrous metal products, namely steel scrap and iron scrap, between 2007 and 2008 which was in line with the rising trend of the commodity price for such metal from 2007 to July 2008. During the last few months of 2008, there was a drop in such price to a level similar to that in 2007. The decline in average selling price 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. Since the fourth quarter of 2008, there has been a significant improvement in the average selling prices, which has 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 has 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 increase 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 processing and sales activities during the Chinese New Year holiday period.

SUMMARY

Purchase price of motor scrap

The chart below sets out the price 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



Note: The above purchase price is based on purchase orders placed by the Group.

The Group's purchase price of motor 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 market 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.

Gross profit (loss) and net profit (loss)

	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%

SUMMARY

We recorded gross profit 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 two 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 the 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.

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 2.9% in 2008 to 10.5% 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 of 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.

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.

SUMMARY

Our net profit margin was 4.6% and 17.9% for the two 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%.

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.

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

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

MAJOR CUSTOMERS

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

Our wholesale business customers are typically also metal scrap processors who are unable to secure metal scrap directly or the volume required.

Mixed Metal Scrap which our PRC subsidiaries import into China under the relevant approved import volumes are utilised in our metal recycling business and our PRC subsidiaries are prohibited from reselling the Mixed Metal Scrap we import into China under such approved import volumes within China without first having processed it into Recycled Metal Products. Accordingly, our PRC subsidiaries are unable to and do not intend to resell the Mixed Metal Scrap they import into China under the relevant approved import volumes within China. All the metal scrap (including both single metal scrap and Mixed Metal Scrap) we, through CT HK, procure without further processing for sale under our wholesale business was sold to customers in China, Germany and Pakistan. CT HK has the legal capacity to undertake the wholesale business which is trading in nature and given that CT HK has obtained the Supplier Registration Licence issued by AQSIQ, CT HK has the ability and relevant authority to on-sell metal scrap into buyers in China.

SUMMARY

RAW MATERIALS, PROCUREMENT AND SUPPLIERS

The raw material we use in our metal recycling business comprises Mixed Metal Scrap which we mainly import from Mixed Metal Scrap traders and collectors located in the US and Europe. In line with industry practice, we do not have any long-term contracts (i.e. more than one year) or continuing supply contracts nor do we have any intention to enter into any long term contract with any of our suppliers as the raw materials we require are readily available in international markets. For our foundry business, we typically use internally generated Recycled Metal Products for our production of aluminium-alloy ingots and copper rods and wires. We adjust the level of internally-supplied raw materials for our foundry business based on the respective market demands for our aluminium or copper scrap and aluminium-alloy ingots and copper rods and wires.

For the Track Record Period, the purchases from our five largest suppliers amounted to 77.1%, 58.4% and 42.0%, respectively of our total purchases of raw materials and supplies (including transportation costs). We have enjoyed business relationship with such suppliers for periods between 2 and 9 years. Delco Asia was our largest supplier for 2007 and 2008 and accounted for 30.5% and 18.6% of our total purchases of raw materials and supplies (including transportation costs) for the respective years. During the year ended 31 December 2009, purchases from our largest supplier accounted for 14.9% of our total purchases of raw materials and supplies (including transportation costs). Save for Delco Asia and HKM Metal, being two of our five largest suppliers for the years ended 31 December 2007 and 2008 respectively, none of our Directors or their respective associates or any of our existing Shareholders, who to the knowledge of our Directors owns more than 5% of our issued share capital or of any of our subsidiaries or of any of their respective associates, had any interest in any of our five largest suppliers during the Track Record Period.

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

Notwithstanding the fact that we are of the view that the procurement difficulties we experienced during the period between October 2008 and February 2009 were occasioned by extraordinary and unprecedented circumstances which were temporary in nature, we have and will continue to diversify our supplier base in order to reduce the risk of any over-reliance on a few key suppliers and to mitigate any potential difficulties in the future that may be occasioned by conditions similar to those we experienced between October 2008 and February 2009.

SUMMARY

PROCESSING AND PRODUCTION SITES

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

We commenced our metal recycling business in the Ningbo Metals Recycling Park in November 2009. Our premises in the Ningbo Metals Recycling Park occupies a gross site area of approximately 36,112 sq.m. We lease our premises in Ningbo for a term of 5 years starting from 1 October 2009.

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

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

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

During the Track Record Period, the annual utilisation rates of Mixed Metal Scrap recycling facilities at our Taizhou processing base were 75.6%, 73.5% and 45.7%, respectively ^(Note 1) while the annual utilisation rate of Mixed Metal Scrap recycling facilities at our Ningbo processing base was 3.2% ^(Note 2). Our Ningbo processing base only commenced operation in November 2009.

INDUSTRY OVERVIEW

Natural mining resources are limited and, increasingly, there are signs that future supply will not be able to keep up with demand. Under the 11th Five Years Plan, the State Council had emphasised the development of “Recycling Economy”. In addition, the Recycling Economy Promotion Law of the PRC (《中華人民共和國循環經濟促進法》) was also approved in the fourth meeting of the 11th National People’s Congress Standing Committee of the PRC. China represents the world’s largest importer accounting for over two thirds of copper scrap and over one third of aluminium scrap, of total global reported imports in 2008.

Notes:

1. The annual utilisation rate is measured by comparing the actual production of Mixed Metal Scrap with the annual processing capacity of Recycled Metal Products as assessed by Zhejiang ESRD.
2. The annual utilisation rate is measured by comparing the actual production of Mixed Metal Scrap with the annual processing capacity of Recycled Metal Products as assessed by Ningbo SWAC.

SUMMARY

We believe that with positive PRC government initiatives to develop the recycling industry and an experienced and cost effective workforce in China, the metal recycling industry in China will continue to grow and become an important source of metal resources in the future.

COMPETITIVE STRENGTHS

- A significant player in the fast-growing metal recycling industry with established presence in China
- Largest importer of copper based scrap and motor scrap in China
- Obtained all required qualifications, approvals and licences
- Well established procurement network and capabilities
- Strategic locations in close proximity to shipping ports, transportation links and our major customers
- Well-designed processing flow with an experienced and cost effective workforce
- Experienced and dedicated management team
- Effective environmental protection measures and pollution controls

BUSINESS STRATEGIES

- We will increase our purchase of raw material in order to increase the scale of our operation
- Continue to develop and expand our existing processing capacity
- Establish new facilities in other locations in China to capitalise on our international scrap material procurement network, expand our coverage of China and position ourselves to tap the growth potential for domestic-generated metal scrap market and align ourselves with PRC government policies
- Leverage upon our existing procurement and customer network to expand the range of scrap materials we process as well as increasing our sales to our existing and potential customers
- Expand the scope of our business to further enhance our procurement network and capabilities
- Market consolidation and mergers and acquisition opportunities

SUMMARY

RISK MANAGEMENT OF COMMODITY PRICE FLUCTUATIONS

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

Our purchase of Mixed Metal Scrap and sale of our products are driven by typical commercial considerations of a normal operating company and are determined by a number of factors, principally, the need to ensure that there is sufficient inventory of Mixed Metal Scrap to maintain normal business operation at our processing and production plants, stable and adequate inventory level of Recycled Metal Products and the cash flow positions with reference to the requirements of our Group at the relevant time. We have not acquired inventory to speculate on price movements in the underlying metal during the Track Record Period. As illustrated in Chart A in the paragraph headed “Risk management of commodity price fluctuations” in the section headed “Business” on page 150 of this prospectus, we do not focus on purchasing Mixed Metal Scrap from the market when the market price is low or when the market is anticipated to rise, as we have historically continued to engage in purchasing and selling of our raw materials and products irrespective of changing market conditions.

The pricing of Mixed Metal Scrap generally follows the movement of the pricing of refined metals quoted on established exchanges such as the LME and SHFE. Selling prices for our Recycled Metal Products are also determined by reference to such quoted prices. Our Directors consider that fluctuations in commodity prices are one of the principal operating risks we face for the following reasons:

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

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

Our Directors believe that the unprecedented and sharp collapse of the commodity prices within a short space of 3 months at the end of 2008 without any sustained intermediate rebounds was out of the ordinary and made it very difficult for our Company, like other companies with similar commodity price fluctuation risk profile, to respond effectively to the crisis unless some measures of stability is brought back into the market. Our Directors further believe that our Company has, like most other companies, been caught out by the unusual and unprecedented sharp collapse in global commodities prices brought about by the recent global financial downturn. Once commodity prices have settled back to a less volatile level (however low), we will be able to adjust quickly by buying Mixed Metal Scrap (at a lower price), recover and process the scrap into Recycled Metal Products and sell the Recycled Metal Products (at a higher price). Since the Group's profit is derived from the difference between the sale price of the Recycled Metal Products and the Mixed Metal Scrap price plus the cost of transportation, recovery and processing, the actual commodity price is inconsequential.

SUMMARY

Our treasury and risk management activities during the Track Record Period

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

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

Our hedging policy

In view of the experience gained in the recent financial crisis in the last quarter of 2008 which had a material adverse impact on our Group, we decided to put in place a formal hedging policy which our executive Directors are principally responsible for implementing. With effect from 23 June 2010 and in preparation for the Listing, we have adopted a formal hedging policy to enhance our risk management of commodity price fluctuations with the objectives of (i) mitigating commodity price risk by seeking to lock in our profits, secure our profit margin and to protect the sales price of our products; (ii) ensuring an effective risk monitoring system; (iii) maintaining an appropriate level of inventory for our operations; (iv) evaluating our commodity price risk management procedures on a regular basis; and (v) performing annual independent review of our internal control, inventory management and commodity risk management procedures to ensure compliance with our hedging policy.

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

Further information on our risk management policies on commodity price fluctuations upon the Listing is set out in the section "Business – Risk management of commodity price fluctuations" of this prospectus.

SUMMARY

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 closely 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 any 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 approved import volume. Whilst we increase the amount of raw material we purchase, we will also increase our processing volume as well as the sales of our Recycled Metal Products in order to meet our targeted inventory turnover days of 90 days we adopted as part of our hedging policy. As our Recycled Metal Products are sold to our customers as a commodity and are priced with reference to the prices of refined metals quoted on established exchanges such as the LME and SHFE, our sale of our Recycled Metal Products is determined by our willingness to sell having considered factors including the margins we make on each sale, the urgency of such sale at times of reduced margin or losses and our financial status at the time of the sale. In addition, market research by CRU Strategies as set out in the section headed “Industry Overview” in this prospectus indicated an expectation of further growth in consumption and demand of these Recycled Metal Products;

SUMMARY

- 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 bases in Ningbo as well as establishing new production bases in other cities in the 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 not more than approximately 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
- 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.

SUMMARY

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 new 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 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 to approximately HK\$84.8 million and nil, 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.

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.

SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December					
	2007	% of	2008	% of	2009	% of
	HK\$'000	Revenue	HK\$'000	Revenue	HK\$'000	Revenue
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	2008	% of	2009	% of
	HK\$'000	Revenue	HK\$'000	Revenue	HK\$'000	Revenue
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%

SUMMARY

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2010

The forecast of the consolidated profit attributable to 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 Scheme.

SUMMARY

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

Product price		Variance from product price (%)	Corresponding 1H 2010 Forecast Profit Before Tax HK\$'000	Variance from 1H 2010 Forecast Profit Before Tax (%)
Aluminium scrap (HK\$ per tonne)	Aluminium-alloy ingots			
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					Variance from product price (%)	Corresponding 1H 2010 Forecast Profit Before Tax HK\$'000	Variance from 1H 2010 Forecast Profit Before Tax (%)
Copper scrap	Copper rods and wires (HK\$ per tonne)	Aluminium scrap	Aluminium-alloy ingots	Steel scrap			
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

SUMMARY

STATISTICS OF THE GLOBAL OFFERING

	Based on the Offer Price of HK\$2.43 per Offer Share	Based on the Offer Price of HK\$3.13 per Offer Share
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$2.43 billion	HK\$3.13 billion
Unaudited pro forma adjusted net tangible asset value per Share (<i>Note 2</i>)	HK\$0.97	HK\$1.14

Notes:

1. The calculation of the market capitalisation of the Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under the paragraph headed "Written Resolutions of the Shareholders" in Appendix VI to this prospectus.
2. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" under the section headed "Financial Information" in this Prospectus and on the basis of 1,000,000,000 Shares in issue at the respective Offer Price of HK\$2.43 and HK\$3.13 per Offer Share immediately following completion of the Capitalisation Issue and the Global Offering but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that granted or to may be granted under the Share Option Schemes or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under the paragraph headed "3. Written Resolutions of the Shareholders" in Appendix VI to this prospectus.

If the Over-allotment Option is exercised in full, the number of Shares in issue will increase to 1,037,500,000 Shares (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options granted or to be granted under the Share Option Schemes).

SHARE OPTION SCHEMES

We adopted the Pre-IPO Share Option Scheme on 23 June 2010 under which we have conditionally granted options to certain employees, executives, officers and directors of our Group to purchase Shares with an exercise price equal to the Offer Price. 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 number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming no exercise of the Over-allotment Option). If all options granted under the Pre-IPO Share Option Scheme are exercised, this would have a dilutive effect on our earnings per Share upon Listing.

In addition, we conditionally approved the Post-IPO Share Option Scheme on 23 June 2010. Initially, the maximum number of Shares that may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme or any other share option schemes adopted by us may not exceed 10% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option), representing 100,000,000 Shares. The total number of Shares that may be issued upon exercise of all options granted and yet to be exercised under the Share Option Schemes or any other share option schemes adopted by us (and to which the provisions of Chapter 17 of the Listing Rules are applicable) will not exceed 30% of the Shares in issue from time to time.

SUMMARY

The purpose of the Share Option Schemes is to recognise the contribution that certain employees, officers and directors of our Group and others made or may have made to our growth. They aim to give the participants an opportunity to acquire a personal stake in our Company and help motivate such participants to optimise their performance and efficiency, and also to help attract or retain the participants whose contributions are important to our long-term growth and profitability. Additional information regarding the Share Option Schemes and the grantees under the Pre-IPO Share Option Scheme is set forth the section headed “Further Information about Directors, Substantial Shareholders and Experts – 6. Share Option Schemes” in Appendix VI to this prospectus.

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.

RISK FACTORS

Our Directors consider that the operation of our Group’s businesses is subject to a number of risk factors, a summary of which is set out in the section headed “Risk factors” in this prospectus. These risk factors can be classified as follows:

Risks Relating to the Industry

- The metal recycling industry has historically been, and is expected to remain, highly cyclical. A protracted fall in metal scrap prices, as occurred towards the end of 2008, would have a material adverse effect on our operating results
- A sustained and sharp decline in commodities prices may have an adverse effect on the supply of our raw materials including Mixed Metal Scrap
- We are subject to significant risk relating to changes in commodity prices and may not be able to effectively protect against this risk
- We are exposed to fluctuation in currency exchange rates
- We are subject to significant risk relating to changes in interest rate and may not be able to effectively protect against this risk
- Our profit margins and operating results may be affected by increase in the price of raw materials

SUMMARY

- Our profit margin and business prospect may be affected by any change in the competitive landscape of the metal recycling industry in China
- Low gross profit margin
- Our operations are subject to comprehensive environmental regulations and involve significant expenditures for compliance with regulations
- The global financial crisis and disruptions in the financial market had and may continue to have a material adverse impact on our business, results of operations and financial condition
- Changes in existing regulations and policies applicable to the industry may cause us to incur additional costs to comply with the more stringent laws and regulations, which could have an adverse impact on our growth and operating results
- Our business is subject to seasonality

Risks Relating to Our Business

- Reliance on the China market
- Failure to maintain the qualifications, permits or licences required for our business and/or maintain or increase the import volume of our Mixed Metal Scrap could adversely affect our business
- The growth of our Mixed Metal Scrap operation is dependent on our ability to expand our processing site and increase our procurement capacity
- Loss of our major suppliers could affect our business
- Fluctuations in the selling prices of our products may adversely affect our results
- We currently intend to use a significant portion of the net proceeds from the Global Offering to purchase raw materials
- We may not be able to implement our future plans
- We may be subject to liability in connection with industrial accidents at our processing and production sites
- Our business operations are subject to operational risks and other unforeseen risks that may not be fully covered by our insurance policies or at all
- Failure to meet our working capital requirements would adversely affect our business and ability to sustain or grow our business
- Our operation is largely dependent on our Group's key management
- Our Board may not have sufficient experience of direct relevance to effectively implement our hedging policy
- Our Board may not have sufficient experience of direct relevance to effectively monitor the use of proceeds from the Global Offering

SUMMARY

- Failure to maintain an effective quality control system at our facilities may have a material adverse effect on our business
- A material disruption in our operations could adversely affect our revenues and profits
- The interests of our Controlling Shareholders may differ from those of other Shareholders
- We may not grow at a rate comparable to our growth rate in the past
- If we fail to manage our growth effectively, our business may be adversely affected
- Our corporate structure may restrict our ability to receive dividends from our PRC operating subsidiaries
- Our suppliers may require strict compliance with their credit terms
- Our Ningbo processing site was leased to us before requisite building ownership certificates were obtained

Risks Relating to China

- The PRC's economic, political and legal developments, as well as government policies, could affect our business
- The PRC legal system has inherent uncertainties that could limit the legal protections available to our Shareholders
- Fluctuations in the Renminbi exchange rate may adversely affect our financial conditions and results of operations
- Government regulation of currency conversion and the fluctuation of the Renminbi may materially and adversely affect our ability to pay dividends in foreign currencies to our Shareholders and the value of the dividends payable on our Shares
- The implementation of the labour contract law, increase in labour costs and future labour disputes may affect our operations and our profitability
- Enforcement of judgments in China may be difficult to obtain
- PRC regulations of investment and loans by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make additional capital contributions or loans to members of our Group
- A newly enacted PRC tax law may affect tax exemptions on dividends received by us and Shareholders and increase our enterprise income tax rate
- The relevant PRC regulatory authorities have not explicitly promulgated the detailed implementation rules of the M&A Rules

SUMMARY

Risks Relating to the Global Offering

- There has been no prior public market for our Shares and liquidity may be low
- The Offer Price may not be indicative of prices that will prevail in the trading market, and the market price of our Shares may be volatile
- Investors in the Global Offering will experience immediate dilution
- Future sale of our Shares or major divestment of Shares by any major Shareholder could adversely affect our Share price
- Our results of operations are difficult to predict, and if we do not meet the market expectations, the price of our Shares will likely decline
- Prior dividend policy and past dividend declared should not be used as an indicator for future dividends
- We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from government official publications contained in this prospectus
- Forward-looking statements may not be accurate

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Accountants’ Report”	the accountants’ report of Deloitte Touche Tohmatsu and Morison Heng addressed to the Directors and the Sole Sponsor and set out in Appendix I to this prospectus
“affiliate”	any other person or entity, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person or entity
“Application Forms”	PINK Application Form(s), WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or where the context so requires, any of them relating to the Global Offering
“AQSIQ”	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局)
“Articles of Association” or “Articles”	our articles of association conditionally adopted on 23 June 2010 and as amended from time to time, a summary of certain provisions of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BSV”	BSV Investments Limited, a company incorporated in the BVI with limited liability on 19 September 2006 and was wholly-owned by Mr. Fang
“Business Day”	any day (other than a Saturday, Sunday and public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares made pursuant to the Shareholders Loan Assignment and Capitalisation Agreement as referred to in the section headed “Further information about our Group – 3. Written resolutions of the Shareholders” in Appendix VI to this prospectus
“Cayman Islands Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCBIC”, “Sole Global Coordinator”, “Sole Bookrunner” or “Sole Sponsor”	CCB International Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, acting as the sole global coordinator and sole bookrunner of the Global Offering, and the sole sponsor to the Listing
“CCBIS” or “Sole Lead Manager”	CCB International Securities Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, acting as the sole lead manager of the Global Offering
“China”, “PRC” or “mainland China”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated) excluding Taiwan region, Macau and Hong Kong
“C.I.S.”	Commonwealth of Independent States, which consists of Kazakhstan, Russia and Ukraine
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Chiho-Tiande Group Limited (齊合天地集團有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 15 May 2008
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means Mr. Fang, Mr. de Leeuw, Mr. van Ooijen, HWH, Delco Participation, Green Elite, SVO, HPL and Stichting HPL, details of whose shareholdings are set forth in the section headed “Substantial Shareholders” in this prospectus and the section headed “Further Information about our Directors, Substantial Shareholders and Experts” in Appendix VI to this prospectus
“CRU Analysis”	CRU Analysis Ltd, a member of CRU Group providing market and industry analysis for the mining, metals, power and cables sectors and an Independent Third Party
“CRU Report”	“The global and Chinese metal scrap markets” prepared by CRU Strategies dated 24 June 2010 (based on data current in February 2010)

DEFINITIONS

“CRU Strategies”	CRU Strategies Limited, a management consultant company specialising in the international metals, mining and electricity industries, and is a member of the CRU Group and an Independent Third Party
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“CT Copper (Ningbo)”	Chiho-Tiande (Ningbo) Copper Industry Co., Ltd (齊合天地(寧波)銅業有限公司), a company established in the PRC on 5 August 2009 and wholly-owned by CT HK (Copper) and was deregistered on 9 June 2010
“CT Foundry”	Taizhou Chiho-Tiande Foundry Co., Ltd. (台州齊合天地鑄造有限公司), a company established in the PRC on 8 December 2003 and wholly-owned by Hefast
“CT HK”	Chiho-Tiande (HK) Limited (齊合天地(香港)有限公司), a company incorporated in Hong Kong on 12 May 2004 and wholly-owned by CT International
“CT HK (Copper)”	Chiho-Tiande (Hong Kong) Copper Industry Company Limited (齊合天地(香港)銅業有限公司), a company incorporated in Hong Kong on 15 June 2009 and wholly-owned by CT Investments
“CT International”	Chiho-Tiande International Limited (齊合天地國際有限公司), a company incorporated in the BVI with limited liability on 2 April 2008 and wholly-owned by our Company
“CT Investments”	Chiho-Tiande Investments Limited (齊合天地投資有限公司), a company incorporated in Hong Kong with limited liability on 16 July 2008 and wholly-owned by CT International
“CT Metals”	Taizhou Chiho-Tiande Metals Co., Ltd. (台州齊合天地金屬有限公司), a company established in the PRC on 24 December 1999 and wholly-owned by Hefast
“CT Metals (Ningbo)”	Chiho-Tiande (Ningbo) Metals Recycling Co., Ltd (齊合天地(寧波)再生金屬有限公司), a company established in the PRC on 28 September 2008 and wholly-owned by CT Investments
“Delco Asia”	Delco Asia Company Limited, a company incorporated in Hong Kong with limited liability on 30 November 2001 and held in equal shares by SVO and HPL respectively
“Delco Europe”	Delco Europe B.V., a company incorporated in the Netherlands on 18 January 1985 and wholly-owned by CT International
“Delco Participation”	Delco Participation B.V., a company incorporated in the Netherlands on 2 November 2000 and held in equal shares by SVO and HPL respectively

DEFINITIONS

“Delco Recycling”	Delco Recycling B.V., a company incorporated in the Netherlands on 18 April 1994 and held in equal shares by SVO and HPL respectively
“Director(s)”	the director(s) of our Company, or any one of them, as the context requires
“EUR” or “Euro”	euro, the lawful currency of the European Union countries
“Europe”	for the purposes of this prospectus, mainly include Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Denmark and United Kingdom
“First Lock-up Period”	the first lock-up period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date
“Foundry Products”	aluminium-alloy ingots and copper rods and wires that we produce in our foundry business
“GACC”	General Administration of China Customs (中國海關總署)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider
“Green Elite”	Green Elite Limited, a company incorporated in the BVI with limited liability on 20 January 2010 and held in equal shares by HWH and Delco Participation, respectively
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, our present subsidiaries or entities which carried on the business currently operated by such subsidiaries at the relevant time or (as the case may be) their predecessors
“Hefast”	Hefast Holding Corporation Limited, a company incorporated in Hong Kong with limited liability on 20 December 2002 and wholly-owned by CT International
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKM Metal”	HKM Metal Limited, a company incorporated in Hong Kong with limited liability on 10 September 2003 and wholly-owned by Mr. Fang
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 25,000,000 new Shares (subject to adjustment) being initially offered by us for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1% of the Offer Price, Stock Exchange trading fee of 0.005% of the Offer Price and SFC transaction levy of 0.004% of the Offer Price) and subject to the terms and conditions described in this prospectus and in the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 25 June 2010 relating to the Hong Kong Public Offering and entered into among our Company, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters
“HPL”	H. P. L. Metals B.V., a company incorporated in the Netherlands on 10 November 1983, all the shares of which are held by Stichting HPL for the sole benefit of Mr. de Leeuw
“HWH”	HWH Holdings Limited, a company incorporated in the BVI with limited liability on 2 April 2008 and wholly-owned by Mr. Fang
“Independent Third Party(ies)”	person(s) or company(ies) which are not our connected persons
“INEDs”	independent non-executive Directors
“International Offer Shares”	the 225,000,000 new Shares being initially offered by us for subscription and/or purchase pursuant to the International Offering
“International Offering”	the placing of the International Offer Shares by the International Underwriter, as further described in the section headed “Structure of the Global Offering – The International Offering” in this prospectus
“International Underwriter”	the underwriter of the International Offering, who is expected to enter into the International Underwriting Agreement

DEFINITIONS

“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into among our Company, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriter on or about 2 July 2010
“Issuing Mandate”	the general unconditional mandate given to our Directors by our Shareholders relating to the issue of new Shares, particulars of which are set forth in section headed “Written resolutions of the Shareholders” in Appendix VI to this prospectus
“Inventory Provision”	the provision of HK\$308.6 million made as at 31 December 2008 as a result of our inventories being stated at net realisable value instead of at cost
“Latest Practicable Date”	21 June 2010, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of our Shares on the Main Board
“Listing Committee”	the sub-committee of the board of directors of the Stock Exchange responsible for listing
“Listing Date”	the date of commencement of dealings in our Shares on the Main Board, which is expected to be on or about 12 July 2010
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LME”	the London Metal Exchange
“M&A Rules”	the Provisions for Foreign Investors to Merge Domestic Enterprises (關於外國投資者併購境內企業的規定) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration of Industry and Commerce, CSRC and SAFE which came into effect on 8 September 2006 and was amended on 22 June 2009
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market)

DEFINITIONS

“Memorandum of Association” or “Memorandum”	our memorandum of association as adopted from time to time
“MEP”	Ministry of Environmental Protection of the PRC (中國環境保護部) formerly known as the State Administration of Environmental Protection
“MOFCOM”	Ministry of Commerce of the PRC (中國商務部)
“Mr. de Leeuw”	Mr. Herman Maurits de Leeuw, one of our Controlling Shareholders
“Mr. Fang”	Mr. Fang Ankong, our executive Director and Chief Executive Officer and one of our Controlling Shareholders
“Mr. Gu”	Mr. Gu Liyong, our executive Director
“Mr. van Ooijen”	Mr. Stephanus Maria van Ooijen, our executive Director and one of our Controlling Shareholders
“Mr. Ybema”	Mr. Ralph Sytze Ybema, our non-executive Director
“NDRC”	National Development and Reform Commission of the PRC (中國國家發展和改革委員會)
“New Asset”	New Asset Holdings Limited, a company incorporated in the BVI with limited liability on 8 July 2008 and indirectly wholly-owned by the FDG Trust, a discretionary trust established in the Cayman Islands the objects of which include certain members of the senior management of our Group and their respective relatives
“Ningbo Metals Recycling Park”	the Ningbo Recycling Resources Processing Park (寧波再生金屬資源加工園區) at Zhenhai District, Ningbo, Zhejiang Province, the PRC
“Ningbo SWAC”	Ningbo Solid Wastes Administration Centre (寧波市固體廢物管理中心). It is a direct subsidiary of Environmental Protection Bureau of Ningbo (寧波市環境保護局). Ningbo SWAC’s main duties include preparing environmental risk assessment reports in relation to importation of wastes and conducting preliminarily check on importation of wastes
“Non-competition Undertaking”	the deed of non-competition undertakings dated 24 June 2010 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“North America”	the United States and Canada

DEFINITIONS

“Offer Price”	the final Hong Kong dollar price per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be sold, to be determined as further described in the section headed “Structure of the Global Offering – Determining the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the International Underwriter exercisable by the Sole Global Coordinator on behalf of the International Underwriter, pursuant to which we may be required to allot and issue up to an aggregate of 37,500,000 additional Shares (in the aggregate representing 15% of the Shares initially being offered under the Global Offering) to cover over allocations in the International Offering, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	People’s Bank of China, the central bank of China
“ PINK Application Form(s)”	the application form(s) to be completed by our eligible full-time employees in Hong Kong
“Post-IPO Share Option Scheme”	the share option scheme we conditionally approved on 23 June 2010 as described in the section headed “Further Information about Directors, Substantial Shareholders and Experts – 6. Share Option Schemes” in Appendix VI to this prospectus
“Pre-IPO Share Option Scheme”	the share option scheme adopted on 23 June 2010 under which we have conditionally granted options to certain of our employees, executives, officers and directors to purchase Shares with an exercise price equal to the Offer Price as described in section headed “Further Information about Directors, Substantial Shareholders and Experts – 6. Share Option Schemes” in Appendix VI to this prospectus
“Price Determination Date”	the date, expected to be on or about 2 July 2010 and, in any event, not later than 3 July 2010, on which the Offer Price will be fixed for the purposes of the Global Offering
“Recycled Metal Products”	recycled metal scrap that we process from Mixed Metal Scrap in our metal recycling business comprising mainly copper scrap, steel scrap, aluminium scrap and iron scrap
“Regulation S”	Regulation S under the US Securities Act
“Relevant Securities”	any of the Shares or any securities of our Company convertible into or exercisable or exchangeable for, or that represent the right to receive such Shares or securities

DEFINITIONS

“Reorganisation”	the reorganisation undergone by us in preparation for the Listing as described in the section headed “Corporate Reorganisation” in Appendix VI to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the section headed “Further Information about our Group – 3. Written resolutions of the Shareholders” in Appendix VI to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“Second Lock-up Period”	the second lock-up period of six months commencing on the date on which the First Lock-up Period expires
“SFC”	the Securities and Futures Commission in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Shareholder(s)”	holder(s) of our Shares
“Shares” or “our Shares”	the shares of par value HK\$0.01 each in our capital, for which an application has been made for listing and permission to deal on the Main Board, and which are subscribed for and traded in Hong Kong dollars
“SHFE”	Shanghai Future Exchange (上海期貨交易所)
“State Council”	State Council of the PRC (中國國務院)
“Stichting HPL”	Stichting Beheer Aandelen H.P.L. Metals, a foundation established in the Netherlands on 22 November 1988 for the purpose of holding all the shares in HPL for the sole benefit of Mr. de Leeuw
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Green Elite and the Sole Global Coordinator on or about the same date as the International Underwriting Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to the term “subsidiary undertaking(s)” in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“SVO”	SVO Company B.V., a company incorporated in the Netherlands on 30 September 1993 and wholly-owned by Mr. van Ooijen
“Takao”	Takao Achievement Co., Ltd., a company incorporated in the Cayman Islands with limited liability on 16 April 2003 and an Independent Third Party
“Taian Recycling”	Taizhou Taian Recycling Limited (台州市泰安再生資源有限公司), a company established in the PRC with limited liability on 31 May 1999 and which has been inactive since 2005
“Taizhou Metals Recycling Park”	the Taizhou Industrial Park of Metal Recycling (台州金屬再生工業園區) at Fengjiang, Luqiao, Taizhou, Zhejiang Province, the PRC
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchase, as amended, supplemented or otherwise modified from time to time
“Tian'an Resources”	Taizhou Tian'an Resources Development Limited (台州市天安資源發展有限公司), a company established in the PRC with limited liability on 14 September 1995 and which was deregistered in 2002
“Track Record Period”	the period comprising the three financial years ended 31 December 2009
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriter
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America, including its territories and possessions and all areas subject to its jurisdiction
“US Person”	has the meaning ascribed to it in Regulation S under the US Securities Act
“US Securities Act”	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“White Form eIPO”	application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Wholesale Products”	metal scrap that we procure and on-sell to our customers without further processing in our wholesale business which includes compressor scrap, engine part scrap and single metal scrap
“Zhejiang ESRD”	Environmental Science Research and Design Institute of Zhejiang Province (浙江省環境保護科學設計研究院). It is a direct subsidiary of Environmental Protection Bureau of Zhejiang Province (浙江省環境保護廳). Zhejiang ESRD's main duties include providing technical support to governmental authorities in relation to environmental protection and provide environmental protection technical consulting services such as assessment of environmental effect
“2008 Report of Recycling Industry”	the Report on the Development of the Recycled Resources Industry in China for the year 2008 (2008年中國再生資源行業發展報告) issued by the Department of Commercial Services Administration (商貿服務管理司) of MOFCOM in August 2009
“%”	per cent.

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

Unless otherwise specified, amounts denominated in Renminbi, US dollars and Hong Kong dollars have been translated at the Latest Practicable Date, for the purpose of illustration only, in this prospectus at the following rates:

*RMB1.00 : HK\$1.14
US\$1.00 : HK\$7.78*

No representation is made that any amounts in Renminbi, US dollars and Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or at any other rates or at all.

The English names of the PRC entities are translated from their Chinese names. In the event of any inconsistency between the Chinese names of the PRC entities mentioned in this prospectus and their English translations, the Chinese version shall prevail.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“Automatic Licensing Import Licence”	import licence of the People’s Republic of China for automatic-licensing solid wastes that can be used as raw materials (中華人民共和國自動許可進口類可用作原料的固體廢物進口許可證) issued by MEP
“BF”	blast furnace
“BOF”	basic oxygen furnace
“CAGR”	compound annual growth rate, which is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period considered
“CFR”	cost and freight
“Consignee Registration Licence”	licence of registration for domestic consignees of imported scrap materials (進口廢物原料國內收貨人登記證書) issued by AQSIQ
“Designated Processing Unit”	designated processing and utilisation units checked and ratified by the MEP to engage in the processing and utilisation of imported Mixed Metal Scrap, in accordance with the “Provisional Regulations on Environmental Protection in relation to Wastes Importation” (《廢物進口環境保護管理暫行規定》) (Huankong (環控) [1996] No. 204, implemented on 1 April 1996)
“DRI”	directly reduced iron
“EAF”	electric arc furnace
“ex-factory”	a sale term where the title to goods passes to the buyer when they leave the vendor’s factory and consequently at that point the liability for loss or damage and the expenses of shipment also pass from vendor to buyer
“GDP”	gross domestic product
“HBI”	hot briguetted iron
“hot rolled coil”	steel sheets rolled up in coils
“HS Code”	Harmonised Commodity Description and Coding System (HS) of tariff nomenclature, which is an internationally standardised system for classifying traded products
“HS Code 7404”	HS Code for copper waste and scrap
“IP”	industrial production

GLOSSARY

“ISO9001”	the certification for an internationally recognised standard for quality management
“kg”	kilogrammes
“Mixed Metal Scrap”	“hardware and electrical appliance scrap mainly for recycling iron and steel”, “motor scrap etc. mainly for recycling copper (including motor scrap, electric wire scrap, electric cable scrap and hardware and electrical appliance scrap)” and “electric wire scrap etc. mainly for recycling aluminium (including electric wire scrap, electric cable scrap and hardware and electrical appliance scrap)” as set out in the Category X of the “Catalogue of Restricted Import Solid Wastes that Can Be Used as Raw Materials” (《限制進口類可用作原料的固體廢物目錄》) (Announcement [2009] No. 36, issued by MEP, MOFCOM, NDRC, GACC and AQSIQ), which were originally set out in the Category VII of the “Catalogue of Restricted Import Solid Wastes that Can Be Used as Raw Materials” (《限制進口類可用作原料的固體廢物目錄》) Announcement [2008] No. 11, issued by MEP, MOFCOM, NDRC, GACC and AQSIQ) (the Announcement [2008] No. 11 has ceased effect when the Announcement [2009] No. 36 came into effect on 1 August 2009)
“OH”	open hearth furnace
“Supplier Registration Licence”	licence of registration for overseas supplier enterprise of imported scrap materials (進口廢物原料境外供貨企業註冊證書) issued by AQSIQ
“Restricted Import Licence”	import licence of the People’s Republic of China for restricted solid wastes that can be used as raw materials (中華人民共和國限制進口類可用作原料的固體廢物進口許可證) issued by MEP
“sq.m.”	square metre(s)
“tcs”	tonne of crude steel
“tonne” or “t”	metric tonne, equivalent to 1,000 kilogrammes

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in our Company before making any investment decision in relation to our Company.

RISKS RELATING TO THE INDUSTRY

The metal recycling industry has historically been, and is expected to remain, highly cyclical. A protracted fall in metal scrap prices, as occurred towards the end of 2008, would have a material adverse effect on our operating results

The prices of our raw materials and Recycled Metal Products are volatile and the operating results of the metal recycling industry, in general, have historically been cyclical, and are expected to remain, highly cyclical in nature, and our operations, specifically, are expected to be highly cyclical in nature. After rising during 2007 and through the third quarter of 2008, Recycled Metal Products prices in global markets fell sharply towards the fourth quarter of 2008 as a result of collapsing demand and the resulting excess supply in the industry due to the financial tsunami. The fall in prices during this period adversely affected the results of metal scrap companies, including our Group, as a result of lower revenues due to collapsing realisable prices for our products and lower net profits or even losses due to provisions made for inventories.

Recycled Metal Products prices are sensitive to trends in cyclical industries, such as the automotive and construction industries. In the past, substantial price decreases during periods of economic weakness have not always been offset by commensurate price increases during periods of economic strength. Although metal scrap prices have stabilised to a large degree, the timing and extent of factors that will lead to a recovery to inbound flows of scrap cannot be predicted. Recovery of inbound volumes will likely depend on a broad recovery from the current global economic downturn, although the length and nature of business cycles affecting the metal scrap industry have historically been unpredictable. If the current recovery in Recycled Metal Products prices were to prove unsustainable, a further downswing would materially and adversely affect our revenues and profitability including through possible further provisions for and write-downs of inventories.

A sustained and sharp decline in commodities prices may have an adverse effect on the supply of our raw materials including Mixed Metal Scrap

The pricing of Mixed Metal Scrap, our principal raw material, generally follows the movement of the pricing of refined metals quoted on established exchanges such as the LME and SHFE. Buyers and sellers would take into account the quotations on the exchanges when they are deciding the transaction prices. Given the historically cyclical nature of commodities prices, the prices of our raw materials are volatile and, in general, have historically been cyclical, and are expected to remain, highly cyclical in nature.

In a sharply-declining commodity price market occasioned by financial crises similar to that we had experienced towards the end of 2008, Mixed Metal Scrap suppliers with financial means to hold metal scraps would be less willing to sell their stockpiles as they would make reduced margins or even losses from their sales. Further, during such extraordinary period, Mixed Metal Scrap suppliers may not have the necessary funding to collect scrap metals for sale or they may also decide not to take large positions in metal scrap (without being assured of being able to sell them at a profit) as it would have been obvious to them that the demand and corresponding prices for metal may decline further. Under such circumstances, our supply of raw materials including Mixed Metal Scrap may be adversely affected and this would in turn affect our operations and financial performance.

RISK FACTORS

We are subject to significant risk relating to changes in commodity prices and may not be able to effectively protect against this risk

We are exposed to commodity price risk during the period that we have title to products that are held in inventory for processing or resale. Prices of commodities, including our raw materials and our products, can be volatile due to numerous factors beyond our control. In an increasing price environment for raw materials, competitive conditions may limit our ability to pass on price increases to our consumers. In a decreasing price environment for processed recycled metal, we may not have the ability to fully recoup the cost of raw materials that we procure, process and sell to our customers. We are unable to fully hedge positions in certain commodities, such as recycled ferrous metal, where no established futures market exists. Thus, our sales and inventory position will be vulnerable to adverse changes in commodity prices, which could materially adversely impact our operating and financial performance.

Our revenues are predominantly derived from the sale of Recycled Metal Products we process from Mixed Metal Scrap we import. Prices for our Recycled Metal Products vary by product type and fluctuate according to the market demands. Our selling prices for Recycled Metal Products are impacted by worldwide and local demand, country-specific economic conditions, and commodity spot prices for such recycled metals. Like other competitors within the metal recycling business, we rely on generating a margin between the sales price to the end customer over the price we paid to our suppliers of Mixed Metal Scrap. During an increasing price environment, our margins generally increase as the difference in timing between buying unprocessed Mixed Metal Scrap and selling Recycled Metal Products typically results in higher margins. Conversely, decreasing prices of Mixed Metal Scrap generally have the opposite effect on margins and profitability. Additionally, during times of lower prices of Mixed Metal Scrap, suppliers of obsolete scrap sometimes elect to hold onto scrap to wait for higher prices, which exacerbates the cyclicity in margins.

From September 2008 to December 2008, there was a sharp decline in commodity prices which required us to make the Inventory Provision. A loss for the year was recorded for the year ended 31 December 2008 of HK\$200.1 million. Additional provisions may be required in the future if the recovery of commodity prices were to prove unsustainable.

We are exposed to fluctuation in currency exchange rates

We report our financial results in Hong Kong dollars. However, our earnings are predominantly denominated in RMB as we sell substantially all of our products in China whereas our purchases of raw materials are principally denominated in US dollars and Euro. These liabilities and earnings are accordingly exposed to fluctuations in exchange rates between those currencies and the Hong Kong dollar. Currency exchange rates have been extremely volatile in recent periods.

We are subject to significant risk relating to changes in interest rate and may not be able to effectively protect against this risk

Most of our borrowings have variable interest rates. It may not be possible for us to effectively hedge against changes in interest rates at all or on an economically reasonable basis. Increases in interest rates could materially increase our borrowing costs and could have a material adverse effect on our results of operations and financial condition.

Our profit margins and operating results may be affected by increase in the price of raw materials

We require large quantities of raw materials, including motor scrap, electricity wire and cable scrap in our production, most of which are imported from overseas. For each of the three years ended 31 December 2007, 2008 and 2009, we incurred approximately HK\$1.64 billion, HK\$2.46 billion and HK\$1.72 billion, respectively, for the cost of raw materials, which represented

RISK FACTORS

approximately 97.6%, 89.6% and 96.6% of our total cost of sales. The average unit price of our major raw materials, motor scrap, was approximately HK\$6,973, HK\$9,351 and HK\$6,174 per tonne, respectively or at a CAGR of -5.9%, during the Track Record Period. For each of the three years ended 31 December 2009, we recorded net profit margin (without Inventory Provision) of 4.6%, 1.3% and 8.0%, respectively. The changes of the average unit prices of our raw materials was mainly due to the changes of the global and domestic economy. As a result, metal prices including those of copper, steel and aluminium, which are the main metals constituting Mixed Metal Scrap change as well.

The supply of raw materials and the fluctuation of their prices are subject to many factors, including development of the global economy and policies of exporting countries, which are beyond our control. There is no assurance that we can secure adequate supplies of raw materials at commercially viable prices to meet our production requirements and we may not be able to manage such fluctuations in raw material prices by transferring all the incremental costs to our customers. If raw material prices increase more rapidly than the selling prices of our products and/or we may not be able to source a sufficient supply of raw material at an acceptable level of quality or cost, our financial profit margin and operating results would be adversely affected.

Our profit margin and business prospect may be affected by any change in the competitive landscape of the metal recycling industry in China

The metal recycling industry in China is highly fragmented with market players scattered throughout the country. Although we are currently a significant player in the metal recycling industry and the entry barrier to the industry is high, there is no assurance that we will be able to maintain our market position in China. Any increase in competition in the market may result in pressure on our profit margin and business prospects.

Low gross profit margin

For each of the three years comprising our Track Record Period, our gross profit margin (without Inventory Provision) was 6.4%, 2.9% and 10.5%, respectively.

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

Our Group's gross profit margin of 6.4% for the year 2007 may be attributed to the fact that Mixed Metal Scrap was generally not processed down to the level that our Company did in the following years, whilst its low gross profit margin for the year 2008 was due to the extraordinary market conditions occasioned by the financial crisis and the sharp collapse of prices for the key component commodities of the motor scrap towards the fourth quarter of 2008.

Our improvement in overall gross profit margin (without Inventory Provision) in the year 2009 was mainly attributable to (i) our management's decision to maintain purchases of raw materials at lower average purchase prices throughout the 2008 financial crisis; (ii) the sharp decline in global commodities price benchmarks towards the end of 2008 reduced our cost of purchase of 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; and (iii) our effort in actively identifying and separating metal scrap that can be further processed to maximise the value realisable from such materials.

RISK FACTORS

If the current recovery in Recycled Metal Products prices were to prove unsustainable and outpace the positive factors occurring in 2009, we may not be able to maintain our gross profit margin at current level and our financial conditions and results of operations may be adversely affected.

Our operations are subject to comprehensive environmental regulations and involve significant expenditures for compliance with regulations

Our operations, which generate small volume of solid waste by-products, are subject to a variety of national and local PRC environmental laws and regulations. We are also subject to stringent standards imposed by environmental laws and regulations in respect of discharge of gas, noise pollution and discharge of water.

As disclosed in the paragraph headed “Environmental Matters” in the section headed “Business” on page 165 of this prospectus, based on the confirmation issued by the relevant governmental authority and as advised by our PRC legal adviser, CT Metals, CT Foundry and CT Metals (Ningbo) have obtained all necessary permits and approvals related to environmental protection and we have complied with all applicable laws, regulations and requirements in China in relation to environment protection and have not violated any local environmental protection laws or regulations of China during the Track Record Period. There is no assurance that we will at all times be in full compliance with all of the environmental requirements that apply to our operations. Any failure, or any claim that we have failed, to comply with environmental laws and regulations could cause delays in our production and capacity expansion and affect our public image, either of which could harm our business. In addition, any failure to comply with these laws and regulations or the occurrence of gas discharge, hazardous materials or noise or other unanticipated environmental contamination could subject us to substantial fines, clean-up costs, other environmental liabilities or require us to suspend or modify our operations.

Further, environmental laws and regulations may become more stringent in the future. We have made and expect to continue to make necessary capital and other expenditures for environmental compliance. The adoption of new laws and regulations in China relating to environmental compliance could require us to make capital expenditures in excess of what was anticipated, which may adversely affect our financial condition and results of operations.

The global financial crisis and disruptions in the financial market had and may continue to have a material adverse impact on our business, results of operations and financial condition

The global financial crisis and disruptions in the financial market have adversely affected economies and businesses around the world, including China. Although the PRC Government has taken initiatives in response to the slowdown in the PRC economy brought about by the financial crisis, the growth of China’s overall has been negatively impacted. During the Track Record Period, most of our turnover was derived in China, and we anticipate that the turnover of our products will continue to be generated mainly from the China market in the near future. The financial crisis may adversely affect our business and operating results in a number of respects. We believe that the global financial crisis has impacted our customers and depressed the realisable prices of our products. Our customers’ ability and willingness to purchase our products often depend on the operating results of their own businesses. Our customers may reduce their demand for our products in an attempt to conserve liquidity in response to the general economic conditions in China and international economy. Any future downturns in the financial markets in general could reduce our sales volume and prices, thereby adversely affecting our financial position.

The global financial crisis has also tightened the credit markets and reduced additional funding available to borrowers. If the conditions continue, worsen or recur, any disruptions in our ability to renew existing borrowings or obtain new borrowings may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Changes in existing regulations and policies applicable to the industry may cause us to incur additional costs to comply with the more stringent laws and regulations, which could have an adverse impact on our growth and operating results

Our operations are subject to regulations and policies by the PRC government. These regulations and policies affect many aspects of our operations, including industry-specific fees, custom duties, business qualifications, advancement of bank loans and environmental and safety standards. As a result, we may face significant constraints on our ability to implement our business strategies, develop or expand our business operations or maximise our profitability. Our business could be materially and adversely affected by future changes in regulations and policies of the PRC government applicable to the industry.

Our business is subject to seasonality

Demand for our products is subject to seasonal fluctuations. Due to the Chinese New Year holiday in the first half of the year, demand for our products is generally higher in the second half of the year. As a result, fluctuations in demand for recycled metal scrap in the second half of the year may have a disproportionate impact on our results of operations.

RISKS RELATING TO OUR BUSINESS

Reliance on the China market

During the Track Record Period, most of our turnover was derived in China, the amounts of which were approximately HK\$1.79 billion, HK\$2.48 billion and HK\$2.29 billion, constituting about 99.8%, 99.2% and 97.7% of our total turnover, respectively. We anticipate that the turnover of our products will continue to be generated mainly from the China market in the near future. Accordingly, our operating results and financial position are largely subject to the economic, political, social and legal developments in China as well as changes in the domestic demand for our products in China. There is no assurance that such developments in China as well as such changes in the domestic demand for our products will not adversely affect our performance and profitability.

Failure to maintain the qualifications, permits or licences required for our business and/or maintain or increase the import volume of our Mixed Metal Scrap could adversely affect our business

We require certain qualifications, permits and licences for our business which include the qualification as a Designated Processing Unit and the Restricted Import Licence granted by the MEP in order to import Mixed Metal Scrap from overseas. Please refer to the sub-section headed “Qualifications, permits and licences” in the “Business” section of this Prospectus for further details. In order to maintain such qualifications, permits and licences, we must comply with the restrictions and conditions imposed by the relevant authorities and/or pass the annual assessment. The criteria of such assessment include our operating conditions, production capability, management and compliance record. Depending on the outcome of such assessment, our import amount will be decided and approved by the MEP. If we fail to comply with any of the relevant regulations or pass the required annual assessment, we may not be able to maintain our qualifications, permits and licences. If we fail to abide by the relevant requirements during the term of such qualifications, permits and licences, they could be suspended or even revoked. In such cases, our operation would be significantly disrupted or even suspended, or we might not be able to maintain or increase our annual import amount of our Mixed Metal Scrap which could adversely affect our performance.

RISK FACTORS

The growth of our Mixed Metal Scrap operation is dependent on our ability to expand our processing site and increase our procurement capacity

The growth in our processing capacity of Recycled Metal Products is dependent on our ability to expand our processing site and increase our procurement capacity of Mixed Metal Scrap. Currently, our Mixed Metal Scrap operation is carried out in our Taizhou and Ningbo processing sites and our total processing capacity for year 2009 is approximately 607,242 tonnes (including 527,242 tonnes for Taizhou and 80,000 tonnes for CT Metals (Ningbo)) tonnes per annum as assessed by Zhejiang ESRD and Ningbo SWAC in the respective 2009 Import Scrap Materials Environmental Risk Assessment Reports (進口廢物環境風險評價報告表). During the Track Record Period, the annual utilisation rates of Mixed Metal Scrap recycling facilities at our Taizhou processing base were 75.6%, 73.5% and 45.7%, respectively^(Note 1). While the annual utilisation rate of Mixed Metal Scrap recycling facilities at our Ningbo processing base was 3.2%^(Note 2) for year 2009. We believe that the processing capacity of our Taizhou processing base of approximately 527,242 tonnes for 2009 and 527,473 tonnes for 2010 per annum as assessed by Zhejiang ESRD is at its peak processing capacity due to limitation of its land area. In the event that our Mixed Metal Scrap recycling facilities are fully utilised and we fail to expand our production capacity in Ningbo or fails to locate other appropriate production bases in China, we may not be able to increase the approved amount for our import of Mixed Metal Scrap and this will limit the volume of Mixed Metal Scrap we are authorised to import into China. In such a case, our growth will be limited and our performance may be adversely affected.

Loss of our major suppliers could affect our business

During the Track Record Period, purchases from our five largest suppliers represented approximately 77.1%, 58.4% and 42.0%, respectively of our total purchases of raw materials and supplies (including transportation costs). As at the Latest Practicable Date, we had not entered into any long-term purchase agreements with any of our major suppliers so as to take advantage of the competitive pricing in the open market. Our business with our suppliers has always been, and will continue to be, conducted on the basis of actual purchase orders placed by us from time to time. If any of our suppliers, particularly our major suppliers, significantly fails to meet our purchase orders or terminates entirely its business relationship with us, and we are unable to source Mixed Metal Scrap from alternative suppliers on a timely basis, our operations could be adversely affected.

Fluctuations in the selling prices of our products may adversely affect our results

The fluctuations in the average selling prices of our products are primarily caused by changes in raw material costs, global and local market prices and other factors that are beyond our control. Our management will closely monitor our selling price with reference to the LME and SHFE. However, our procurement of raw materials from overseas to our processing site until completion of our processing process, normally takes 2 to 3 months. As we normally fix our selling price and enter into written sale contracts with our customers when they collect our Recycled Metal Products at our processing site, we are also exposed to price fluctuations during such period. The recent downturn in metal prices at the end of 2008, for instance, has affected the pricing of our Recycled Metal Products. During this period, the decline in selling prices of our processed products was resulted. The Group recorded an accounting loss of approximately HK\$200.1 million in 2008 and an accounting inventory provision of approximately HK\$308.6 million in 2008. Any volatile or declining average selling prices for our products after our purchase orders of Mixed Metal Scrap have been sent out may adversely affect our gross profit margin and our results.

Note 1: The annual utilisation rate is measured by comparing the actual production of Mixed Metal Scrap with the annual processing capacity of Recycled Metal Products as assessed by Zhejiang ESRD.

Note 2: The annual utilisation rate is measured by comparing the actual production of Mixed Metal Scrap with the annual processing capacity of Recycled Metal Products as assessed by Ningbo SWAC.

RISK FACTORS

We currently intend to use a significant portion of the net proceeds from the Global Offering to purchase raw materials

We currently intend to use a significant portion of the net proceeds from the Global Offering of approximately HK\$320.6 million (equivalent to approximately RMB281.2 million), representing approximately 50% of the net proceeds from the Global Offering, to purchase additional raw materials over a period of 9 months 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. Since we are subject to the industry risks as stated in the section headed “Risk Factors” of this prospectus, any adverse changes or protracted fall in metal scrap prices may result in our inventory position being stated at net realisable value rather than lower of cost, as required under the accounting policies of the Group as set out in the section headed “Financial Information” on page 196 of this prospectus. If our inventories are to be stated at net realisable value, any write-down on the inventories purchased using the net proceeds from the Global Offering may have a material adverse impact on our operating and financial performance, and the significant portion of the net proceeds from the Global Offering used may not bring the anticipated benefits to us. For additional information, please see the section headed “Future Plans and Use of Proceeds” in this prospectus.

We may not be able to implement our future plans

We plan to expand our processing capacity by expanding our processing capacity in Ningbo and establishing new facilities in different locations in China. We will also continue to expand our range of Mixed Metal Scrap for processing as well as expand the scope of our business to further enhance our procurement network and capabilities. Please refer to the section “Future Plans and Use of Proceeds” in this prospectus for further details. These future plans may require us to make a substantial amount of capital investment. If we are unable to secure such capital requirement or implement our expansion strategies, we may not be able to carry out our future plans as scheduled or within budget. Furthermore, we cannot assure that our new facilities will operate efficiently and our investments in these new projects will help achieve our intended purposes and provide the investment returns that we expect.

We may be subject to liability in connection with industrial accidents at our processing and production sites

As our processing and production involves the operation of tools, equipment and machinery, industrial accidents resulting in employee injuries or even deaths may occur. There is no assurance that industrial accidents at our production and processing sites, whether due to malfunctions of such tools, equipment or machinery or other reasons, will not occur in the future. In such an event, we may be liable for personal injury or death, monetary losses, fines or penalties or other legal liability for violation of applicable PRC laws and regulations as well as subject to business interruptions caused by equipment shutdowns for government investigation or implementation or imposition of safety measures as a result of the accident. Further, enhanced safety measures imposed by the PRC government authorities could have a material adverse effect on the manner in which we conduct our operations, thereby adversely impacting our operations.

Our business operations are subject to operational risks and other unforeseen risks that may not be fully covered by our insurance policies or at all

We maintain insurance including vehicles insurance and imported goods transport insurance. However, such insurance policies may not cover all risks associated with the hazards of our business. For instance, in line with customary practice in China, we do not take out any business interruption insurance or third party liability insurance. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for environmental remediation and product liability. We may not be able to obtain coverage at current levels, and the premium on

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our insurance coverage may increase significantly in the future. Further, we cannot guarantee that we will be successful in making an insurance claim under the insurance policies maintained by us or that the claimed proceeds will be sufficient to compensate the actual damages suffered or at all. Any of these events could adversely affect our business operations and financial condition and may harm our reputation, leading to litigation, government fines or penalties. In any of these events, our existing insurance coverage may not cover the losses we may incur or at all.

Failure to meet our working capital requirements would adversely affect our business and ability to sustain or grow our business

Our operations require us to utilise large sums of working capital. We also require capital resources to sustain our business strategies and expand our operations. We have relied on short-term bank borrowings to fund a portion of our working capital requirements and expect to continue to do so in the future. As at 31 December 2009, our bank borrowings amounted to approximately HK\$799.0 million.

We had net liabilities of approximately HK\$5.0 million as at 31 December 2008 as a result of net loss incurred due to the Inventory Provision during 2008, which wiped out the capital and reserves of the Group. We also incurred net current liabilities of approximately HK\$258.5 million which was mainly attributable to the Inventory Provision made in 2008, which decreased the inventory balance, current asset and net asset of the Group as of 31 December 2008. As at 31 December 2009, our net current assets and total assets less current liabilities were increased to HK\$487.6 million and HK\$663.0 million respectively.

Moreover, we had net cash outflows from operating activities of approximately HK\$113.3 million and HK\$313.0 million for the years ended 31 December 2007 and 31 December 2008 respectively. We recorded net cash inflow from operating activities of HK\$40.2 million as at 31 December 2009.

Our ability to obtain additional financing will depend on a number of factors, including our financial condition, results of operations and cash flow, changes in monetary policies, changes in costs of financing and interest rates, prevailing economic and capital market conditions and regulatory requirements. While we have been able to repay our borrowings on maturity or replace them with new bank borrowings as necessary, there can be no assurance that we will be able to continue to do so in the future. If we cannot obtain sufficient or additional funding on acceptable terms or if we encounter significant working capital requirements or cash outflows, we may not have sufficient liquidity or the credit capacity to meet all of our cash needs including repayment on bank borrowings, and hence, may be subject to claims or litigation by lenders or suppliers. In such a case, our financial condition may be adversely affected and we may not be able to successfully implement our business strategies which could also adversely affect our business and prospects.

Our operation is largely dependent on our Group's key management

Our continued success depends, to a significant extent, on the continued services and performance of members of our key management, including all our executive Directors who have substantial collective experience in the Mixed Metal Scrap business, and other members of the key management, whose brief details are set forth in the section headed "Directors, Senior Management and Employees" in this prospectus. There is no assurance that we will be able to retain member(s) of the management team or further recruit competent personnel for our future development. In the event that any key member of our management team ceases to be employed by us and we fail to recruit suitable replacement on a timely basis and on terms that are acceptable to us, our operations may be adversely affected.

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Our Board may not have sufficient experience of direct relevance to effectively implement our hedging policy

We adopted our hedging policy to enhance our risk management of commodity price fluctuations with effect from 23 June 2010 and in preparation for the Listing. The pricing committee established in connection with our hedging policy (the “Pricing Committee”) is led by our chief executive officer, Mr. Fang. Please refer to the sub-section headed “Our hedging policy” in the section headed “Business” on page 153 of this prospectus for further information on our hedging policy. Under our hedging policy, the Pricing Committee is responsible for reporting to our Board. Although our executive Board, comprising Mr. Fang, Mr. Gu and Mr. van Ooijen, has extensive management and operational experience in the Mixed Metal Scrap recycling business and two of our independent non-executive Directors, Ms. Zhang Jingdong and Mr. Li Xikui have extensive expertise and experience in the Chinese banking and finance sector, our Board, as a whole, may not have sufficient experience of direct relevance to ensure the effective implementation of our hedging operations. In the event that our hedging policy is not implemented effectively or correctly, our Group may suffer losses from ineffective or incorrect implementation of such hedging operations.

Our Board may not have sufficient experience of direct relevance to effectively monitor the use of proceeds from the Global Offering

We intend to establish a special committee within our finance and procurement departments after the Listing to closely monitor the use of the net proceeds from the Global Offering (the “Special Committee”). Please refer to the sub-section headed “Monitoring procedures for the use of proceeds of the Global Offering” in the section headed “Business” on page 155 of this prospectus for further information on the function of the monitoring procedures. Under the monitoring procedures, the Special Committee is responsible for reporting to our Board. Although our executive Board, comprising Mr. Fang, Mr. Gu and Mr. van Ooijen, has extensive management and operational experience in the Mixed Metal Scrap recycling business and two of our independent non-executive Directors, Ms. Zhang Jingdong and Mr. Li Xikui have extensive expertise and experience in the Chinese banking and finance sector, our Board, as a whole, may not have sufficient experience of direct relevance to ensure the effective implementation of the monitoring procedures as described above. In the event that our monitoring procedures are not implemented effectively or correctly, the actual application of the net proceeds from the Global Offering may be different from the plans as set out in the section headed “Future plans and use of proceeds” of this prospectus.

Failure to maintain an effective quality control system at our facilities may have a material adverse effect on our business

The quality of our products is critical to the success of our business. It depends significantly on the effectiveness of our quality control systems, which in turn, depends on a number of factors, including our ability to ensure our employees adhere to the quality control policies and guidelines. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our reputation, business prospects and results of operations.

A material disruption in our operations could adversely affect our revenues and profits

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions and adversely affect our revenues and profit. They include industrial accidents, fires, floods, droughts, natural disasters and other catastrophes, equipment failures, including the failure of the major machinery and equipment at our production site, or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or pipelines.

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Our operations also require a stable supply of water and electricity from external suppliers. Notwithstanding that we do not consume large volume of electricity and water in our processing and production facilities, any of the events listed above, as well as power or pipeline interruptions or rationing, could disrupt or restrict our water or electricity supply. Although we have our own back-up generators and are able to draw upon a supply of water from other sources at or near our premises, there is no assurance that such contingency measures will be sufficient to deal with any disruptions that may happen in the future.

The interests of our Controlling Shareholders may differ from those of other Shareholders

Prior to the Global Offering, our Company was wholly-owned by the Controlling Shareholders. Immediately following the Global Offering, the Controlling Shareholders will own 75% of the total issued share capital of our Company (assuming that the Over-allotment Option is not exercised but the Capitalisation Issue shall have taken place and that no Shares have been issued upon exercise of options granted under the Share Option Schemes. Subject to the Articles and all applicable laws and regulations, our Controlling Shareholders will be able to influence major policy decisions, including our overall strategic and investment decisions, by:

- controlling the election of Directors and, in turn, indirectly controlling the selection of senior management;
- determining the timing and amount of dividend payments;
- deciding on increases or decreases in share capital;
- determining the issuance of new securities; and
- approving mergers, acquisitions and disposals of our assets or businesses.

The interests of our Controlling Shareholders could conflict with those of our other Shareholders and they may take actions that favour their own interests and which may not be in the best interests of other Shareholders. Any such actions could adversely affect our business or the interests of minority Shareholders.

We may not grow at a rate comparable to our growth rate in the past

We are experiencing a period of rapid growth and expansion. For each of the three years ended 31 December 2009, our turnover amounted to approximately HK\$1.8 billion, HK\$2.51 billion and HK\$2.34 billion, respectively. During the same period, we recorded net profits which amounted to approximately HK\$83.0 million and HK\$419.7 million for the year ended 31 December 2007 and 2009, respectively and we recorded a loss of approximately HK\$200.1 million for the year ended 31 December 2008 because of the Inventory Provision. Our net profits (without Inventory Provision) for the three years ended 31 December 2009 were approximately HK\$83.0 million, HK\$31.9 million and HK\$187.6 million, respectively. Our Directors consider that the sustainability of our growth will depend on a number of factors, including our management systems, continuous expansion of our processing and production capacities, changes in market demand and sentiment as well as economic, political and legal developments in China. There is no assurance that our growth rate can be maintained at any particular level. Should there be any adverse changes which affect our operations, our profitability could be affected.

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If we fail to manage our growth effectively, our business may be adversely affected

Our revenue has increased at a CAGR of approximately 14.1% during the three years ended 31 December 2009. We have been expanding our processing and production volume and product range, as well as extending the geographic spread of our sales. We may also need to devote substantial managerial, operational and financial resources to the operation of new production sites we may establish elsewhere in China. We could face challenges different from those we currently and previously faced with our existing production facilities. Our business expansion may require us to transfer a portion of our management personnel from our existing operations and recruit new personnel for replacement accordingly. This may have a negative impact on our existing business.

Our ability to manage our future growth will depend on our ability to continue to implement and improve our operational, financial and management information systems on time and to expand, train, motivate and manage our workforce. We cannot guarantee that our personnel, systems, procedures and controls will be adequate to support our future growth. If we do not manage our expansion capabilities effectively, our business, financial condition and results of operations could be materially and adversely affected.

Our corporate structure may restrict our ability to receive dividends from our PRC operating subsidiaries

We are a holding company incorporated in the Cayman Islands and operate our core business through our subsidiaries in China. The availability of funds for us to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from our PRC subsidiaries. If our PRC subsidiaries incur significant debts or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted.

PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. These restrictions on our sources of funding may negatively affect our ability to pay dividends to our Shareholders and to service our indebtedness.

Our suppliers may require strict compliance with their credit terms

In general, our suppliers do not grant us any credit term which is in line with industry practice. We are typically required to pay for our raw materials within seven to ten days upon shipment loaded by our suppliers by way of documents against payment or telegraphic transfer. In practice, we settle our payment before receipt by us of all custom clearing documents. Our creditors' turnover days were one day, four days and 17 days for each of the three years ended 31 December 2007, 2008 and 2009, respectively. Whilst we have not received any claims or demands as a result of this practice to date, if we do not have any defense against or are unable to settle payments that are past due when our suppliers make such claims or demands, our reputation, credibility and financial position may be adversely affected.

Our Ningbo processing site was leased to us before requisite building ownership certificates were obtained

CT Metals (Ningbo) leases the property from which it operates its metal recycling business from Ningbo Zheng Lian Recycling Metal Co., Ltd. (the "Lessor") for a term of five years commencing from 1 October 2009. This property comprises a piece of land with a gross area of 36,112 sq. m. located in Ningbo Metals Recycling Park as well as factory and office premises having a total gross floor area of 10,218 sq m (the "Premises").

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The Lessor has obtained the land use right certificate for the Premises and is in the process of obtaining the building ownership certificates for the Premises. Our PRC legal adviser has advised that the leasing of the Premises by the Lessor to CT Metals (Ningbo) before obtaining the relevant building ownership certificates is not in compliance with the applicable PRC laws and regulations. Accordingly, the Lessor may be subject to penalties for such non-compliance and the relevant authorities may also order the termination of the lease.

Pursuant to the undertaking issued by the Lessor and the Management Committee of Ningbo Metals Recycling Park (the “Management Committee”) in favour of CT Metals (Ningbo) on 11 March 2010, the Lessor has undertaken to obtain the building ownership certificates for the Premises as soon as possible. In addition, the Lessor has undertaken not to invalidate or revoke our lease on the grounds of this title defect. In the event that CT Metals (Ningbo) is required to relocate due to the lack of building ownership certificates for the Premises, the Lessor has further undertaken to (a) secure suitable alternative locations of similar conditions to enable CT Metals (Ningbo) to continue its normal operation; and (b) indemnify CT Metals (Ningbo) for all losses attributable to the title defect. The Management Committee has further given its commitment to procure that the Lessor observes the aforesaid undertakings.

In the event that both the Lessor and the Management Committee reneges on their undertakings and we are unable to relocate our Ningbo operations in a timely and cost efficient manner, our operations may be adversely affected. Our PRC legal adviser is however of the view that the risk of such adverse effect arising from the Lessor’s lack of building ownership certificates for the Premises is low.

RISKS RELATING TO CHINA

The PRC’s economic, political and legal developments, as well as government policies, could affect our business

A majority of our assets are located in China and we derive most of our revenues from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to the economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control of foreign exchange. The economy of China has been transitioning from a planned economy to a more market-oriented economy. However, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the China’s economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. All these factors could affect the economic conditions of China and, in turn, affect our business. Any policies, laws, regulations and measures implemented by the PRC government which have a negative effect on us may affect our results of operations and financial condition.

The PRC legal system has inherent uncertainties that could limit the legal protections available to our Shareholders

The PRC legal system is based on written statutes and their interpretation by the Supreme People’s Court or other relevant authorities. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, taxation and trade. However, because these laws are relatively new, and because of the limited number of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

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Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution of similar cases may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

As an investor holding our Shares, you hold an indirect interest in our operations in China through our Company. Our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and these regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in other developed countries or regions. Therefore, you may not enjoy the same shareholder protections that are available in more developed jurisdictions.

Fluctuations in the Renminbi exchange rate may adversely affect our financial conditions and results of operations

On 21 July 2005, the PBOC announced that the Renminbi would no longer be pegged to the US dollar in favour of a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies as part of the reform of the Renminbi exchange rate mechanism. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day. The daily trading price of the US dollar against the RMB in the inter-bank foreign exchange market will continue to be allowed to float within a band of 0.3% around the central parity published by the PBOC while the trading prices of the non-US dollar currencies against the RMB will be allowed to move within a certain band announced by the PBOC. Yet effective from 21 May 2007 onwards, the aforesaid floating band has been set at a rate of 0.5% regarding trading price of the RMB against US dollar in the inter-bank foreign exchange market. The PBOC will make adjustment of the RMB exchange rate band when necessary according to market development as well as the economic and financial situation.

If the Renminbi devalues by a substantial percentage, the purchasing power of the Renminbi will decrease. As we receive substantially all of our revenues in Renminbi and imports most of our raw materials from overseas in US dollars, our financial condition and results of operations may be adversely affected upon a significant devaluation of the Renminbi.

Government regulation of currency conversion and the fluctuation of the Renminbi may materially and adversely affect our ability to pay dividends in foreign currencies to our Shareholders and the value of the dividends payable on our Shares

We receive substantially all of our revenues in Renminbi, which currently is not a freely convertible currency. Our Company will have to convert a portion of these revenues into other currencies in order to make payments on declared dividends, if any, on our Shares.

Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, our Company will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with various procedural requirements. The PRC government, however, may, at its discretion, restrict access in the future to foreign currencies for current account transactions. If this were to occur, our Company may not be able to pay dividends in foreign currencies to our Shareholders.

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The value of the Renminbi against the Hong Kong dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. Any devaluation of the Renminbi, however, may materially and adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms, since our Company will receive substantially all of our revenues, and express our profits, in Renminbi.

The implementation of the labour contract law, increase in labour costs and future labour disputes may affect our operations and our profitability

The Labour Contract Law (勞動合同法) became effective on 1 January 2008 in China. It imposes more stringent requirements on employers in relation to fixed term employment contracts, hiring of temporary employees and dismissal of employees. In addition, under the newly promulgated "Regulations on Paid Annual Leave for Employees" (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' years of services. Employees who waive such vacation time at the request of employers shall be compensated for three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, our labour costs may increase. Our Directors cannot assure you that any labour disputes, work stoppages or strikes will not arise in the future. Increases in our labour costs and future labour disputes with our employees could adversely affect our business, financial condition and results of operations.

Enforcement of judgments in China may be difficult to obtain

Substantially all of our assets are located in China, and some of our Directors and executive officers reside in China. As a result, it may be difficult for investors to effect service of process upon those of our Directors and executive officers. China does not have treaties providing for the reciprocal recognition and enforcement of judgments with many regions or countries, including the United Kingdom and the United States. As a result, recognition and enforcement in China of judgments of courts in those jurisdictions may be difficult or impossible.

PRC regulations of investment and loans by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make additional capital contributions or loans to members of our Group

Any capital contributions or loans we, as an offshore entity, make to PRC members of our Group, including from the proceeds of the Global Offering, are subject to PRC regulations. For example, the total of any offshore loans to PRC members of our Group cannot exceed the difference between the registered capital and total investment of the relevant member of our Group, which shall comply with certain regulatory limits prescribed by the competent authority of the MOFCOM and such loans must be registered with SAFE or its authorised organisation. In addition, our capital contributions to PRC members of our Group must be approved by the competent authorities of the MOFCOM and SAFE. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to capitalise the relevant PRC members of our Group or fund their operations or to utilise the proceeds of this offering in the manner described in the section headed "Future Plans and Use of Proceeds" may be adversely affected, which could adversely affect the liquidity of the relevant PRC member of our Group, our ability to grow through our subsidiaries' operations and our financial condition and results of operations.

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A newly enacted PRC tax law may affect tax exemptions on dividends received by us and Shareholders and increase our enterprise income tax rate

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC subsidiaries through Hefast and CT Investments, both Hong Kong incorporated limited companies. Under the new laws, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in China, and a withholding tax at the rate of 5% is applicable to any dividends paid to Hefast, unless we are entitled to reduction or elimination of such tax, including by tax treaties. As a foreign legal person, dividends derived from our business operations prior to 1 January 2008 in China were not subject to income tax under PRC law.

A new law, the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the Implementation Rules of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) were enacted respectively on 16 March 2007 and 6 December 2007, both of which have become effective as of 1 January 2008. The new laws provide that, if an enterprise incorporated outside China has its “de facto management organisation” located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. If we are deemed to be a PRC tax resident enterprise by the PRC tax authority, we may be subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries), which excludes the dividends received directly from another PRC tax resident, our historical operating results may not be indicative of our operating results for future periods and the value of our shares will be adversely affected.

Currently, there is no published general guideline to determine whether a non-Chinese enterprise such as our Company, that by virtue of it having its actual management or control located in China, being considered a PRC tax resident enterprise. However, in analysing whether we are likely to be considered a PRC tax resident enterprise should such general guidelines be published, we have taken reference to Guoshuifa [2009] No. 82 promulgated by State Administration of Taxation in April, 2009. Whilst Guoshuifa [2009] No. 82 is not entirely relevant to our current situation since it only provides evaluation criteria to determine whether a non-Chinese subsidiary of a Chinese incorporated entity would be considered as a PRC tax resident enterprise, we however believe that the evaluation criteria set forth could be used as references as to the possible guiding principle as to how the State Administration of Taxation determine the location of actual management and control.

Guoshuifa [2009] No.82 provides four detailed criteria for judging whether an enterprise incorporated outside the PRC with another PRC enterprise(s) as major shareholder (境外註冊中資控股企業) should be recognised as a PRC tax resident. If all of the four criteria are met, the enterprise would be considered as PRC tax resident and subject to PRC Enterprise Income Tax:

The four criteria include:

1. The places where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties are mainly located within the territory of the PRC;
2. Financial decisions (such as money borrowing, lending, financing and financial risk management) and personnel decisions (such as appointment, dismissal and salary and wages) are decided or need to be decided by organisations or persons located within the territory of the PRC;

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3. Main property, accounting books, corporate seal, the board of directors and files of the minutes of shareholders' meetings of the enterprise are located or preserved within the territory of the PRC; and
4. One half (or more) of the directors or senior management staff having the right to vote habitually reside within the territory of the PRC.

Of the three executive Directors on our Board, one of them is Dutch and our Board meetings were all and will continue to be held in Hong Kong or places outside the PRC or by way of a Hong Kong or overseas based telephone conference facility. Further, our financial decisions, operations decision and personnel decisions have been and will continue to be made in Hong Kong or places outside the PRC or by way of a Hong Kong or overseas based telephone conference facility and our Company's main property, accounting records, company seal, files and records of Board and Shareholders' meetings have been and will continue to be kept in Hong Kong. Notwithstanding the aforesaid, if a general guideline as to how the State Administration of Taxation will determine the tax resident status of a non-Chinese enterprise is published and such guidelines contain similar criteria as set out above which are applied separately, we may be considered as a PRC tax resident enterprise and this may result in us having to pay higher taxes than we are currently paying.

The relevant PRC regulatory authorities have not explicitly promulgated the detailed implementation rules of the M&A Rules

Under the provisions of "Securities Law of the PRC" (中華人民共和國證券法) effective from 1 January 2006, domestic enterprises which directly or indirectly issue securities overseas or listed for trading in overseas markets must obtain approvals from the securities supervisory and administrative authorities of the State Council according to the requirements of the State Council. The M&A Rules contain provisions regarding "foreign investors merge and acquire domestic companies through equity-settled payment transactions" which requires that an offshore company holding interests of special purpose vehicles formed for overseas listing purposes shall obtain approvals from the securities supervisory and administrative authorities of the State Council. On 21 September 2006, CSRC has announced such assessment procedures on its website and specified documents required. However, according to the "continuous implementation of administrative approved projects according to laws and administrative regulations" and the "State Council determination to retain administrative approved projects according to regulatory documents except law and administrative regulations" issued by the Central People's Government of the PRC in its Official Web Portal on 25 June 2007, offshore listing transactions of special purpose vehicles are not included in either of the above two administrative approved projects. Therefore, application of the M&A Rules is subject to the interpretation of relevant regulatory authorities. However, if CSRC or other Chinese regulatory authorities subsequently decide that our Company must obtain approval from CSRC prior to its listing, our Company and its domestic subsidiaries may be subject to regulatory penalties. Regulatory authorities may impose fines on our Company and our domestic subsidiaries, restrict the operational rights of our Group within China, extend or restrict the transfer of capital raised or other policies that may affect the business, finance, reputation and prospects of our Group. Meanwhile, if our Company and our subsidiaries are required to obtain approval from CSRC in the future, our Company and our subsidiaries may not be able to obtain waivers. Uncertainties and negative influence concerning the assessment requirements of CSRC might affect the share price of our Company.

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RISK RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and liquidity may be low

Prior to the Global Offering, there has been no public market for the Shares. The initial Offer Price range for the Shares was the result of negotiations between our Group and CCBIC (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. Our Group has applied to list and deal in our Shares on the Stock Exchange. However, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Global Offering.

The Offer Price may not be indicative of prices that will prevail in the trading market, and the market price of our Shares may be volatile

The Offer Price for the Offer Shares will be determined by negotiations between us and the Sole Bookrunner (on behalf of the Public Offer Underwriters) and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the Offer Price. The price and trading volume of our Shares may be highly volatile. Factors such as changes in the our results of operations, announcements of technological innovations or events affecting other companies in our industry, currency fluctuations and general political, economic and market conditions may cause the market price of our Shares to change substantially. The volatility in the price of our Shares may be caused by factors outside our control.

Investors in the Global Offering will experience immediate dilution

The Offer Price is higher than the net tangible book value per Share prior to the Global Offering. Therefore, when you purchase our Shares in the Global Offering at the Offer Price, you will incur an immediate dilution in pro forma adjusted consolidated net tangible assets of HK\$1.14 per Share, assuming an Offer Price at HK\$3.13, the high end of the indicative Offer Price range stated in this prospectus, and that the Over-allotment Option is not exercised. In addition, we may issue additional Shares or equity-related securities in the future under our Share Option Schemes or to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Future sale of our Shares or major divestment of Shares by any major Shareholder could adversely affect our Share price

The sale of a significant number of our Shares in the public market after the Global Offering, or the perception that these sales may occur, could adversely affect the market price of our Shares. Except as otherwise described in the paragraph headed “Underwriting — Undertakings” there are no restrictions imposed on our substantial Shareholders to dispose of their shareholdings. Any major disposal of Shares by any of our major Shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our ability to raise capital.

RISK FACTORS

We have conditionally granted options to certain employees, officers and Directors of our Group to purchase an aggregate of 12,140,000 Shares under our Pre-IPO Share Option Scheme (assuming that the Over-allotment Option is not exercised), which shall vest over three years following the end of the first anniversary of the Listing Date as to 30%, 30% and 40%, respectively during each of those three years. Therefore, any exercise of options granted under the Pre-IPO Share Option Scheme would dilute the existing shareholding and may adversely impact our earnings per share. If all options granted under the Pre-IPO Share Option Scheme were exercised in the year ended 31 December 2009, this would have a dilutive effect on earnings per Share attributable to equity holders of approximately 1.6% (assuming that the Over-allotment Option is not exercised and the Capitalisation Issue has occurred) for the year ended 31 December 2009. In addition, we have conditionally approved a Post-IPO Share Option Scheme under which the maximum number of Shares that may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme or any other share option schemes adopted by us may not exceed 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option), representing 100,000,000 Shares.

Our results of operations are difficult to predict, and if we do not meet the market expectations, the price of our Shares will likely decline

Our results of operations are difficult to predict and may fluctuate from time to time. It is possible that our results of operations in some reporting periods will be below market expectations. Our results of operations will be affected by a number of factors as set forth in the section headed “Financial Information” in this prospectus. If our results of operations for a particular reporting period are lower than the market expectations for such reporting period, investors are likely to react negatively, and as a result, the price of our Shares may materially decline.

Prior dividend policy and past dividend declared should not be used as an indicator for future dividends

We have not declared any dividend during the Track Record Period. In the future, the amount of dividends that we may declare will be subject to, among other things, the availability of our Company’s cash and distributable reserves, our investment requirements, our cash flow and working capital requirements. Accordingly, the past dividends declared does not amount to any guarantee or representation or indication that our Company must or will declare and pay a dividend in such manner or declare and pay any dividend at all, either in the first financial year subsequent to the Global Offering or thereafter. The dividend policy is subject to review by our Directors at any time and our Company may determine not to pay any dividends as a result of such review.

We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from government official publications contained in this prospectus

Facts and statistics in this prospectus relating to China, its economy and the metals recycling and foundry industry derived from government official publications are generally believed to be reliable. However, we cannot guarantee the quality and reliability of such information from such publications. These facts and figures have not been independently verified by us, the Sole Sponsor or the Underwriters and their respective directors and advisers and, therefore, our Group, the Sole Sponsor, the Underwriters and their respective directors and advisers make no representation as to their accuracy or completeness. Further, there can be no assurance that these sources have stated or compiled such facts and figures on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere. In all cases, you should not unduly rely on these facts and statistics.

RISK FACTORS

Forward-looking statements may not be accurate

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “estimate”, “may”, “ought to”, “should” and “will”. Those statements include, among other things, the discussion of our Group’s growth strategy and expectations concerning our Group’s future operations, liquidity and capital resources. Purchasers and subscribers of our Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions also could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by our Group that our plans and objectives will be achieved.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVERS FROM THE STOCK EXCHANGE

Waiver from Rule 8.05(1)(a) of the Listing Rules

Rule 8.05(1)(a) of the Listing Rules requires that a new applicant applying for the listing on the Stock Exchange must have a trading record of not less than three financial years during which the profit attributable to shareholders must, in respect of the most recent year, be not less than HK\$20,000,000 and, in respect of the two preceding years, be in aggregate not less than HK\$30,000,000.

Although our Group 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 had resulted in our inventories (which comprised mainly of copper, steel, aluminium and iron finished products as well as raw materials purchased by us) being stated at net realisable value instead of at cost as at 31 December 2008. As a result of the loss we recorded for 2008 due to the Inventory Provision, our Company is unable to satisfy the requirements of Rule 8.05(1)(a) of the Listing Rules to have an aggregate profit of HK\$30 million for the two years ended 31 December 2007 and 2008.

The Stock Exchange published a news release on 5 June 2009 announcing that the Stock Exchange may grant a waiver to certain listing applicants from strict compliance with the existing profit test in certain circumstances where the negative adverse financial impact arising from the recent global financial downturn is temporary in nature. We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from compliance with Rule 8.05(1)(a) of the Listing Rules on the basis that we are able to comply with all the conditions set out in the Stock Exchange's new release dated 5 June 2009.

Waiver from Rule 8.12 of the Listing Rules

Rule 8.12 of the Listing Rules requires that a new applicant applying for the listing on the Stock Exchange must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Although our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance, our Group's substantial business activities and operations are located in Zhejiang Province, the PRC. Among the three executive Directors, Mr. van Ooijen is ordinarily resident in the Netherlands and the other two executive Directors, namely Mr. Fang and Mr. Gu, are ordinarily resident in the PRC. The executive Directors ordinarily reside outside Hong Kong possess or can apply for valid travel documents which enable them to travel to Hong Kong to meet with the Stock Exchange on reasonable and advance notice when required. The relocation of the executive Directors to Hong Kong will entail application for residency in Hong Kong which is an extremely time-consuming and burdensome process and at significant administrative cost to our Company.

Our Group acknowledges that personnel should be ordinarily resident in Hong Kong to be available as contact persons to the Stock Exchange and also to handle all on-going compliance matters relating to the Listing Rules subsequent to the Listing, but if such arrangements were to draw upon our Group's key senior management resources in the PRC, this may have an adverse effect on the business of our Group. Each of the executive Directors has a vital role in our Group's business at the place where they are ordinarily resident and it is necessary for them to remain closer to our Group's operations in the PRC or assist in monitoring the sourcing of the metal scrap market in Europe, as the case may be. The Directors therefore consider that it will be unduly burdensome for our Company to maintain management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Notwithstanding the fact that none of our executive Directors is ordinarily resident in Hong Kong, our Company has put in place the following measures to maintain regular communication with the Stock Exchange and ensure that all members of our Board can be promptly informed of any matters raised by the Stock Exchange:

- (a) our Company has appointed Mr. Gu (our executive Director) and Ms. Yu Miu Cheung (our Company Secretary) as our Company's authorised representatives under Rule 3.05 of the Listing Rules who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Yu ordinarily resides in Hong Kong. Mr. Gu ordinarily resides in the PRC and he possesses valid travel document to enable him to travel to Hong Kong to meet with the Stock Exchange on reasonable and advance notice when required. Accordingly, both of them will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email to promptly address enquiries from the Stock Exchange;
- (b) the authorised representatives will have means to contact all members of the Board (including the executive Directors, non-executive Director and independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. In order to enhance communication between our Company and the Stock Exchange, (a) each executive Director, the non-executive Director and each independent non-executive Director have provided to the authorised representatives and the Stock Exchange their respective contact details such as mobile, residential and office telephone numbers, facsimile number and e-mail address; and (b) each Director will endeavour to provide valid phone number or means of communication to the authorised representatives when he or she is travelling;
- (c) all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, as and when required;
- (d) in compliance with Rule 3A.19 of the Listing Rules, our Company proposes to engage CCB International Capital Limited to act as our Company's compliance adviser and as such an additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 in respect of its financial results for the first full financial year commencing after the Listing Date. The compliance adviser will assist our Company in communicating with the Stock Exchange and will ensure that our Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in the authorised representatives and/or compliance adviser of our Company; and
- (f) our Company has maintained and will continue to maintain a principal place of business in Hong Kong, which is currently at Room 1410, 14/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 25,000,000 Hong Kong Offer Shares and the International Offering of initially 225,000,000 International Offer Shares, subject, in each case, to adjustment on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and, in the case of the International Offering, to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure of the Global Offering" in this prospectus.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Sole Global Coordinator, on behalf of the Underwriters, and us on the Price Determination Date. The International Offering will be fully underwritten by the International Underwriter under the terms of the International Underwriting Agreement.

If, for any reason, we and the Sole Global Coordinator, on behalf of the Underwriters, cannot agree on the Offer Price, the Global Offering will not proceed. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about 2 July 2010 and, in any event, not later than 3 July 2010. If, for whatever reason, our Company and the Sole Global Coordinator are not able to agree on the Offer Price, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALES OF THE OFFER SHARES

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

Each person acquiring the Hong Kong Offer Shares will be required to confirm, or by his acquisition of the Hong Kong Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption from applicable securities law. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in China.

APPLICATIONS FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option or options granted or to be granted under the Share Option Scheme). We expect dealing in our Shares on the Stock Exchange to commence on 12 July 2010.

None of our shares or other securities are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

REGISTERS OF MEMBERS AND STAMP DUTY

All Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our register of members to be maintained in Hong Kong by the Hong Kong Share Registrar. Our principal register of members will be maintained by our principal share registrar and transfer agent, Codan Trust Company (Cayman) Limited, in the Cayman Islands.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert. Our Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager and the Underwriters, all of their respective directors, agents or advisers or any other persons involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of or the dealing in the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of our Group, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of or the exercise of any rights in the Shares.

OVER-ALLOTMENT AND STABILISATION

Please see details in the sub-section headed "Over-allotment Option" in the section headed "Structure of the Global Offering" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on the Main Board are expected to commence at 9:30 a.m. (Hong Kong time) on 12 July 2010. Shares will be traded in board lots of 2,000 each.

The stock code for the Shares is 976.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
DIRECTORS		
<i>Executive Directors</i>		
Mr. Fang Ankong	Taizhou Industrial Zone of Metal Recycling, Fengjiang, Luqiao Taizhou, Zhejiang The PRC Post Code 318054	Chinese
Mr. Gu Liyong	Flat D702 Courtyard No.55 Zhen Ning Rd Shanghai 200050 The PRC	Chinese
Mr. Stephanus Maria van Ooijen	De Balbian Versterlaan 7 5062 Ex Oisterwijk The Netherlands	Dutch
<i>Non-Executive Director</i>		
Mr. Ralph Sytze Ybema	No. 3, 26 Cheung Fu Street Cheung Sha Lantau Island Hong Kong	Dutch
<i>Independent Non-Executive Directors</i>		
Ms. Zhang Jingdong	Room 602, Unit 3 No. 6 Jian Ren Li Shang Cheng District Hangzhou City The PRC	Chinese
Dr. Loke Yu	17/F., Ascot Tower 45-47 Village Road Happy Valley Hong Kong	Malaysian
Mr. Li Xikui	Room 501, 4 Men, Block 3, No 33 Taibisi Street West District, Beijing The PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

**Sole Global Coordinator,
Sole Bookrunner and
Sole Sponsor**

CCB International Capital Limited
34th Floor, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

**International Underwriters and
Sole Lead Manager**

CCB International Securities Limited
34th Floor, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

Hong Kong Underwriters

CCB International Securities Limited
34th Floor, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

China Merchants Securities (HK) Co., Ltd.
48/F, One Exchange Square
Central
Hong Kong

First Shanghai Securities Ltd.
19/F, Wing On House
71 Des Voeux Road
Central
Hong Kong

Tai Fook Securities Company Limited
25/F New World Tower
16-18 Queen's Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to our Company

as to Hong Kong law:
Stephenson Harwood
35th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

as to PRC law:
Zhong Lun Law Firm
11th Floor, Bank of China Building
200 Yincheng Road Central
Pudong New Area
Shanghai
The PRC

as to Dutch law:
Van den Boomen Advocaten B.V.
Saal van Zwanenbergweg 3
NL-5026 RM Tilburg
The Netherlands

as to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Legal Advisers to the Underwriters

as to Hong Kong law:
Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

as to PRC law:
GFE Law Office
18th Floor
Guangdong Holdings Tower
555 Dongfeng East Road
Guangzhou
Guangdong
The PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Auditors and Reporting
Accountants**

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Morison Heng
Certified Public Accountants
7th Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Property Valuer

DTZ Debenham Tie Leung Limited
16th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Receiving Bankers

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Taizhou Industrial Zone of Metal Recycling Fengjiang, Luqiao, Taizhou Zhejiang The PRC Post Code 318054
Headquarters and Principal Place of Business in Hong Kong	1410, 14/F., Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
Company Website	www.chiho-tiande.com <i>(Note 1)</i>
Company Secretary	Ms. Yu Miu Cheung Associate member of the Institute of Chartered Secretaries and Administrators Associate member of the Hong Kong Institute of Company Secretaries
Qualified Accountant and Chief Financial Officer	Mr. Chow Wan Hoi Paul Associate of the Institute of Chartered Accountants in England and Wales Associate of the Institute of Chartered Accountants in Australia Member of the Hong Kong Institute of Certified Public Accountants
Authorised Representatives	Mr. Gu Liyong Flat D702 Courtyard No. 55 Zhen Ning Road Shanghai 200050 The PRC Ms. Yu Miu Cheung 22H, Block 2 Fullview Garden 18 Siu Sai Road Siu Sai Wan Hong Kong

Note:

(1) The information contained on our website does not form part of this prospectus.

CORPORATE INFORMATION

Audit Committee

Dr. Loke Yu (chairman)
Ms. Zhang Jingdong
Mr. Li Xikui

Remuneration Committee

Mr. Fang Ankong (chairman)
Dr. Loke Yu
Ms. Zhang Jingdong
Mr. Li Xikui
Mr. Stephanus Maria van Ooijen

Nomination Committee

Mr. Stephanus Maria van Ooijen (chairman)
Dr. Loke Yu
Ms. Zhang Jingdong
Mr. Li Xikui
Mr. Fang Ankong

Principal Bankers

Zhejiang Tailong Commercial Bank
No. 188 Nanguan Avenue
Luqiao District
Taizhou City
The PRC

Industrial and Commercial Bank of China
Taizhou Branch Operation Department
No.609 Shifu Avenue
Economic Development Zone
Taizhou City
The PRC

Agriculture Bank of China
Taizhou Branch Luqiao Sub-branch
No.1 Shanghai South Street
Luqiao District
Taizhou City
The PRC

Shanghai Pudong Development Bank
Luqiao Sub-branch
No.3 Shanghai North Street
Luqiao District
Taizhou City
The PRC

Bank of China Luqiao Sub-branch
No.39-53 Nanguan Avenue
Luqiao District
Taizhou City
The PRC

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

**Cayman Islands Principal Share
Registrar and Transfer Office**

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Adviser

CCB International Capital Limited

INDUSTRY OVERVIEW

This section contains information and statistics relating to the PRC economy and the industry in which we operate. Unless otherwise specified, the information and statistics set out in this section have been extracted, in part, from various official government publications. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by the Directors in extracting and reproducing such information and statistics; however, none of our Company, the Sole Sponsor, Sole Global Coordinator, Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors and advisers or any other party involved in the Global Offering make any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC. Certain information set forth in this section has been extracted from an industry report we commissioned from CRU Strategies, an independent industry consultancy firm. For more information on CRU Strategies, please refer to the section headed “Other Information” in Appendix VI to this prospectus.

We engaged CRU Strategies, one of the leading industry consultancy firms to conduct a detailed study of the global and Chinese scrap industry. For further information on CRU Strategies, please refer to the subsection headed “Other Information” in the section headed “Statutory and General Information” in Appendix VI to this prospectus.

CRU Strategies has compiled this report based on historical and forecast data from its sister company, CRU Analysis. Established in 1969, CRU Analysis provides independent business analysis focused on the mining, metals, power, cables, fertiliser and chemical sectors. It produces regular publications on the steel, copper and aluminium markets, as well as other metals, covering demand and supply, prices, costs, and developments in related markets such as raw materials (including scrap and its substitutes), and downstream products.

To support its publications, CRU Analysis has established databases and forecasting models that calculate market demand, supply and prices, using available data, including trade and macroeconomic statistics and data from companies, including clients, and government, and industry bodies. This historical and forecast data is adjusted based on objective economic analysis and discussions with market participants. The resulting market analysis is open to industry scrutiny, given that the subscribers to CRU Analysis’s regular reports are participants of the relevant markets, including metals and mining companies, suppliers to and customers of the industries, financial institutions, and state and industry bodies.

Where bespoke or more up-to-date data was required to compile this report outside of the information published in the regular reports of CRU Analysis, CRU Strategies has undertaken further market analysis based on the databases of CRU Analysis, and additional quantitative and qualitative research, including face-to-face interviews with relevant parties where required.

Certain information set forth in this section and the section headed “Business” of this prospectus has been extracted from the CRU Report. The consultancy fees paid by our Company to CRU Strategies in connection with the preparation of the industry report for this prospectus is approximately HK\$852,000.

We believe that the CRU Report is an appropriate source of information that has been extracted for inclusion in this section and the section headed “Business” of this prospectus and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other parties involved in the Global Offering and no representation is given as to its accuracy.

INDUSTRY OVERVIEW

INTRODUCTION

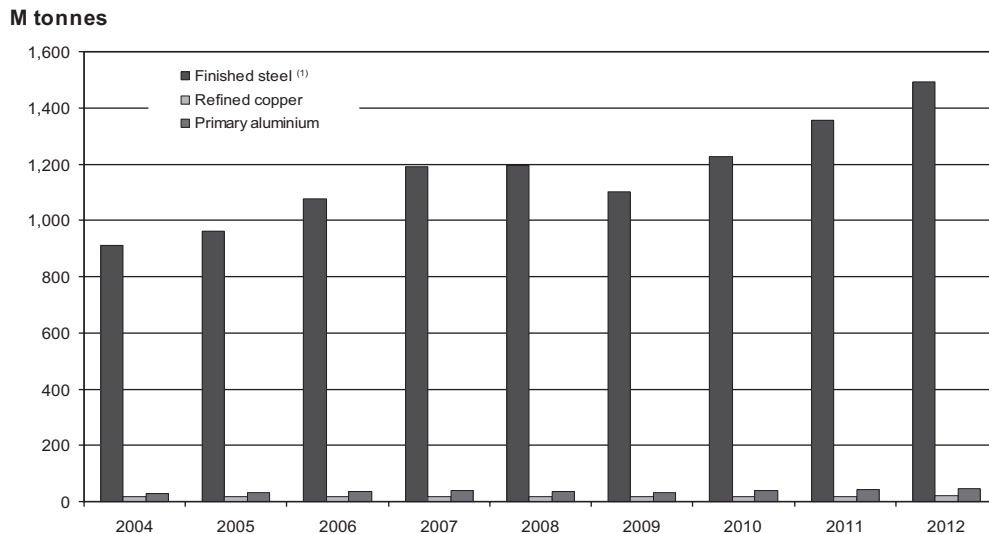
All metals are classified as ferrous and nonferrous metals depending on whether they contain the element of iron. A ferrous metal has iron as its main element and includes cast iron, manganese and chromium. A nonferrous metal refers to other kinds of metals that do not contain iron, including copper, aluminium and certain precious metals. Both ferrous and nonferrous metals are widely used for machinery, construction, automobiles, aircraft, household appliances and ship building.

Metals can also be classified into “primary” and “secondary” metals. “Secondary” metals are also known as “recycled” metals. Primary metal refers to material from ore deposits and secondary metal refers to material from recycled material, including used products and residual materials from manufacturing.

The metal recycling industry plays a vital role in the production and supply of ferrous and nonferrous metals. It contributes significantly to the protection of the environment and to the reservation of valuable natural resources, including energy, which are consumed in large quantities during primary metal production processes.

1. GLOBAL STEEL, COPPER & ALUMINIUM INDUSTRY

Figure 1.1: World consumption of steel, copper and aluminium (million tonnes), 2004-2012 *(Note)*



Data: CRU Strategies

Note: Finished steel consumption includes long products (wirerod, structurals, rebar, merchant bar), plate and flat products (hot rolled coil, cold rolled coil and coated sheet).

INDUSTRY OVERVIEW

The Global Steel Market Overview

Steel combines the physical attributes of hardness and ductility, and has a long list of uses in a wide range of industries such as automotive, construction, transportation, engineering, oil and gas, etc. Steel products can be broadly categorised into: (1) long products, including rods, bars and sections which are used in applications such as beams in construction, ropes in bridges, railway lines; (2) flat products, including plate, sheet and rolled coil, which are used in applications such as automotive panels, ships and domestic appliances. The steel industry, both in terms of value and tonnage, vastly outstrips other metals industries.

After a contraction in finished steel consumption of 7.9% year-on-year in 2009, a sharp recovery is forecast for 2010. Continued support from governments around the world, coupled with a recovery in consumer driven demand will see consumption increase by 11.4% year-on-year in 2010. This positive growth trend is forecast to continue through to 2012, with growth in finished steel consumption rising by an average of 10.3% per annum between 2011 and 2012.

During this period, the North American and the European markets will exhibit strong growth rates, with consumption increasing by a CAGR of 37.0% and 24.3%, respectively, thereby recovering some of their more recent loses. By 2012, global consumption of finished steel is expected to be just short of 1.5 billion tonnes.

Table 1.1: Global steel market, million tonnes, 2004–2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Finished steel consumption, by region, m tonnes ^(Note):									
North America	136	121	136	125	113	70	85	98	111
South & Central America	31	30	34	37	42	30	34	38	42
Europe (incl. CIS)	213	210	243	263	238	163	186	207	230
China	268	327	381	449	468	565	619	680	748
Rest of Asia	175	176	177	187	190	138	158	174	189
Other world	88	98	105	129	144	134	144	157	170
Total World	910	962	1,076	1,190	1,194	1,101	1,226	1,355	1,491
% Change	9.6%	5.7%	11.8%	10.6%	0.4%	-7.9%	11.4%	10.5%	10.0%

Data: CRU Strategies

Note: Finished steel consumption includes long products (wirerod, structurals, rebar, merchant bar), plate and flat products (hot rolled coil, cold rolled coil and coated sheet).

INDUSTRY OVERVIEW

The Global Copper Market Overview

Copper is malleable, ductile, germicidal, and water resistant, and is a good conductor of heat and electricity when in a pure form. As a result, its main uses include pipes, electronics (for example, copper wire, electromagnets, printed circuit boards, electromagnetic motors, generators and transformers), structural engineering, household products, coinage and biomedical applications. Copper is also combined with other metals to form copper alloys, which include bronze (copper and tin), brass (copper and zinc), and copper nickel alloys.

In 2007, global consumption of refined copper^(Note) (including both primary and secondary metal) peaked at 18.0 million tonnes. Consumption has since fallen year-on-year in both 2008 and 2009 by 1.7% and 6.6% respectively, due to the slowdown in end-use demand and resulting reduction in the production of semi-fabricated products, as a result of the global recession. By the end of 2009 world consumption of refined copper amounted to 16.6 million tonnes. The contraction in consumption was most severe in the major industrialised economies, North America, Europe and Oceania, where cumulative consumption fell by 28.0% between 2007 and 2009. Of all the regions shown in Table 1.2, only Asia and Africa/Middle East exhibited positive consumption growth between 2007 and 2009, rising by 7.4% and 5.8% respectively in absolute terms. This diverging fortune between developed and developing economies has drastically changed the nature of the market: in 2009 Asia consumed 58.1% of global refined copper, up from 44.9% in 2004. Conversely, the developed economies share of world consumption has fallen from 47.3% to just 33.0% over the same period.

Global copper consumption growth is forecast to recover in 2010, rising by an estimated 8.3% year-on-year to 17.9 million tonnes. The Asian and African/Middle Eastern markets are set to show robust growth in 2010, each growing by an estimated 10–11% year-on-year. Even so, global refined copper consumption is unlikely to surpass 2007 levels until at least 2011, and by 2012, will amount to 19.1 million tonnes, 2.2 million tonnes higher than in 2010.

Table 1.2: Refined copper consumption, by region, '000 tonnes, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Refined copper consumption,									
by region, '000 tonnes:									
North America	3,073	2,892	2,688	2,646	2,380	1,894	1,959	2,068	2,139
South & Central America	546	557	593	571	567	505	531	563	597
Europe (incl. CIS)	4,663	4,622	4,990	4,805	4,538	3,458	3,552	3,800	3,944
China	3,458	3,810	3,998	4,655	4,887	5,937	6,814	7,306	7,792
Rest of Asia	4,047	4,004	4,108	4,288	4,216	3,672	3,883	4,041	4,227
Africa/Middle East	748	802	855	922	997	975	1,070	1,184	1,285
Oceania	169	133	136	138	134	112	118	116	112
Total World	16,704	16,821	17,367	18,026	17,719	16,552	17,927	19,078	20,097
% Change	8.8%	0.7%	3.2%	3.8%	-1.7%	-6.6%	8.3%	6.4%	5.3%

Data: CRU Strategies

Note: CRU Strategies measures both copper and aluminium consumption at the point the metal is used to produce semi-manufactured products, such as wirerod, rods, bars and sections/extrusions, sheet, plate and tubes and other "semis" (as opposed to the final consumption of end products containing copper or aluminium).

INDUSTRY OVERVIEW

The Global Aluminium Market Overview

Aluminium is a high strength, but lightweight metal, which is a good conductor of electricity, and relatively easy to work/re-work. As a result, it is used in a wide array of applications including: transportation (in road vehicles, aircraft, railcars and marine uses), packaging (drinks cans, aluminium foil), construction (windows, doors, cladding, facades), electrical (cable and wire), consumer durables, and in general engineering. The development of the Hall-Heroult process for the electrolytic smelting of aluminium and the Bayer process for the production of alumina, in the late nineteenth century transformed aluminium from a semi precious metal to an everyday industrial metal. This has allowed demand to grow by such an extent, that aluminium now ranks as the world's second largest metals industry, both by volume and by value.

After several years of annual global consumption growth being in the range of 5–10% year-on-year, primary aluminium consumption fell by 1.5% year-on-year in 2008. This downward trend accelerated further during the first half of 2009, as the full extent of the economic slowdown became apparent, and as a consequence, global primary consumption contracted by 8.2% year-on-year in 2009, ending the year at 34.3 million tonnes. The downturn in demand was especially severe in more developed regions – primary aluminium consumption fell by a cumulative 24.9% in 2009 in North America, Europe and Japan. The notable exceptions to these downward trends were the Chinese and Indian markets, which achieved positive consumption growth rates of 11.0% and 7.0% respectively in 2009.

The short to medium term outlook is, however, far more positive. A 3.0% year-on-year increase in world GDP growth in 2010 is forecast, and consequently primary aluminium consumption growth is also expected to recover. Between 2010 and 2012, global primary consumption is forecast to grow by 7.8 million tonnes to 45.7 million tonnes. As in both the copper and steel markets, Asia will account for the majority of the growth during this time, increasing by 4.5 million tonnes in absolute terms. Elsewhere, North America and Europe will also recover some but not all of their recent losses, growing at 8.7% and 7.1% CAGR respectively through to 2012.

Table 1.3: Primary aluminium consumptions, by region, '000 tonnes, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary aluminium consumption,									
by region, '000 tonnes:									
North America	7,169	7,164	7,190	6,483	5,990	4,569	4,988	5,492	5,898
South & Central America	1,087	1,185	1,231	1,402	1,533	1,434	1,569	1,680	1,807
Europe (incl. CIS)	8,270	8,467	8,922	9,413	8,774	6,530	7,067	7,525	8,113
China	6,066	7,162	8,752	12,071	12,604	13,994	16,347	17,853	19,746
Rest of Asia	6,003	6,117	6,383	6,378	6,163	5,648	6,324	6,821	7,380
Africa/Middle East	1,436	1,527	1,666	1,862	2,008	1,840	2,011	2,209	2,420
Oceania	408	358	358	374	348	325	356	370	386
Total World	30,439	31,980	34,501	37,982	37,420	34,341	38,662	41,949	45,750
% Change	9.8%	5.1%	7.9%	10.1%	-1.5%	-8.2%	12.6%	8.5%	9.1%

Data: CRU Strategies

2. SCRAP CONSUMPTION

Scrap Consumption in the Production of Steel

There are presently three distinct technologies utilised in the production of steel, including: the Blast Furnace (“BF”)/Basic Oxygen Furnace (“BOF”), the Electric Arc Furnace (“EAF”), and the Open Hearth Furnace (“OH”). Of these, the BF/BOF route, which uses iron ore as its principal feedstock, is the most popular accounting for 71.2% of global steel production. Typically, a BF/BOF steel complex produces a higher quality of steel and is therefore most suited to producing higher value flat products (such as hot rolled coil). The EAF route accounts for 28.1% of world crude production. In contrast to the BF/BOF route, EAF steelmaking uses ferrous scrap and/or directly reduced iron/hot briquetted iron (DRI/HBI)^(Note) as its main feedstock. OH production is an old technology, used in the ex-Soviet republics, which accounts for 1.7% of global crude production. Scrap is consumed in both the BF/BOF and the EAF routes, but its usage is far more intensive in the latter accounting for 80% of the iron input units (i.e. feedstock), compared to just 8% in the former.

Between 2004 and 2007, global EAF production grew by 16% in absolute terms from 353 million tonnes to 411 million tonnes. However, since the global financial crisis and economic slowdown, global EAF steel production has fallen in successive years, contracting by 1% and 17% year-on-year to 406 million and 339 million tonnes in 2008 and 2009 respectively. On a regional basis, Asia produced 169 million tonnes of steel in 2009 through the EAF route, which is just under half of the world’s total EAF production. Elsewhere, North America and Europe jointly accounted for 35% of production, with the remainder being evenly split between Africa/Middle East and South and Central America. In addition to showing global EAF production, Table 1.4 also shows the proportion of scrap that is consumed in the production of steel. Total world consumption of scrap rose by 23kg/tcs to 532kg/tcs between 2004 and 2009, as result of an increasing degree of scrap usage, particularly in Asia. Scrap usage grew most strongly in EAF production, rising by 42kg/tcs to 866kg/tcs over the same time period, but the dominance of BF/BOF production in world steel output means that the global average is skewed downwards.

CRU Strategies Forecast

Looking ahead, world EAF production is forecast to grow by 9.0% per annum between 2010 and 2012, from 381 million tonnes in 2010 to 452 million tonnes in 2012 in line with a broader global recovery in the crude steel markets. Again, Asia is expected to lead the growth, accounting for a third of the growth during this period. However, the growth will by no means be confined to developing regions, with Europe and North America, each accounting for over 22% of the absolute growth during this time period. This growth, is not, however, expected to filter down into higher unit consumption of scrap/tonne of crude steel. Instead, the consumption of scrap in the production of crude steel is expected to contract to 524kg/tcs, even though total consumption of scrap is expected to rise by 93 million tonnes between 2010 and 2012, to 559 million tonnes. This trend corresponds with a stronger rate of growth in Hot Briquetted Iron (“HBI”) consumption during this period (i.e. CAGR of 9.6% for scrap between 2010 and 2012, versus 14.5% for DRI/HBI during this period).

Note: DRI can be used instead of scrap in the event that the mill has access to cheap gas. However, it does present some logistical issues, as it has the tendency to self combust, during transit – and is thus typically converted into briquettes (i.e. hence HBI).

INDUSTRY OVERVIEW

Table 1.4: Global steel market outlook, million tonnes, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Global crude steel production	1,069	1,133	1,250	1,345	1,327	1,206	1,338	1,463	1,570
Global crude steel capacity	1,221	1,316	1,419	1,523	1,555	1,648	1,725	1,797	1,862
Global EAF steel production	353	360	398	411	406	339	381	421	452
Consumption of finished steel <i>(Note)</i>	910	962	1,076	1,190	1,194	1,101	1,226	1,355	1,491
Global consumption of scrap in production	435	447	477	495	497	417	466	524	559
Steel scrap consumption as a % of crude production	40.7%	39.5%	38.2%	36.8%	37.5%	34.5%	34.8%	35.8%	35.6%
Consumption of scrap in the production of steel (kg/tonne crude steel)	509	518	518	516	520	532	531	531	524

Data: CRU Strategies

Scrap Consumption in the Production of Copper

The consumption of secondary materials experienced rapid growth in the mid-2000s. During 2004-2007, consumption of these materials in the production of refined copper grew on average by 11.4% per annum, driven by improved scrap availability, high refined copper prices, and growth in Chinese secondary production. Scrap based refined copper production, which is processed via the pyrometallurgical method, peaked in 2007 at 2.8 million tonnes, accounting for 15.9% of total refined production. A further 6.6 million tonnes of scrap was consumed in the production of semi-fabricated copper products, giving a total consumption figure of 9.4 million tonnes for the year. Since then, the availability of scrap for secondary and semis production has declined, due to lower scrap discounts and a fall in the rate of scrap generation. Lower levels of economic activity in more developed countries, plus slower replacement rates for consumer durables due to tighter consumer spending has reduced scrap generation. Scrap consumption in global secondary copper production in 2009 amounted to 2.6 million tonnes (accounting for 14.8% of global refined production), whilst semis production fell to 5.8 million tonnes.

CRU Strategies Forecast

Looking ahead, scrap consumption is forecast to rebound in 2010, with its consumption in secondary production reaching 2.8 million tonnes. However, CRU Strategies expects a lag in scrap supply growth, because industrial production and construction activity in the key scrap supplying regions, i.e. Western Europe and North America is likely to remain well below pre-crisis levels activity for some time. By 2012, scrap consumption secondary copper production is forecast to be 11.5% higher than in 2010, reaching 3.5 million tonnes.

INDUSTRY OVERVIEW

Table 1.5: Global refined copper market outlook, '000 tonnes, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Global refined copper production	15,839	16,518	17,218	17,926	18,131	17,789	17,743	19,018	20,060
Global refined copper capacity	20,091	20,955	22,046	23,611	24,688	26,224	27,035	27,657	28,098
Global refined copper consumption	16,704	16,821	17,367	18,026	17,719	16,552	17,927	19,078	20,097
Scrap consumed in refined metal production	2,019	2,200	2,447	2,789	2,768	2,629	2,827	3,197	3,517
Scrap consumption as a % of refined production	12.7%	13.3%	14.2%	15.6%	15.3%	14.8%	15.9%	16.8%	17.5%

Data: CRU Strategies

Scrap Consumption in the Production of Aluminium

CRU Strategies calculates secondary aluminium scrap consumption by measuring the total metal requirement for aluminium, which is a function of semis production, and subtracting primary consumption. On this basis, CRU Strategies estimate that consumption of secondary aluminium in 2009 was 13.0 million tonnes, compared to 34.3 million tonnes of primary consumption. This means that secondary material accounted for 27.5% of the total demand for aluminium during that year.

The increased demand for secondary alloys in automotive production, coupled with an increased market share for aluminium beverage cans (also known as used beverage cans, or UBC), which in turn, has yielded a new source of post-consumer scrap that returns to the market quickly, has contributed to the sharp rise in secondary production since the 1960s. This trend has slowed somewhat, more recently, keeping the secondary market's share of total metal requirement between 26–28% over 2004 and 2009. Two factors have contributed to the slowdown: firstly, a decline in the rate of growth of aluminium consumed in beverage cans, and secondly, the massive surge in primary consumption (or total metal requirement) forthcoming from the Chinese markets.

Consumption of aluminium scrap is expected to remain fairly flat during 2010, increasing by 60,000 tonnes year-on-year. This, however, corresponds with a marked recovery in total metal requirement, which is forecast to grow by 9.3% on 2009's number, and is thereby expected to push the secondary market's share down to a low of 25.3% for the year.

CRU Strategies Forecast

Between 2010 and 2012, scrap consumption is expected to grow by a CAGR of 9.2%, eventually reaching 15.6 million tonnes in 2012.

INDUSTRY OVERVIEW

Table 1.6: Global aluminium market outlook, '000 tonne, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Global aluminium market outlook, '000 tonnes:									
Global primary aluminium production	29,883	31,970	33,914	38,117	40,129	37,780	41,301	43,132	46,563
Global primary aluminium capacity	34,558	36,682	38,477	44,105	45,310	49,194	52,968	57,101	60,849
Global primary aluminium consumption	30,439	31,980	34,501	37,982	37,420	34,341	38,662	41,949	45,750
Total aluminium consumption	42,017	44,178	47,830	51,364	51,500	47,379	51,757	56,311	61,350
Global aluminium scrap consumption	11,578	12,198	13,329	13,382	14,079	13,038	13,095	14,362	15,600
Scrap consumption as a % of Total Metal Requirement	27.6%	27.6%	27.9%	26.1%	27.3%	27.5%	25.3%	25.5%	25.4%

Data: CRU Strategies

Price Trends

Both refined copper and primary aluminium are traded on the LME, which acts as the main reference point for prices. Pricing structures are far more opaque in the steel markets, and consequently CRU Strategies has presented its estimates of HR Coil prices in the US Midwest, Europe and China. Trends in the metal prices are outlined below.

Table 1.7: Metals price outlook, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Benchmark metals prices (US\$/tonne):									
HR Coil, US Midwest	670	601	644	582	948	531	642	682	661
HR Coil, US Germany	551	561	583	668	927	569	622	659	691
HR Coil, China domestic	n.a.	492	490	565	728	528	587	668	675
3-Month LME copper price	2,793	3,508	6,675	7,096	6,884	5,185	7,778	7,573	7,620
3-Month LME aluminium price	1,721	1,899	2,594	2,662	2,620	1,701	2,160	2,130	2,220

Data: CRU Strategies

Steel Price Trends and CRU Strategies Forecast

Price trends have fluctuated widely between the different steel markets presented in Table 1.7. Between 2004 and 2007, HR coil prices contracted by a CAGR of 4.6% in the US Midwest, whilst increasing by 6.7% and 7.2% in Europe and China, respectively (note with the absence of a Chinese price in 2004, the CAGR growth here relates to growth between 2005 and 2007). As far as steel markets go, 2008 was an anomaly which saw HR coil prices shoot up to an all time high, ranging between US\$920/t–US\$950/t range in Europe and North America. This, however, came to a dramatic ending once the asset bubble burst with Lehmann's demise late in 2008, and a year later in 2009, HR coil prices had fallen back down to the US\$530–US\$560/t range. The contraction was particularly severe in the US market, where prices fell by 44.0% year-on-year.

Nevertheless, with both construction and automotive demand picking up from 2010 onwards, the short/medium term outlook is positive. Between 2009 and 2012, steel prices are expected to increase by between 21.4%–28.0% in absolute terms. Consequently, prices are forecast to range from US\$661/t in the US Midwest to US\$691/t in Germany by 2012. The China domestic price is expected to fall in-between these two values, at US\$675/t.

INDUSTRY OVERVIEW

Copper Price Trends and CRU Strategies Forecast

The annual 3-Month LME copper price has ranged from a low of US\$2,793/t in 2004 to an annual high of US\$7,096/t in 2007. Whilst fundamentals, and in particular, the limited availability of concentrates, have gone part of the way to support this rise, an influx of investment into the sector through fund activity has also contributed to the price inflation. The rise in prices halted during the second half of 2008, when copper prices collapsed in line with lower demand from end-use sectors and weakened investor confidence. Overall, the 3-month LME copper price fell by 3.0% during 2008, reaching a low of US\$2,870/t on 23 December. In 2009, the copper price steadily rose and averaged at US\$5,185/t for 2009 as a whole, helped by a wave of Chinese buying, and the re-entry of many investors.

Recovering demand coupled with a shortage of feedstock (both concentrates and scrap) is forecast to push the markets back into deficit in 2010, where it will stay through to 2012. Consequently, prices are forecast to recover to the range of US\$7,573/t – US\$7,778/t during this period.

Aluminium Price Trends and CRU Strategies Forecast

Aluminium prices rose steadily 2004 and 2007, driven by strong Chinese consumption growth and investor fund inflows. By 2007, the average 3-month LME price of US\$2,662/t was an estimated 54.7% higher than the yearly average in 2004. However, with the emergence of the global financial crisis late in 2008, the aluminium price suddenly came under severe pressure as demand collapsed and massive stocks accumulated. By the end of the first quarter in 2009, the 3-month LME price fell to an average of US\$1,396/t. Since then, the 3-month aluminium price has recovered significantly, and at the time of writing^(Note) was trading at US\$1,982/t.

CRU Strategies expects aluminium prices to continue rising in nominal terms, with the 2012 forecast to 9.3% higher at US\$2,220/t, than the yearly average for 2009. However, in real terms, prices will remain short of the high levels set in 2006 to 2008, due to significant capacity overhang and stock levels still being considerably higher than in the past, acting as a constraint on any prolonged rally in prices.

Table 1.8: Metal Scrap Price Trends, 2004 – 2009

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Scrap Prices, US\$/tonne:									
No 1, HMS, Chicago	207	191	220	191	350	201	296	319	305
No 1, HMS Rotterdam, FOB	216	205	233	205	432	248	318	345	330
No 1, HMS, Pohang (S Korea), C&F	275	254	266	254	505	300	380	394	380
Copper scrap price, #2, USA	2,453	3,107	5,646	5,678	5,853	4,191			
Copper scrap price, #2, Europe	2,416	3,093	5,668	6,009	5,975	4,511			
Aluminium old sheet & cast price	1,225	1,286	1,657	1,683	1,603	1,017			
Aluminium segregated alloys price	1,736	1,873	2,301	2,278	2,211	1,486			

Data: CRU Strategies

In the absence of a market exchange for scrap, the prices quoted for scrap in table above are from CRU Analysis, which regularly speaks to scrap market participants to estimate prevailing scrap prices or discounts. Every scrap transaction is the result of an individual negotiation, and therefore there is no single price for a certain grade of scrap at a certain time. Instead, the prices shown in this section are indicative of general market movements.

Note: February 8, 2010.

INDUSTRY OVERVIEW

The pricing of scrap is dependent on a series of variables, which are briefly discussed below:

- **Metal content, quality, and physical make-up of the scrap (including any impurities and by-products):** typically the higher the metal content (and the lower the impurities) of the scrap material, the higher its price, subject to market conditions. For example, in the steel market, there is a premium paid for prompt scrap over obsolete scrap.
- **The level of demand for scrap and its availability:** For example, the aluminium old sheet and cast price has soared by 70% between the beginning of June 2009 and February 2010, on the back of stronger global demand, and constricted supply conditions.
- **Amount and difficulty of the sorting process:** the greater the sorting completed by the seller, the higher the scrap price may be. Equally, the greater the requirement for further processing by the buyer, the lower the scrap price.
- **The relative performance of the benchmark price:** Scrap prices are typically linked to benchmark metals prices. For example, copper scrap is priced on the basis of the LME: the tonnage of scrap is multiplied by its copper content, and then a discount is made to cover the cost of refining the scrap into metal. As a result, the increase in the benchmark copper prices over 2006 to 2008 translated into increased scrap prices. The copper, aluminium and steel scrap prices illustrated in Table 1.7, showed a positive correlation ranging between 87.1% and 99.5% to their respective benchmark prices.
- **Arbitrage between Chinese and benchmark world prices:** Chinese buyers have featured increasingly in world scrap markets over the last decade. The buying activity of Chinese scrap consumers can therefore determine the price of scrap in regional markets. Chinese scrap consumers will tend to pursue material in foreign markets more when the difference between local metal prices (for instance SHFE) and the price in other key regions (i.e. LME) is unfavourable (i.e. when it is higher than overseas prices).

Whilst the drivers identified above are common across the spectrum of scrap products, they will vary in importance and move independently in individual metal scrap markets at any given time.

CRU Strategies only publishes prices forecasts for ferrous scrap. These are shown in the Table 1.8. Whilst CRU Strategies does not forecast prices for aluminium and copper scrap, it is expected that these prices will rise upwards in line with LME prices, given the strong correlation between the two sets of prices. Improved availability of scrap on account of the recovery in global industrial activity, especially in 2011 and 2012, may mean that the scrap price as a proportion of the metal price declines slightly. This may be more apparent in the copper than the aluminium market, because relatively large aluminium stocks are expected to persist.

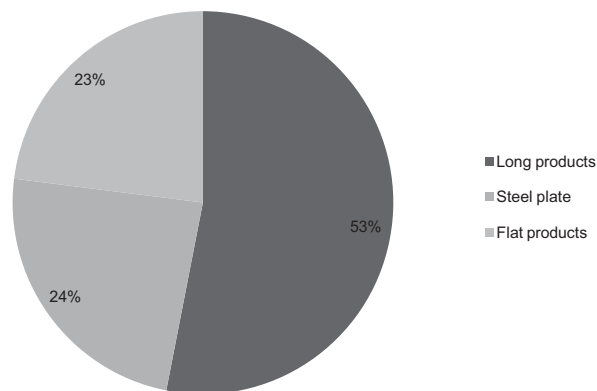
2. THE CHINA'S METAL MARKETS

2.1 The Chinese steel market

2.1.1 Steel consumption and production trends

China's finished steel consumption totalled an estimated 565 million tonnes in 2009, of which around 53% was consumed in the form of long products, including bar, wire rod and structurals. The growth in long products consumption has been driven by investment in construction and infrastructure. The growth in consumption of flat products (including plate) has exceeded that of long products (a CAGR of 18.9% per annum over 2004 to 2009 versus 14.0% for long products). This results from the rapidly developing automotive, ship building and machinery manufacturing industries. Consequently, flat products' share of total Chinese consumption of finished steel is forecast to grow from 42% in 2004 to 48% in 2012.

Figure 2.1: Chinese steel consumption by major product type, 2009



Data: CRU Strategies

China's rapid industrialisation has been the single most important influence on the global steel market in recent years. Between 2004 and 2007, the country's GDP grew by an average of 11.4% per annum, whilst IP soared by 16.8% per annum. This robust growth filtered down through the economy, boosting investment in public infrastructure (i.e. power generation/distribution, transport links and other public services), private infrastructure (i.e. residential and commercial property, etc.) and manufacturing, whilst also increasing the average income levels in the country. Consequently, the country's consumption of finished steel rose by 68% (in absolute terms) during this period, from 268 million tonnes in 2004 to 449 million tonnes in 2007^(Note).

Note: Whilst the figure for finished steel consumption represents a good indication of the magnitude of total steel consumption, the actual value is likely to be higher than that presented in Table 2.1, and thus is not directly comparable to production.

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Table 2.1: Chinese steel market, million tonnes, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Market overview									
Consumption of finished steel ^(Note 1)	268	327	381	449	468	565	619	680	748
Production of crude steel	280	349	423	489	500	571	616	659	702
– of which EAF production	42	45	54	39	46	52	56	60	64
EAF % of total steel production	14.9%	12.9%	12.8%	8.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Crude steel capacity	305	382	466	545	557	635	689	737	784
Apparent net trade balance ^(Note 2)	-21	-7	9	34	31	9	8	17	23
Scrap overview									
Production of EAF steel	42	45	54	39	46	52	56	60	64
Scrap rates in crude steel									
production (kg/tonne crude steel)	415	388	327	310	335	356	357	369	403
Chinese consumption of steel scrap	57	66	70	65	76	92	102	116	126
Recovery rate	42.7%	44.9%	47.4%	43.6%	36.3%	32.3%	41.9%	49.8%	48.6%

Data: CRU Strategies

Notes: (1) This is based on finished steel consumption including long products (wirerod, structurals, rebar, merchant bar), plate and flat products (hot rolled coil, cold rolled coil and coated sheet);

(2) Net trade is assumed to be crude steel production less finished steel consumption.

Even with the onset of the economic crisis late in 2008, China's GDP growth remained high in comparison to other countries, with quarterly GDP growth dipping to 6.1% year-on-year in the first quarter of 2009 at its lowest point. Swift support from the National Government, in the form of a massive stimulus package focused on infrastructure investment, kept Chinese GDP and IP growth at an average rate of 8.7% and 11.3% in 2009 respectively. And although finished steel consumption growth initially fell to 4.1% year-on-year during 2008, it quickly recovered to 20.9% year-on-year in 2009.

Similarly, Chinese crude steel production doubled from 280 million tonnes in 2004 to 571 million tonnes in 2009. In 2009 the country accounted for 47% of global output (up 21% since 2004). Around 91% of the country's crude steel production is produced through the BF/BOF route (compared to a 71% average around the world), up from 85% in 2004. The remainder is produced through the EAF production route. The recent growth in the share of BF/BOF of total steel production has not been as a result of falling EAF production. In fact, Chinese EAF production increased by 24.6%, in absolute terms between 2004 and 2009. Meanwhile, BF/BOF production grew by a faster rate during the corresponding period (117.2% per annum CAGR) as result of the following factors: firstly scale advantages, as a BF/BOF plant can produce up to 5 million tonnes per annum ("mpta") versus 1mpta for an EAF plant; secondly the Chinese steel industry is presently focused on moving away from producing lower value added products towards higher value added products; lastly, a shortage of readily available feedstock for EAF mills in China (i.e. scrap steel) and high power costs have constrained EAF production, as EAF production is more energy intensive than BOF. These factors are expected to continue playing a role in limiting EAF production's growth relative to BF/BOF production growth, and as a consequence, EAF's share of total steel production is forecast to remain static at 9% to 2012.

China's consumption of finished steel is forecast to grow at a CAGR of 10.0% per annum between 2010 and 2012, whilst crude steel production is expected to grow by an estimated 6.7% CAGR during the same period.

2.1.2 The steel scrap market

Chinese crude steel production has surged in recent years, hitting 571 million tonnes in 2009. Much of this growth has, however, come about through the expansion of BF/BOF production, and whilst scrap is used in both the BF/BOF and EAF processes, consumption is much more intense in the latter. Despite this, the Chinese steel industry has in recent years become the single largest global consumer of steel scrap. In 2009, the country consumed an estimated 92 million tonnes of scrap in the production of steel, up nearly 60%, in absolute terms, from 2004. On a global perspective, the country now accounts for 22.0% of global consumption of steel scrap.

Although encouraging, this growth in scrap consumption has been outstripped by stronger growth in production of crude steel between 2004 and 2009 (i.e. scrap consumption grew by a CAGR of 9.8% per year versus a crude production growth of 15.3% CAGR). Chinese producers tend to consume less scrap per tonne of steel than their counterparts in the rest of the world, 356kg/tcs in China versus 532 kg/tcs in the world as a whole. This is because they substitute some of this requirement with pig iron, which is widely available in China.

Going forward, steel scrap consumption in China is forecast to rise to 126 million tonnes in 2012, at a rate of 11.2% per annum over 2010-2012. During this period, scrap consumption rates are expected to rise from 357 kg/t of steel in 2010 to 403 kg/t of steel. Whilst this will remain well below global levels (524kg/t of steel in 2012), the differential is expected to narrow by 2012.

2.1.3 The iron scrap market

Iron generally refers to pig iron (produced from iron ore, coke and coal in the blast furnace), and DRI (the reduction of iron ore by natural gas). Hot metal (pig iron) production totalled just over 900 million tonnes in 2009, 61% of which came from China. DRI/HBI production totalled 62.2 million tonnes in 2009, less than 1% of which came from China. However, only a small amount (<10%) of this iron (or hot metal) is actually cast into metal. Through the BOF, EAF and OH processes, most iron is transformed into liquid steel. The drivers of iron demand and production are therefore primarily the same as those for steel.

Iron scrap¹ is derived from iron that has been cast, it mostly comes from products containing iron that have reached the end of their useful life. Iron containing products are typically made from wrought iron or cast iron, and include items such as railings, pipes, cylinders in engines, cookware, chains and nails. Wrought iron is no longer produced on a significant commercial scale, but still represents a potential source of scrap. Cast iron is still produced, but in many applications it has been replaced by other materials, whose performance is superior, for example, steel and plastics. As a result of these factors, the pool of iron scrap available for recycling in the future is expected to reduce over time, whilst the supply of steel scrap will increase.

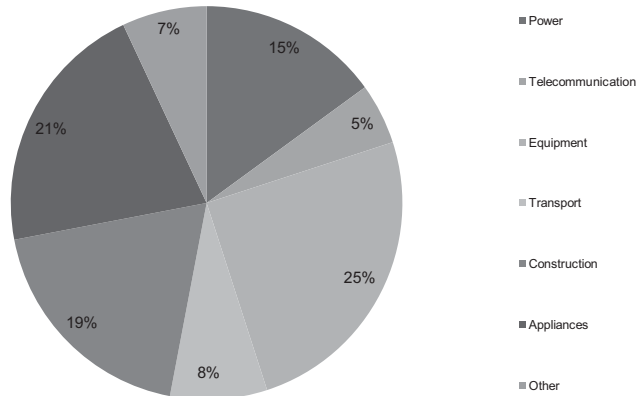
Obsolete iron scrap is primarily used to produce steel, and is consumed in BOF and EAF steel production, whose forecasts are included in this report. Iron scrap is also used in foundries, but CRU Strategies believes that foundry use of iron scrap represents only a small percentage of total world scrap consumption. There is a scarcity of data available to ascertain the exact magnitude of iron scrap consumption in foundries and also of cast iron production, overall though iron scrap is believed by CRU Strategies to be of relative insignificance in the ferrous value chain.

¹ Steel and iron scrap together is classified as ferrous scrap.

2.2 The Chinese copper market

2.2.1 Copper consumption and production trends

Figure 2.2: Chinese refined copper demand by end-use, 2008



Data: CRU Strategies

The above analysis is an estimation of Chinese consumption of refined copper by end use in 2008. This analysis shows that electric/electrical related applications accounted for the largest proportion of consumption, with industrial electrical and equipment, power generation and utility, appliances and accessories, and electronics accounting for a combined 61% of consumption. Construction related applications represented the next largest end use sector for copper consumption.

China has accounted for the vast majority of the world's copper consumption growth in recent years. Over 2004 to 2009, Chinese consumption has soared by 71.7%, making it the world's single largest consumer of refined copper. In 2009, the country consumed an estimated 5.9 million tonnes of copper, which equates to 35.9% of global consumption. This figure is almost four times the consumption of the world's second biggest consumer, the USA.

The initial surge in refined copper consumption between 2004 and 2007 (i.e. 10.4% per annum CAGR) was the result of rapid growth in semis production and higher exports of copper containing goods. After a brief slowdown in 2008 with the onset of the financial crisis, refined copper consumption growth soared to 21% year-on-year in 2009, largely fostered by the positive impact of the government's various stimulus packages (and specifically the measures taken by the State Reserve Bureau, which kick-started the country's restocking programme), as well as a shortage of alternative raw materials for semis producers (i.e. scrap).

Looking ahead, China's refined consumption is forecast to continue growing at a robust rate of 6.9% per annum between 2010 and 2012, and by 2012 will amount to an estimated 7.8 million tonnes. This growth will be driven by a continued infrastructure spending, and an expected increase in semis production capacity, as local production seeks to replace semis imports.

INDUSTRY OVERVIEW

Table 2.2: Chinese copper market, '000 tonnes, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Market Overview									
Consumption of refined copper	3,458	3,810	3,998	4,655	4,887	5,937	6,814	7,306	7,792
Production of refined copper	2,195	2,619	2,995	3,489	3,755	4,019	4,530	5,208	5,708
Refined copper capacity	2,482	3,087	3,587	4,297	4,867	5,652	6,082	6,777	6,977
Net trade balance <i>(Note)</i>	1,076	1,082	584	1,370	1,362	3,109	2,554	2,893	3,105
Scrap Overview									
Consumption of scrap in the production of refined copper	620	760	999	1,200	1,125	1,253	1,332	1,530	1,851
Consumption of scrap in the production of semis	938	1,115	1,499	1,698	2,027	1,767	1,883	2,104	2,436
Total scrap consumption	1,558	1,875	2,498	2,898	3,152	3,020	3,215	3,634	4,287
Scrap consumption as a % of refined copper production	28.2%	29.0%	33.4%	34.4%	30.0%	31.2%	29.4%	29.4%	32.4%

Data: CRU Strategies

Note: Chinese Imports of refined copper, less exports

Whilst global production of refined copper declined in 2008 and 2009, in China refined copper production grew by an average of 7.3% year-on-year over the corresponding years. In 2009, the country's production amounted to 4.0 million tonnes, up 83.1% in absolute terms from 2004, and consequently China now accounts for 22.4% of global production. The rapid expansion of smelter and refining capacity was not, however, matched by upstream production growth (i.e. concentrates), during this period, and hence smelter and refinery utilisation rates declined.

Chinese refined production is forecast to continue growing rapidly at 12.3% per annum until 2012, as further capacity additions and debottlenecking programmes are implemented along the copper value chain. By 2012, China's production of refined copper is expected to be 5.7 million tonnes. Although some of this growth will be satisfied through higher scrap based production (see below), the growing imbalance between refined production and raw materials availability is likely to constrain growth potential.

2.2.2 The Copper scrap market

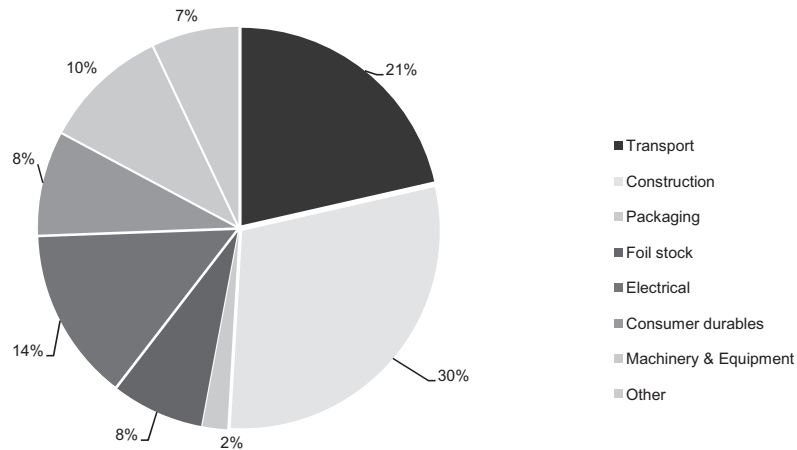
Continued tight availability of concentrates has contributed to the rapid rise in Chinese scrap consumption since 2004. Between 2004 and 2007, scrap consumption in refined copper production surged by a rate of 24.6% per annum, whilst scrap consumption growth in semis production was not far behind at 20.1% per annum. This growth slowed considerably during 2008 and 2009, due to a tightening in scrap availability in China. Indeed, the combination of lower global industrial production, falling copper prices, a tightening of the credit markets (thereby reducing working capital), and a crackdown by Chinese authorities on tax-evading copper scrap imports reduced the domestic availability of scrap during these two years. As a result, growth of copper scrap consumption in both refined copper production and semis production fell to a CAGR of just 2.2% and 2.0% respectively, between 2007 and 2009.

The short to medium term outlook for scrap consumption is, however, more positive, and is expected to be closer to 2008 levels. As most developed economies begin to emerge from the recession, their scrap generation should improve, improving their ability to supply China with scrap. Subsequently, CRU Strategies expects total copper scrap consumption (i.e. refined and semis) to increase by a CAGR of 15.5% between 2010 and 2015, reaching 4.3 million tonnes in 2012.

2.3 The Chinese aluminium market

2.3.1 Aluminium consumption and production trends

Figure 2.3: Chinese aluminium semis consumption by end- use, 2009



Data: CRU Strategies

In China, the construction sector was the most important end use sector for semis consumption, accounting for 30% of consumption in 2009. The transport sector has grown in significance from 14% in 2004 to 21% in 2009. This is on account of strong growth in vehicle production. CRU Strategies estimates that vehicle production (cars and commercial vehicles) rose by 163% between 2004 and 2009. Other important end uses for Chinese semis consumption include the electric/electricity sector (14% of 2009 Chinese semis consumption), machinery and equipment (10%), and consumer durables (8%).

Chinese aluminium consumption increased by 147.7% between 2004 and 2009^(Note), and unlike many other countries around the world, China maintained positive consumption growth throughout the recent downturn, increasing by estimated 10.2% and 10.5% year-on-year respectively in 2008 and 2009. The principal reason for this continued growth has been the government's active efforts to boost demand since late 2008 through various stimulus measures.

Even with the government's announcement, on the 11th February 2010, that it will gradually scale back its monetary stimulus measures over the coming months in order to cool down credit markets, it is expected to keep in place a number of measures aimed at stimulating consumer demand for the remainder of the year, including those relating to the sales of vehicles and appliances. This, plus a forecast acceleration in consumer spending growth should serve to support growth in China's aluminium consumption. CRU Strategies expects total aluminium consumption to grow by 13.7% year-on-year in 2010, reaching 20.9 million tonnes. CRU Strategies forecasts a CAGR of 10.3% per year in Chinese aluminium consumption growth between 2010 and 2012, which translates into absolute growth of 4.5 million tonnes of aluminium, bringing the country's total consumption figure to 25.4 million tonnes by the close of 2012.

Note: This includes primary and secondary consumption. The latter term refers to the consumption of secondary aluminium and therefore exclude the direct consumption of scrap in semis production.

INDUSTRY OVERVIEW

Table 2.3: Chinese Aluminium Market, '000 tonnes, 2004 – 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Market Overview									
Total metal requirement ^(Note 1)	7,688	9,347	11,954	15,589	17,154	19,020	21,634	23,752	26,341
Total consumption of primary and secondary aluminium	7,427	9,037	11,606	15,100	16,647	18,396	20,908	22,946	25,414
Production of primary aluminium	6,646	7,812	9,324	12,574	13,693	13,750	17,366	18,195	20,286
Primary aluminium capacity	8,983	10,400	11,569	14,009	16,637	19,590	21,993	24,549	27,115
Production of primary and secondary aluminium	8,157	9,850	12,462	15,751	17,772	18,234	21,966	23,307	25,934
Net trade balance ^(Note 2)	-729	-813	-856	-651	-1,125	162	-1,059	-362	-520
Scrap Overview									
Total metal requirement	7,688	9,347	11,954	15,589	17,154	19,020	21,634	23,752	26,341
Consumption of scrap in the production of aluminium	1,775	2,406	3,685	3,597	4,526	5,029	5,136	5,699	6,304
Consumption of scrap directly in the production of semis	313	370	460	607	691	818	949	1,064	1,202
Total scrap	2,088	2,775	4,145	4,204	5,217	5,846	6,085	6,762	7,506
Scrap consumption as a % of total metal requirement	27.2%	29.7%	34.7%	27.0%	30.4%	30.7%	28.1%	28.5%	28.5%

Data: CRU Strategies

Notes: (1) Total metal requirement is calculated as the total of semis production, adjusting for melt loss.

(2) Chinese Imports of primary and secondary aluminium.

Total aluminium production (including primary and secondary) in China fell to 2.6% year-on-year, in response to production cutbacks implemented over Q4 2008 and the first half of 2009, especially amongst primary smelters. Of the 7.1 million tonnes of primary aluminium capacity taken off-stream globally between October 2008 and August 2009, approximately 53% was located in China. However by the end of 2009 many marginal producers were able to restart idled capacity, owing to the initial swift response by Chinese producers to deteriorating market conditions, the active support of the market by the government (including the metal stockpiling and power tariff discounts) and improvements in metal prices. CRU Strategies estimates that by the end of November 2009, 90% of the previously curtailed primary production in China had been restarted. This is expected to boost total aluminium production well beyond 22.0 million tonnes in 2010.

Total aluminium production is forecast to grow by 4.0 million tonnes between 2010 and 2012, growing by a CAGR of 8.7% per year. This strong robust growth will ensure that China resumes its status as a net exporter of aluminium through to 2012.

2.3.2 The aluminium scrap market

In recent years, China has become one of the world's largest users of aluminium scrap: consuming a total of 5.8 million tonnes in 2009. This includes 5.0 million tonnes of scrap consumed in the secondary production process, with the balance being made up of scrap consumed in semis production.

China's secondary aluminium industry has a relatively brief history, but it has developed very rapidly, especially after the 1990s. Official Chinese statistics show that secondary aluminium production was 2.7 million tonnes in 2008. However, CRU Strategies believes that this production level is seriously under estimated, based on market analysis and discussions with market participants. CRU Strategies estimates that secondary production reached 4.1 million tonnes in 2008.

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Rapid growth in semis production has also driven the rise in scrap consumption. Over 2004 to 2009, Chinese semis production is estimated to have expanded at a CAGR of 22.9% per annum. Two of the fastest growing semi-fabricated product forms in China during this period have been extrusions and castings, which consume the greatest proportion of scrap.

Aluminium scrap consumption is forecast to increase by a CAGR of 11.1% per year between 2010 and 2012. Scrap as a proportion of the country's total metal requirement is forecast to remain high, whilst the availability of local scrap improves. Despite this, scrap consumption as a proportion of the total metal requirement is expected to fall from 30.7% in 2009 to 28.5% over 2009-12, as result of faster growth in primary consumption relative to scrap consumption.

3. THE GLOBAL SCRAP INDUSTRY

3.1 Overview of the global scrap industry

Table 3.1: The historical importance of scrap in metal markets *(Note)*

	2004	2005	2006	2007	2008	2009
Steel scrap consumption as a % of crude production	40.7%	39.5%	38.2%	36.8%	37.5%	34.5%
Copper scrap consumption as a % of refined production	12.7%	13.3%	14.2%	15.6%	15.3%	14.7%
Consumption of aluminium scrap as a % of total aluminium metal	27.6%	27.6%	27.9%	26.1%	27.3%	27.5%

Data: CRU Strategies

Note: In the absence of a total world aluminium figures (primary and secondary), the aluminium recycling rate is based on a % of consumption, and is therefore not strictly comparable to those of steel and copper which are based on a % of production

The importance of metal recovery from scrap is illustrated in the Table above by showing the proportion of total metal production accounted for by scrap consumption and/or the share of total metal consumption met by scrap.^(Note 1) Despite not all being strictly comparable, these "recycling rates" show that scrap represents an important raw material for metals markets, especially the steel market. Scrap consumption accounts for around 35% of total world crude steel production in 2009. This rate has, however, decreased from 2004 levels, due to higher growth in BOF production (especially in China) vis-à-vis EAF production. Similarly, in the aluminium industry 26-28% total metal needs have been met by scrap over 2004 to 2009. In comparison the proportion of total refined copper consumption accounted for by scrap seems relatively low at 14.7% in 2009, however it has grown from since 2004. The lower importance of scrap in the copper market is due to scrap being used more heavily in the production of copper semis than in refined copper production. Semis production represented 68% of total scrap consumption in 2009.

Moreover, in absolute terms scrap consumption across the metals industry has shown growth – scrap consumption increased between 2004 and 2007 in the steel (+61 million tonnes), aluminium (+1.8 million tonnes) and copper (+2.2 million tonnes)^(Note 2). The downturn in 2008-09 reduced demand for metals and lowered scrap availability, and in turn lowered scrap consumption. However CRU Strategies is of the view that global scrap consumption will continue growing from 2010, meaning the demand for the three Recycled Metal Products that we sell is set to continue growing.

Notes:

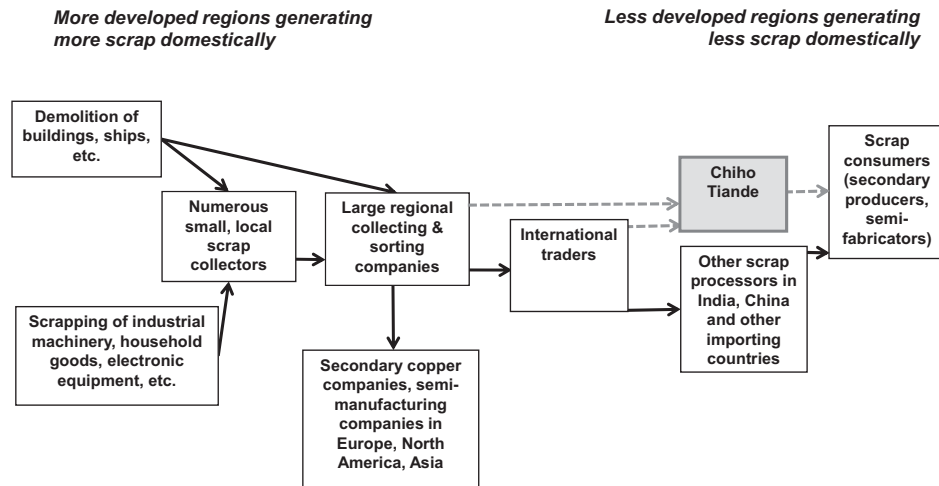
- (1) In the absence of a figure for world aluminium production (primary and secondary), it is not possible to show the share of aluminium production met by scrap. Equally the proportion of total consumption met by scrap is not presented because finished steel consumption does not represent total steel consumption.
- (2) This figure includes scrap consumption in ferrous product and refined production.

3.2 The global scrap market value chain

Scrap raw material may be broadly divided into the following two categories:

- New scrap (process scrap) is generated during industrial processes or the production of semi fabricated and final products containing the metal and metal alloys. This scrap can range from low grade residues to offcuts, misshapes and sub-standard products from the fabricating industry. In the ferrous scrap industry a distinction is made between types of new scrap: Home scrap is generated within the steel industry, whilst scrap generated in manufacturing industries in the process of making finished goods, e.g. cars and white goods, is known as prompt industrial scrap. In the copper and aluminium scrap industries the scrap generated by the fabricating industries, which is recycled in-house is known as runaround scrap.
- Old scrap (or end of life or post consumer scrap) is generated when a product comes to the end of its useful life and is discarded (or scrapped). In the ferrous scrap industry old scrap is more commonly referred to as obsolete scrap. There are many different types of old scrap containing varying amounts of contained copper. As a result of its varying quality, it is typically not as easily substituted for primary metal as new scrap. Examples of products from which old scrap is commonly derived include wire cables, electric motors and other electrical/consumer goods, beverage cans, old building material, and discarded cars.

Figure 3.1: Flowchart for mixed scrap recycling in China and our position in the value chain



Data: CRU Strategies

The global scrap value chain for old scrap is illustrated in the chart above. Old scrap originates from materials that have reached the end of their useable life in various end-use sectors, including construction, transport, and consumer durables. If suitable for recycling, the scrap will then pass through various layers of market participants to be collected, dismantled, sorted, graded, and processed for sale to scrap consumers, such as semis producers or secondary metal producers. For overseas sales an international merchant may be used arrange the transportation and sale of the scrap.

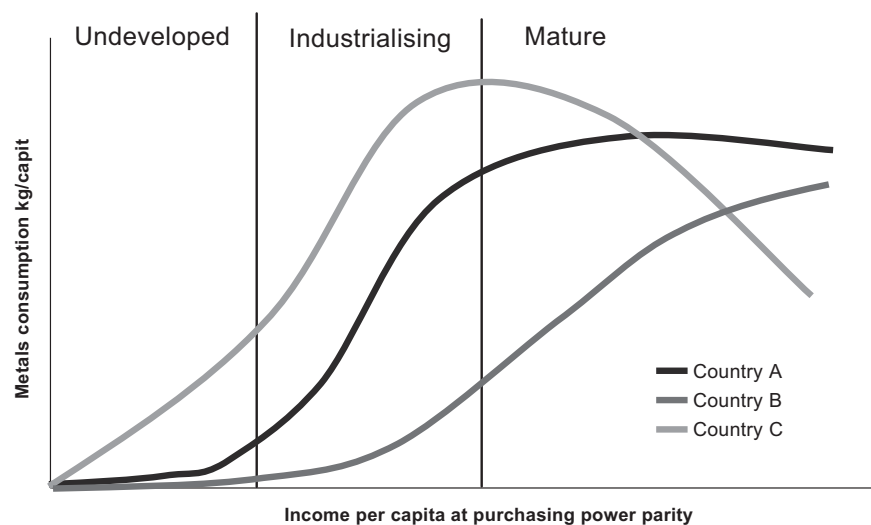
We are positioned at the processing stage – disassembling and sorting Mixed Metal Scrap into recyclable single metal scrap for sale to metals processors and producers. We procure our Mixed Metal Scrap from international traders which predominantly source from more developed regions such as Europe and North America.

3.3 Broad drivers of scrap supply and demand

The supply of scrap raw materials for a scrap processor such as our Group will depend on both the generation and availability of scrap. Not all scrap generated over a given period will become available in the marketplace. The key underlying factors that affect scrap generation and availability, both short term and long term are summarised below:

- Past metals consumption and final consumption patterns** – Over the long term the pool of scrap available worldwide for recycling increases as a reflection of the long term increase in metals consumption. Metals consumption over the long term is linked to the stage of development of an economy. Metals demand per capita will typically increase sharply as nations move from being largely agrarian economies into an industrial phase with rising household incomes. However, it generally slows and even declines as nations become post-industrial, service-based economies that import manufactured goods. Common patterns in metals consumption are shown in Figure 3.2. Similarly, scrap generation increases as an economy develops. The “scrap fund” or “scrap pool” of products containing metals that can be recycled in the future grows over time as a country industrialises and matures. This reflects rising consumption of metals and final consumption patterns. Over time, changing patterns of end use demand, including technological advances, and a reduction in the average life expectancy of many consumer products, in line with rising disposable incomes, result in improved scrap availability, as products are recycled sooner. Moreover, environmental awareness and regulations take time to develop, meaning that more investment in recycling systems tends to be made by more developed countries.

Figure 3.2: Intensity of use of metals varies as countries reach different stages of the development cycle



Source: CRU Strategies

Note: These curves are for indicative purposes and reflect noted trends in data, and are not based on actual data for a given country.

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- **Economic growth and industrial activity** – Economic growth results in the generation of scrap, both in terms of boosting local metals consumption and reducing product lifecycles, and also by determining local industrial activity. Construction and refurbishment activity in industrial sectors also affects the generation of old scrap from the replacement of fittings and from the demolition of old buildings. As a result of these factors, when consumer spending and industrial activity contracts during recessionary periods, such as during the recent downturn, scrap supply is tighter.
- **Movements in the commodity/metal price and price expectations** – During times of rising prices more scrap becomes available, as merchants can sell on their scrap at higher prices than they paid for it. Hoarded scrap also becomes available. Margins increase, making the collection economic again for marginal sources of scrap supply. On account of this, scrap availability improved with the rise of metals prices over 2004 to Q3 2008. Falling prices have the opposite effect, and scrap supply falls.
- **Environmental factors and collection systems** – Increasing environmental awareness is raising the scrap collection rate, i.e. the proportion of scrap generated that is recycled. Environmental regulations and the increased provision of recycling facilities in many countries, especially developed ones, are now ensuring that an increasing proportion of generated scrap is returned for recycling.
- **Drive to reduce energy consumption** – In the face of growing environmental awareness, and constraints on fuel and energy supplies, metals production via scrap has grown in attractiveness because it is typically less energy intensive and therefore conserves natural resources in the long term. For example, according to the European Aluminium Association, energy savings of up to 95% can be achieved per tonne of aluminium produced from scrap compared to primary aluminium.
- **Technological advances** – Changes in the technology used to produce metals or efficiency can affect the amount of scrap generated. For example, improvements at a plant could result in less runaround scrap being generated.

The drivers of scrap consumption are closely linked to the supply of scrap, in particular, the availability of scrap will determine how easily consumers can secure material and scrap prices, and in turn the economics of recovering metal from scrap versus primary material. Most important determinants of scrap consumption are: 1) the production of downstream products, especially semi-fabricated products^(Note 1) and 2) metals production. Recycled metal is recovered and consumed – directly at semi-fabricators' mills, for example, depending on the production process concerned, at their own cast houses or directly in the production^(Note 2), or indirectly through the purchase of secondary metal, which is re-melted for the production of semi-fabricated products. The secondary metal can contain alloys that, to some buyers, such as castings producers, are of a greater value than primary metal as it will contain the correct alloy. End-use demand for the metal (both primary and secondary) will in turn influence production levels at semis and secondary producers.

Notes:

1. Please note that the steel industry less commonly refers to its flat and long products as semi-fabricated products, instead referring to them as foundries, but for ease of reference CRU Strategies includes these steel products under the term of semi-fabricated products or "semis".
2. The direct use of high grade scrap in semi-fabrication is commonly referred to as "direct melt".

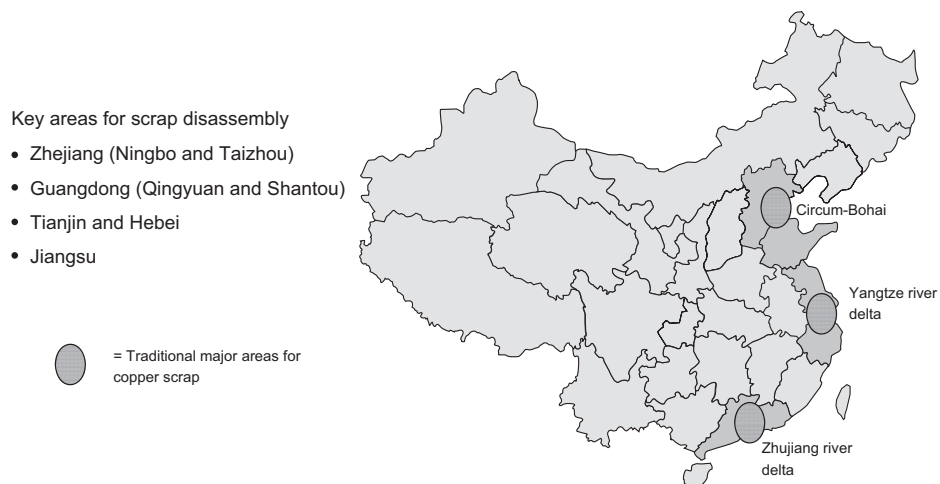
Other factors that can affect the recovery of metal from scrap materials include technological advances. For example, technological advances have increased the amount of metal recovered from scrap in recent decades. Likewise, for instance, a trend in growth towards the BOF route of crude steel production would reduce demand for scrap. The availability of other raw materials also influences scrap consumption, for example, copper scrap consumption has risen in recent years, in response partly to the persistent deficit in the concentrates market.

4. OVERVIEW OF THE CHINESE SCRAP MARKET

4.1 Background to the Chinese scrap industry

Historically, the Chinese scrap industry was formed of special agencies for scrap recycling, including state-owned and collective-run institutions. Recycling systems, including collecting, sorting, smelting, processing, etc., were well organised and were directed by the state. However, economic reforms gained momentum over the 1980s and 1990s and economic growth took off and the demand for raw materials grew, the recycling industry has opened up to other participants, including a growing number of private enterprises and individual operators. However many of these participants operate without a licence and the amount of state direction in the system diminished in importance, although more recently the Chinese government has been reasserting its influence.

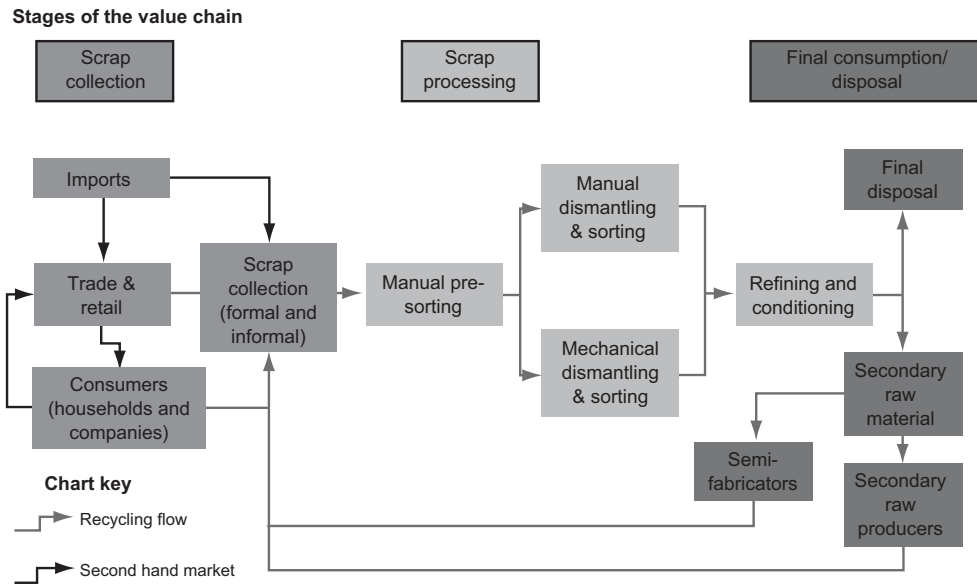
Figure 4.1: Scrap processing has tended to favour coastal geographical locations



The scrap industry in China has tended to concentrate in coastal locations in order to reduce the freight costs for transporting imported scrap from the port to the processors. Large numbers of firms engaged in the pre-treatment of scrap and other associated market participants, such as secondary producers and smaller scale collectors, have tended to cluster around the deltas of the Yangtze and Zhujiang rivers in Jiangsu, Zhejiang and Guangdong provinces, as well as around the Circum Bohai bay area in Tianjin and Hebei.

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Figure 4.2: Structure of the Chinese scrap system



The scrap system in China is similar to that of more developed regions discussed in Section 3, for example, it is a tiered system, but there are some key differences. Firstly, the second hand market plays a greater role in markets than in developed regions, hence products have a longer lifecycle, and this, combined with a poorer local classification system, results in a lower quality of local scrap. Secondly, the number of market participants is higher, with a larger number of smaller sized and 'informal' players. Faster local consumption growth has created market opportunities for new entrants, a situation assisted by lower barriers to entry in the form of lower regulatory requirements and compliance, and the lower cost of labour. There can also be more tiers of the value chain that scrap passes, for example, more levels of collectors, or alternatively integration between disassembly yards and a scrap consumer is less common than in other regions. Thirdly, much of the country's scrap requirement is imported. This is largely attributed to the relative infancy of the local scrap market, given the country's position on the economic development cycle, and is further complicated by the sheer scale of the country, which results in logistical issues. Fourthly, Chinese scrap processing has a lower degree of mechanisation, with manual disassembly more common.

INDUSTRY OVERVIEW

4.2 Overview of sources of present and future scrap supply in China

Table 4.1: China's supply of ferrous, copper and aluminium scrap

		2004	2005	2006	2007	2008	2009	2010	2011	2012
Steel										
Domestic scrap generation	m tonnes	54.8	63.6	72.8	71.1	80.4	85.1	100.9	117.4	127.9
– of which home scrap	m tonnes	12.6	15.5	19.4	13.8	24.1	26.0	28.4	30.8	33.3
– of which prompt scrap	m tonnes	23.9	27.5	30.0	33.9	35.3	38.6	43.1	47.9	52.5
– of which obsolete scrap	m tonnes	18.2	20.6	23.4	23.3	21.0	20.5	29.4	38.7	42.1
Net imports	m tonnes	10.1	9.9	5.1	3.0	3.0	13.7	9.2	7.3	6.6
Total scrap supply	m tonnes	64.9	73.6	77.9	74.0	83.5	98.8	110.1	124.7	134.5
% change	% yoy		13.4%	5.9%	–4.9%	12.7%	18.4%	11.4%	13.3%	7.9%
Copper										
Domestic scrap availability	000 tonnes	109	173	424	457	811	1420	1520	1693	2071
– of which new scrap	000 tonnes	97	144	321	362	568	864	939	1021	1115
– of which old scrap	000 tonnes	12	28	103	95	242	556	581	672	956
Net imports (adjusted) ^(Note)	000 tonnes	1449	1853	2074	2441	2341	1629	1836	2203	2534
Total scrap supply	000 tonnes	1558	2025	2498	2898	3152	3049	3356	3897	4605
% change	% yoy		30%	23.3%	16.0%	8.7%	–3.2%	10.1%	16.1%	18.2%
Aluminium										
Domestic scrap generation	000 tonnes	1402	1703	1862	2281	2704	3082	3584	3818	4272
– of which new scrap	000 tonnes	717	827	1005	1252	1391	1586	1790	1958	2162
– of which old scrap	000 tonnes	685	876	857	1030	1313	1496	1794	1860	2110
Net imports (adjusted) ^(Note)	000 tonnes	1196	1686	2283	2091	2513	2765	2502	2944	3234
Total scrap supply	000 tonnes	2598	3389	4145	4372	5217	5846	6085	6762	7506
% change	% yoy		30.5%	22.3%	20.5%	19.3%	20.3%	4.1%	11.1%	11.0%

Data: CRU Strategies

Note: Net imports have been adjusted to reflect smuggling.

China's scrap pool is smaller and less mature than those of more developed countries, whilst the quality of its scrap is generally considered poorer. This is attributable to comparatively lower disposable incomes and in turn longer product lifecycles, plus a poorer classification and collection system. Whilst China is now a major global consumer of metal, decades ago its consumption was much lower, the pool or “scrap fund” of products containing steel, aluminium, copper, etc, in China which can be recycled in the future is therefore much smaller. Moreover, because China is a major net exporter of finished products, its pool of metal-containing materials is growing more slowly than its total metals consumption. Scrap recovered from Chinese exports of metal products arises in the countries where those materials are finally used. Moreover, China has a vast land and broad market distribution, so the logistics of the scrap supply chain are complex. However, the generation of domestic scrap is increasing, along with the availability of new process scrap, while China has now become a major importer of scrap to supplement its domestic supply.

The domestic generation of ferrous scrap in China satisfies a higher proportion of domestic scrap demand than in the copper and aluminium industries. In 2008 the domestically generated scrap accounted for 95% of domestic steel scrap supply. In 2009, however, it fell back to 81% as domestic availability fell and imports rose sharply. The majority of its scrap supply comes from prompt scrap (44% in 2008), following by home scrap (30%), and obsolete (26%). The domestic supply of ferrous scrap has gradually been growing, up to 83.5 million tonnes in 2008 from 64.9 million tonnes in 2004, driven by rapid growth in the country's steelmaking industry. In the period from 2009 to 2012, CRU Strategies forecasts that domestic scrap generation will rise from 98.8 million tonnes to 134.5 million tonnes, representing a CAGR of 10.7%.

The availability of copper scrap in China grew by a share 643% over 2004 to 2008, in the face of rising demand and higher prices. In late 2008 and 2009, the drop in global prices and demand for scrap led to reduced availability of scrap material for import by Chinese buyers. Furthermore, in the fourth quarter of 2008 several Chinese scrap traders defaulted on payments for imported shipments, thereby causing foreign suppliers to be wary of doing business with Chinese merchants and demanding cash upfront for shipments to China. This reduction in imports led to greater collection and availability of domestically generated scrap. Domestic availability is expected to continue increasing to reach 2.1 million tonnes in 2012, driven by increasing tonnages of old and new scrap and improvements in scrap collection systems, in response to increased environmental awareness and growing demand for scrap.

In the Chinese aluminium market domestic supplies of scrap are steadily increasing, with domestic generation rising by 17.9% per annum on average over 2004 to 2008. CRU Strategies believes that domestic generation is split relatively evenly between old and new scrap, with the latter accounting for 51.5% of domestic generation in 2009. Annual growth in Chinese semis production of a CAGR of 22.2% per annum between 2004 and 2008 has spurred on new scrap generation. The expansion of China's domestic supply of aluminium scrap moderated to growth of 13.9% year-on-year in 2009, with the moderation in national GDP growth. However, CRU Strategies is of the view that domestic aluminium scrap supply is expected to continue to grow over 2010 to 2012, with a more moderate CAGR of 9.2% per annum forecast, in line with more moderate semis production growth. Meanwhile, CRU Strategies believes that the development of a more co-ordinated domestic aluminium recycling industry should boost old scrap collection.

4.6 Imports versus domestic material

The limitations on China's domestic scrap generation and availability means that China has imported scrap in order to meet internal demand for scrap. CRU Strategies believes that illegal/unrecorded imports supply a significant amount of scrap to the Chinese market, although the importance of these informal imports will vary for different types of scrap. Some of the reasons for this are applicable to the global scrap trade, but some are more China specific. Under-reporting of scrap imports has also been noted in China due primarily to misclassification of shipments at Chinese ports of entry (including relating to shipments' nature, metal content and material breakdown). This situation is further aggravated by competition between Chinese ports and region and it is believed that some ports accept lower declarations on scrap values, which serves to support the local recycling industry.

5. MIXED METAL SCRAP PROCESSING AND THE POSITION OF OUR GROUP IN THE MARKET

5.1 Types of materials and metals contained in Mixed Metal Scrap

There is no official worldwide definition of Mixed Metal Scrap, it generally refers to scrap that contains both ferrous and non-ferrous elements in varying quantities and includes products such as electric motors, large household appliances such as refrigerators, electric wire etc. Although there are national classifications in some countries, they are not always widely used and/or not practical for international trade. As a consequence of the difficulties classifying Mixed Metal Scrap and scrap in general, at the international level nearly the entire scrap industry uses one set of standard definitions provided by the US Institute of Scrap Recycling Industries (ISRI). It also has commercial guidelines for mixed metals scrap to provide industry-wide quality standards for when this scrap is traded. The two important definitions for the Mixed Metal Scrap processed by our Group are:

- ELMO 'mixed electric motors' which consist of whole electric motors and/or dismantled electric motor parts that are primarily copper wound; and
- SHELMO 'shredded electric motors' also called 'shredder pickings' or 'meatballs' which consist of mixed copper-bearing material from ferrous shredding, comprised of motors without cases.

5.2 Methods of collection, processing, dismantling and sorting of Mixed Metal Scrap

Typically, recycling mined metal scrap consists of a variety of steps, including collecting, inspecting, sorting, stripping, shearing, cutting, shredding and baling. The precise steps involved depend on the types and condition of the raw material scrap that are sourced and whether the scrap can be recycled using equipment/machines or manual labour. For some materials, a number of these steps are required to produce recycled metal that meets the requirements of customers. For other materials, only a few of these steps are required.

For ferrous metal scrap, heavy machinery such as a shredder or hydraulic shear is used to break large pieces of metal scrap into smaller pieces. In the shredding process, the ferrous metal is separated from other materials by an automated electromagnetic drum. For non-ferrous metal scrap, lighter machinery, such as wire strippers to strip plastic coating off copper wires and balers are used to press the non-ferrous metal in bales for delivery to customers. Non-ferrous metal scrap is also recovered through the use of an eddy current separator in the shredding process, which separates non-ferrous metal from non-metal materials. The non-ferrous metal is then manually separated into copper, aluminium and other non-ferrous metal primarily based on colour and weight of the extracted metal pieces. This manual separation process requires minimal training.

INDUSTRY OVERVIEW

The mechanical or automated processing of scrap typically involves a crane or forklift to feed the unprocessed mixed scrap such as household appliances, etc onto the conveyor belt. Metal scrap is compacted before feeding into the hammer mill for shredding. The hammers inside the shredder shear the metal scrap. Air cyclones remove rust, plastics, dirt, rubber and paint from the compressed scrap. Ferrous and non-ferrous metals are separated by means of an electromagnetic drum. Recycled scrap contains mainly iron, steel and non-ferrous metal. Non-ferrous metal are separated from non-metal materials by means of an eddy current separator. Recovered non-ferrous metal is then separated manually into copper, aluminium and other types of non-ferrous metal. Scrap non-ferrous metal such as copper wires and cables are processed using a wire stripper to strip off their plastic coating. The processed scrap non-ferrous metal is separately packed into bundles using a baler, stored, awaiting delivery to customers.

A recycler of Mixed Metal Scrap would typically dismantle and separate Mixed Metal Scrap such as a motor scrap and electric wire and cable scrap into Recycled Metal Products such as copper, iron and steel and aluminium scrap. The separation is mainly carried out manually assisted by simple tools and machineries. Such Recycled Metal Products are sold to consumers and manufacturers for further processing.

The recycling of Mixed Metal Scrap such as motors in China is distinguished from that undertaken by metal recycler in the USA and Europe, in that the latter countries mainly use heavy machineries such as large scale shredders to shred metals scrap into smaller pieces and magnetic machines and density machines to separate different type of metals. Those separation processes involve minimal labour and rely on heavy machineries. However, the separation by heavy machineries has its limitations. Certain types of Mixed Metal Scrap cannot be separated by machines. A typical example is motor scrap consisting of various types of metals assembled together. There is no heavy machinery available to dismantle a motor scrap into its pure metal constituents. Therefore, the separation of motor scrap requires labour to separate it into its recyclable metal constituents.

The labour costs in Western countries are generally much higher than those in China, and it is therefore not cost effective for a Western metals recycler to engage in this labour intensive separation process. Therefore, Mixed Metal Scrap which requires manual separation is generally shipped to China in large quantities. Mixed metal recycling companies in China can then dismantle manually the Mixed Metal Scrap into Recycled Metal Products such as copper, steel and aluminium scrap for sale.

The process adopted by our Group is to store all of the scrap together in stock, and to separate the products by size, using a simple machine. The divided scrap by size is sent to different workshops for further processing. The workers then dismantle the scrap by hand, or using the cutting machine, to cut the sides of the motors or other scrap, then take out the metals contained inside. The workers separate the products by different metals, sorting into copper, aluminium and steel scrap products. The larger sized motors are entirely dismantled by hand, since there are no machine that can process such motors.

5.3 CRU Strategies' Assessment of our Group

Our 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 wires and cable scrap into their respective metal constituents, comprising mainly copper, iron and steel and aluminium. We have a special emphasis on importing motor scrap and other Mixed Metal Scrap for recycling and processing copper in view of the higher price this commodity commands. Our Mixed Metal Scrap recycling, reuse and processing business is operated through CT Metals in Taizhou and CT Metals (Ningbo) in Ningbo. As a share of total company revenue between 2007 and 2009, sales of copper accounted for 49%-61%, whilst sales of steel and iron scrap accounted for 15%-20%, and aluminium scrap sales amounted to 2-5%. The share of each metal scrap varies due to changes in prices and volumes and types of motors purchased. CRU Strategies believes that in terms of weight the average scrap motor processed by the company contains 80%-90% steel, 10-15% copper, and 3-5% aluminium.

Our Group also engage in the foundry business which involves the production and sale of aluminium-alloy ingots and copper rods and wires. Our foundry aluminium alloy-ingots business is operated through CT Foundry and CT Metals operates our foundry business of copper rods and wires, both based in Taizhou.

Based on the information from MEP, in terms of approved import volumes, we are a Mixed Metal Scrap recycler in China with the largest import volume of Mixed Metal Scrap used for recycling, reuse and processing over the 2005 to 2009 period. Our position is corroborated by the fact that our approved volumes were generally 63-93% higher than the second largest approved import quota company. Moreover, the actual combined volumes of Mixed Metal Scrap purchased by us during this period were higher than the second largest approved import quota. This means that no other Chinese company was permitted to import volumes of Mixed Metal Scrap over 2005 to 2009 in excess of those actually imported by us.

INDUSTRY OVERVIEW

Table 5.1: Ten largest importer of Mixed Metal Scrap based on approved import volumes

	Company Name	Approved import volume (tonnes)
2009		
1	CT Metals and CT Metals (Ningbo)	440,000
2	Qingyuan Huaqing Recycling Resource Invest & Develop Co., Ltd	240,000
3	KLT Industrial (Zhejiang) Co., Ltd.	211,900
4	Taizhou Huixinda Metal Co., Ltd.	177,000
5	Qingyuan Yibao Material Recycling Corporation Ltd.	135,000
6	Ningbo Ji Cheung Renewable Metal Co Ltd	130,000
7	Global Metals	120,000
8	Ningbo Donghe Metal Co., Ltd.	120,000
9	Foshan Nanhai Zhongxin'ao Metallurgical Manufacturing Corporation Limited	110,000
10	Winmex Group Ltd. (Foshan)	100,000
2008		
1	CT Metals	350,000
2	Jiangsu Yongheng Steel Industrial Co Ltd	200,000
3	Qingyuan Huaqing Recycling Resource Invest & Develop Co., Ltd	180,000
4	KLT Industrial (Zhejiang) Co., Ltd.	171,500
5	Ningbo Ji Cheung Renewable Metal Co. Ltd	130,000
6	Ningbo Taiwa Recycling Resources Co. Ltd	120,000
7	Qingyuan Yibao Material Recycling Corporation Ltd.	120,000
8	Global Metals	100,000
9	Winmex Group Ltd. (Foshan)	100,000
10	Foshan Nanhai Zhongxin'ao Metallurgical Manufacturing Corporation Limited	95,000
2007		
1	CT Metals	265,000
2	Qingyuan Huaqing Recycling Resource Invest & Develop Co., Ltd	137,000
3	Ningbo Ji Cheung Renewable Metal Co. Ltd	126,000
4	KLT Industrial (Zhejiang) Co., Ltd.	101,000
5	Ningbo Taiwa Recycling Resources Co. Ltd	96,000
6	Changchun Dahua Metal Material Co., Ltd.	90,000
7	Zhejiang Haiwai Metal Industry Co., Ltd.	89,000
8	Qingyuan Yibao Material Recycling Corporation Ltd.	87,000
9	Foshan Nanhai Great Wall Metal Co., Ltd.	80,500
10	Qingdao Recycling Aluminium Alloy Branch of Aluminium Corporation of China Limited	80,000
2006		
1	CT Metals	240,000
2	Ningbo Ji Cheung Renewable Metal Co. Ltd	139,000
3	Taizhou Changqing Metal Co., Ltd.	97,000
4	KLT Industrial (Zhejiang) Co., Ltd.	94,000
5	Zhejiang Haiwai Metal Industry Co., Ltd.	89,000
6	Qingyuan Yibao Material Recycling Corporation Ltd.	84,000
7	Global Metals	70,000
8	Taizhou Dongxin Recycling Resources Processing Co., Ltd.	69,000
9	Taizhou Weilong Metal Co., Ltd.	67,000
10	Taizhou Dafengye Metal Co., Ltd.	59,500

INDUSTRY OVERVIEW

	Company Name	Approved import volume (tonnes)
2005		
1	CT Metals	219,800
2	Conghua Yuxin Metal Products Co., Ltd.	135,000
3	Zhejiang Haiwai Metal Industry Co., Ltd.	100,000
4	Ningbo Ji Cheung Renewable Metal Co Ltd	100,000
5	Fujian Ningde Baoyi Metal Products Co.,Ltd.	96,000
6	Fujian Quantong Resources Industrial Zone Co., Ltd.	90,000
7	Qingyuan Yibao Material Recycling Corporation Ltd.	87,500
8	Wuzhou Li'an Resources Recycling Co., Ltd.	82,000
9	Fujian Mindong Jiecheng Metal Products Co., Ltd.	80,000
10	Beijing Zhaoling Environmental Technology Development Resources Recycling Factory	80,000

Data: Environmental Bureau of China; CRU Strategies and China National Resources Recycling Association

Note 1: Refers to mixed metal scrap trade codes only.

Note 2: The above figures include those instances whereby companies are allowed to import Mixed Metal Scrap through third parties for processing.

Theoretically, a Chinese scrap processor could process Mixed Metal Scrap based on domestically generated motors and other types of Mixed Metal Scrap. However, CRU Strategies believes that at present it is difficult to source sufficient quantities of Mixed Metal Scrap domestically, due to the existing limitations on China's domestic scrap generation. In particular, many products containing motors in China may be exported either in new products or second-hand products. Moreover, local motor scrap is believed to be of an unreliable and poor quality which makes processing Mixed Metal Scrap from domestic sources more uneconomic relative to importing. In the longer term (beyond the forecast period to 2012), however, its economics should improve.

As China's largest importer of Mixed Metal Scrap for recycling, reuse and processing, Chiho Tiande is believed to be a significant Mixed Metal Scrap recycler in China. Moreover, CRU Strategies also conducted interviews with suppliers, trade associations and the Environmental Bureau, all of which confirmed that CT Metals is a significant Mixed Metal Scrap recycler in China.

RULES AND REGULATIONS

PRC RULES RELATING TO QUALIFICATION, PERMITS OR LICENCES REQUIRED FOR OUR BUSINESS

According to the relevant PRC laws and regulations, all solid wastes imported into China that can be used as raw materials are classified into three categories, namely prohibited, restricted and automatic licensing for import. Mixed Metal Scrap that is necessary for our operation is classified as restricted for import. Aluminium scrap, copper scrap and steel scrap are classified as automatic licensing for import.

Application for import permits of aluminium scrap, copper scrap and steel scrap classified as automatic licensing items for import shall be directly submitted to the MEP with relevant documents.

Enterprises importing solid wastes that can be used as raw materials and are restricted for import such as motor scrap, electric wire and cable scrap, hardware and electrical appliance scrap are subject to strict regulations. In accordance with the “Provisional Regulations on Environmental Protection in relation to Wastes Importation《廢物進口環境保護管理暫行規定》(Huankong (環控) [1996] No. 204, implemented on 1 April 1996), only Designated Processing Units approved by the MEP are allowed to be engaged in the recycling of imported hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap and have to pass examination for the import of such scrap. Furthermore, approvals must be obtained from the relevant authorities in respect of import of hardware and electrical appliance scrap, electric wire and cable scrap and motor scrap every year. According to the assessed annual production capacity and the actual production of each of the Designated Processing Units, the provincial-level environmental protection authorities designate the annual approved volume for the Designated Processing Unit. Although the annual proposed volume in principle shall not exceed the actual import volume of the previous year, the MEP will also decide the final approved import volume according to the proposed annual approved volume and the assessment result. However, there is no compulsory requirement from the MEP stating that the proposed volume shall not exceed the actual import volume for the previous year.

MEP has implemented an assessment system on Designated Processing Unit of hardware and electrical appliance scrap, wire and cable scrap and motor scrap and requires such entities to pass the annual assessment conducted by the municipal-level and provincial-level environmental protection authorities entrusted by MEP. According to the assessment criteria issued by the MEP, the provincial-level environmental protection authorities shall assess entities on a total of 37 items in 7 aspects, including scrap management filing conditions, on-site inspection of the imported scrap that can be used as raw materials, products and non-recyclable scrap, production sites, management personnel and staff, machinery and equipment, organisation and management system, as well as environmental protection management measures. Entities which fail to reach a total score of 80 will be denied of the qualification as a Designated Processing Unit whereas those existing Designated Processing Units which are far below standard are at the verge of elimination.

The Restricted Import Licence, which is issued by the MEP and valid to the end of the year of issuance, stipulates the import volume of the restricted import solid waste that can be used as raw materials (限制進口類可用作原料的固體廢物) is normally measured in tonnes. Entities should renew their Restricted Import Licence annually before expiration. Only the Designated Processing Units approved by the MEP are eligible to apply.

According to the relevant PRC laws and regulations, domestic consignees (i.e. purchasers of foreign imported scrap materials) must register with the AQSIQ and obtain the Consignee Registration Licence issued by AQSIQ. CT Metals, CT Foundry and CT Metals (Ningbo) have obtained the Consignee Registration Licence and they are entitled to purchase scrap materials from approved foreign entities.

During the Track Record Period, our Group has complied with all the relevant PRC laws and has obtained the relevant permits for the import of Mixed Metal Scrap and all the qualifications and licenses required for its business operation.

RULES AND REGULATIONS

ENVIRONMENTAL REGULATIONS

Our business is subject to the relevant PRC environmental protection laws and regulations. The prevailing laws and regulations governing our production operations laws and include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), Provisional Environmental Protection Administrative Measures and Supplementary Provisions for Import of Waste (《廢物進口環境保護管理暫行規定及其補充規定》), Measures on the Administration of Automatic Monitoring on Pollution Sources (《污染源自動監控管理辦法》), Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》), the Law of the PRC on Appraisal of Environment Impacts (《中華人民共和國環境影響評價法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Administrative Regulations on Environmental Protection for Construction Project (《建設項目環境保護管理條例》) and the Water Law of the PRC (《中華人民共和國水法》). Pursuant to the applicable regulations of the PRC, an environmental impact report should be made in respect of the construction projects that may lead to material environmental impacts whereas an environmental impact evaluation report should be made for conducting analysis and specific evaluation in respect of the construction projects with slight environmental impacts. Such environmental impact report or environmental impact evaluation report should be approved by the competent environmental protection authorities to which the relevant construction units have submitted their applications for approval. If the environmental evaluation documents have not been reviewed by the stipulated approval authorities or have not been approved upon review, no construction approval shall be granted by the relevant authorities and no construction should be commenced by the construction units. The environmental protection authorities shall also be entitled to conduct follow-up inspection on the environmental impacts incurred by the construction projects upon commencement of operation or utilisation. If the construction units fail to comply with the stipulated procedures for the approval of the evaluation documents of the construction projects and commence operation without permission, the relevant environmental protection authorities shall have the right to order the termination of the project and require the post fulfillment of the formalities upon expiry date. The maximum penalty for those who do not comply with the post fulfillment requirement of the formalities before the expiry date is RMB200,000.

Pursuant to the relevant laws and regulations of water pollution prevention and control measures in China, any enterprises that discharge industrial waste water, directly or indirectly, to the sewage system, and those who can only discharge waste water or polluted water after obtaining the Pollutants Discharge Permit in accordance with regulations should apply for the Pollutants Discharge Permit. Pursuant to the relevant laws and regulations of atmospheric pollution and control in China, the relevant local government in the atmospheric pollutants' total discharge control areas approves and issues the major Atmospheric Pollutants Discharge Permit in accordance with the conditions and procedures stipulated by the State Council. The MEP stipulates that unified approvals and issue of the Atmospheric or Water Pollutants Discharge Permit should be made by each environmental protection department of all levels.

RULES AND REGULATIONS

The subsidiaries of our Group operating in the PRC comprising CT Metals, CT Foundry and CT Metals (Ningbo) have complied with the aforesaid laws and regulations and prepared the relevant environmental impact evaluation documents for the “recycling, demolition and sales project of motor scrap and electrical appliance scrap”, the “0.3mm copper wire and special copper technical reform project with an annual production capacity of 20,000 tonnes”, the “production line project with an annual production capacity of 120,000 tonnes of aluminium-alloy ingots”, and the “technical reform project of refining 6,500 tonnes of recycled aluminium-alloy ash”, and obtained relevant approvals from relevant environmental protection administration departments as well. CT Metals has obtained the Temporary Pollutants Discharge Permit of Zhejiang Province on 1 July 2009. CT Foundry has obtained the Temporary Pollutants Discharge Permit of Zhejiang Province of CT Foundry on 1 July 2009. According to the “*Statement of Circumstances of the Policies, Laws and Regulations regarding the Administration of Pollutants Discharge Permit in Zhejiang Province*” issued by Taizhou Environmental Protection Bureau Luqiao Branch on 7 April 2010, in order to improve the regulation and administration of the Pollutants Discharge Permit, the Environmental Protection Bureau of Zhejiang Province has submitted the draft “*Administrative Regulation(s) of Pollutants Discharge Permit in Zhejiang Province (Draft for Examination and Review)*” to the People’s Government of Zhejiang Province in November 2009. Our PRC legal adviser understands and has advised that the Legislative Office of the Zhejiang Province is still collecting views from the public and the proposed regulation has not been put into effect. Our PRC legal adviser advised that, during this interim period, Taizhou Environmental Protection Bureau Luqiao Branch only issues Temporary Pollutants Discharge Permit according to the “*Administrative Rules for Application of Pollutants Discharge Permit in Taizhou (Tentative)*” and no permanent permit can be obtained due to the aforesaid administrative reason.

According to the certificate issued by Ningbo Metal Recycling Park on 9 March 2010, the procedures for submitting the environmental impact report in relation to the metal recycling project with an annual processing capacity of 70,000 tonnes undertaken by CT Metals (Ningbo) and, the obtaining of the relevant approval from the environmental protection administration department by CT Metals (Ningbo) are being handled by the Ningbo Metals Recycling Park. Pursuant to Article 6 of the “*Trial Administrative Implementation Rules of Pollutants Discharge Permit in Zhenhai District*” (Ningbo City (Zhen Zheng Ban Fa (2008) No. 157)), for any enterprise which is required to be regulated under the Pollutants Discharge Permit, the Environmental Protection Bureau of such district shall give notification in writing to such enterprise and shall make public announcement. We have not received any written confirmation from the Environmental Protection Bureau. In addition, the name of CT Metals (Ningbo) is also not shown on the list of application for Pollutants Discharge Permit in Zhejiang District on the official website of the Environmental Protection Bureau of Zhenhai district of Ningbo City. Based on the above, our PRC legal adviser has advised that CT Metals (Ningbo) is accordingly not required by the relevant environmental protection administration department to apply for a pollutants discharge permit. According to the opinion in relation to the environmental protection issued by Taizhou Environment Protection Bureau Luqiao Branch on 22 February 2010, CT Metals and CT Foundry have complied with the relevant national environmental protection laws and regulations during their operation and production, they have implemented the environmental protection measures in accordance with relevant environmental protection requirements and during the recent three years, there is no environmental pollution accident occurred and they have never been imposed any penalty. According to the opinion in relation to the environmental protection issued by Ningbo Environment Protection Bureau Zhenhai Branch on 1 March 2010, CT Metals (Ningbo) has, since its establishment in September in 2008, complied with the relevant environmental protection laws and regulations, there is no violation of any environmental protection laws and regulations and it has never been imposed of any administrative penalty in relation to environmental protection.

As disclosed above, the Group has complied with all existing laws and regulations in China and continuing compliance with such laws and regulations in the form as they currently exists will not impose a material burden upon the Group.

RULES AND REGULATIONS

PRODUCTION SAFETY

Pursuant to the relevant PRC production safety laws and regulations, production-operation units with over 300 employees should establish production safety management departments or designate personnel especially for production safety management. Production-operation units must provide working protective gear with national or industrial standards for their employees and supervise and educate their employees to wear and use the gear in accordance with the relevant instructions. Production-operation units shall make appropriations for the expenses for purchasing the working protective gears and offering production safety training. Production-operation units must contribute to the work-related injury social insurance in accordance with the laws and settle the premiums for their employees. Departments responsible for production safety supervision and management shall be entitled to conduct supervision and inspection of production-operation units in respect of their implementation of relevant production safety laws, regulations and national or industrial standards and request for instant rectification or rectification within a limited period or give administrative penalties in respect of any non-compliance situations during the inspections. Generally the maximum penalty for non-compliance with the relevant production safety laws and regulations resulting in production incidents is approximately RMB100,000. However, in the event of accident which is deemed as extraordinarily major accident, the maximum penalty imposed upon the entity suffering from and responsible for the accident is RMB5,000,000. Should any production-operation units fail to establish production safety management departments or designate personnel especially for production safety management in accordance with the regulations, the relevant competent authorities shall order for rectification within a limited period; and those that fail to make the rectification before the end of the period shall be ordered to terminate their production and operation for rectification and shall be liable to a penalty of not more than RMB20,000.

The subsidiaries of our Group, CT Metals, CT Foundry and CT Metals (Ningbo), have complied with the aforesaid laws and regulations, employed relevant safety officers at every industrial zone. CT Metals, CT Foundry and CT Metals (Ningbo) have also provided working protective gear for workers and settled the premiums of work-related injury insurance.

MERGER AND ACQUISITION REGULATION

Under the provisions of “Securities Law of the PRC (中華人民共和國證券法)” effective from 1 January 2006, domestic enterprises which directly or indirectly issue securities overseas or listed for trading in overseas markets must obtain approvals from securities supervisory and administrative authorities of the State Council according to the requirements of the State Council. The M&A Rules contain provisions regarding “foreign investors merge and acquire domestic companies through equity-settled payment transactions” which requires that an offshore company holding interests of special purpose vehicles formed for overseas listing purposes shall obtain approvals from securities supervisory and administrative authorities of the State Council. On 21 September 2006, CSRC has announced such assessment procedures on its website and specified documents required. However, according to the “continuous implementation of administrative approved projects according to laws and administrative regulations” and the “State Council determination to retain administrative approved projects according to regulatory documents except law and administrative regulations” issued by the Central People’s Government of the People’s Republic of China in its Official Web Portal on 25 June 2007, offshore listing transactions of special purpose vehicles are not included in either of the above two administrative approved projects. Therefore, application of the M&A Rules is subject to the interpretation of relevant regulatory authorities. In light of: (1) Hefast having completed the acquisition of its 100% interests in CT Metals and CT Foundry before the implementation of the M&A Rules; (2) the consideration paid by Hefast to acquire interests in CT Metals and CT Foundry having been settled in cash and there was no cross-border share swap; (3) the implementation of the M&A Rules is subject to the interpretation of the relevant supervisory and administrative authorities, our PRC legal adviser is of the view that our Company is not required to obtain any approval from CSRC for the Global Offering. However, if CSRC or other Chinese regulatory authorities subsequently decide that our Company must obtain approval from CSRC prior

RULES AND REGULATIONS

to its listing, our Company and its domestic subsidiaries may be subject to regulatory penalties. Regulatory authorities may impose fines on our Company and our domestic subsidiaries, restrict the operational rights of our Group within China, extend or restrict the transfer of capital raised or other policies that may affect the business, finance, reputation and prospects of our Group. Meanwhile, if our Company and our subsidiaries are required to obtain approval from CSRC in the future, our Company and our subsidiaries may not be able to obtain such waivers. Uncertainties concerning the assessment requirements of the CSRC might affect the share price of our Company.

RECYCLING ECONOMY LAW

On 29 August 2008, the Recycling Economy Promotion Law of the PRC (《中華人民共和國循環經濟促進法》) (the “Recycling Economy Law”) was approved in the fourth meeting of the 11th National People’s Congress Standing Committee of the PRC, which regulates the waste reduction, recycling and reuse of resources in production, circulation and consumption processes. Its ultimate objective is to maximise the economic, social and environmental interests with a lower development cost. The Recycling Economy Law stipulates provisions in respect of the following six aspects: the planning system of the recycling economy; the control of resources wastage and the overall volume control system of the discharge of pollutants; the evaluation and examination system of the recycled economy; responsibility extension system focusing on the manufacturers; system of major control over enterprises with high energy consumption and high water consumption; and strengthening of economic measures.

The Recycling Economy Law introduces several specific incentive measures, mainly: (1) special funds set up by the government for recycling economy development for the purpose of supporting the research and development, pilot projects and promotion of technology and products of the recycling economy; (2) the financial support arranged by the government and the relevant authorities for the self-motivated research, pilot application and industrialised development of the major technology projects of the recycling economy; (3) the coordination mechanism and the financial assistance of the relevant authorities for the introduction, assimilation, absorption and innovation of major technologies and equipment; (4) the tax preferences granted by the State to industrial activities conducive to promoting recycling economy development; and (5) priority in credit loans given and backup financial services provided by the financial institutions as for the projects in compliance with the State’s industry policy and conducive to the conservation of energy, water, land, and materials or to the comprehensive utilisation of resources.

The Recycling Economy Law also states certain provisions in respect of waste recovery. Reuse and recycling of wastes shall ensure the safety of products, meet the State’s requirements on product quality and prevent pollution. In accordance with the Recycling Economy Law, dismantling and recycling of special products, such as waste electrical appliances or electronic products, scrapped motor vehicles or vessels, waste tires, waste lead-acid batteries, etc., shall follow the laws and administrative regulations. For those salvaged electrical appliances or electronic products that need dismantling and recycling for use, they shall be sold and delivered to enterprises qualified to do so. Companies which intend to engage in dismantling and recycling of waste electrical appliances or electronic products shall follow the Recycling Economy Law, the Measures on Prevention and Control of Pollution Caused by Disused Electronic Waste (《電子廢物污染環境防治管理辦法》) and the relevant complementary laws and regulations promulgated by the PRC relevant authorities.

HISTORY AND DEVELOPMENT AND REORGANISATION

HISTORY AND DEVELOPMENT

Our founder, Mr. Fang, began engaging in the small scale trading and recycling of metal scrap in Taizhou during the 1990s. At that time, metal scrap used for recycling was mainly sourced locally in China. Mr. Fang has engaged in the importing of Mixed Metal Scrap from overseas and the production of Recycled Metal Products since 1995. At that time, Delco Recycling, a company indirectly jointly-owned by Mr. de Leeuw and Mr. van Ooijen, was one of the major overseas suppliers to Mr. Fang's Mixed Metal Scrap business.

In 1999, CT Metals was established as a Sino-foreign equity joint venture to carry out the metal scrap recycling business and operations. In 2001, Delco Asia was established by Mr. de Leeuw and Mr. van Ooijen for the purpose of transferring their investments in CT Metals from Delco Recycling to Delco Asia. Delco Recycling then became dormant. In 2002, for the purpose of group restructuring, Hefast was set up as an investment holding company for the metal scrap recycling businesses, and via an equity transfer between Mr. Fang, Delco Asia and Hefast, Hefast acquired the entire interest of CT Metals from Mr. Fang and Delco Asia in 2003. In 2003, Hefast and Takao established CT Foundry and commenced the foundry business. Takao is wholly-owned by Takao Aluminium Alloy Co., Ltd. ("Takao Aluminium"). Both Takao and Takao Aluminium are Independent Third Parties. On 14 June 2005, Takao completed the transfer of all its interest in CT Foundry to Hefast for a total consideration of US\$3,060,000 which is equivalent to the amount contributed by Takao for the stake. After the transfer, CT Foundry became a wholly-owned subsidiary of Hefast. As at the Latest Practicable Date, CT Metals and CT Foundry were wholly-owned subsidiaries of Hefast. In line with our strategy to establish new facilities in other cities in China, we established CT Metals (Ningbo) on 28 September 2008 to engage in the metal recycling business in Ningbo.

CT Metals

CT Metals was established on 24 December 1999 as a Sino-foreign equity joint venture company with a registered capital of US\$840,000. Its initial shareholders were Tian'an Resources, Taian Recycling and Delco Recycling. Tian'an Resources, Taian Recycling and Delco Recycling contributed US\$399,000, US\$220,500 and US\$220,500 respectively to the registered capital of CT Metals and such contributions respectively represented approximately 47.50%, 26.25% and 26.25% of its then registered capital. Both Tian'an Resources and Taian Recycling were ultimately controlled and managed by Mr. Fang. Tian'an Resources was subsequently deregistered in 2002 while Taian Recycling has been inactive since 2005.

On 20 July 2000, CT Metals obtained the status of Designated Processing Unit and commenced its business of recycling, reuse and processing of Mixed Metal Scrap in Taizhou.

On 18 February 2001, the board of CT Metals resolved to increase CT Metals' registered capital from US\$840,000 to US\$1,680,000.

On 28 March 2001, Tian'an Resources completed the transfer of its 47.5% equity interests in CT Metals to Taian Recycling for a total consideration of US\$399,000, representing its original investment cost. After the increase in registered capital and equity transfer set out above, the registered capital of CT Metals was owned by Taian Recycling and Delco Recycling as to US\$1,239,000 and US\$441,000 respectively, thereby representing 73.75% and 26.25% respectively of its then registered capital.

On 18 December 2001, the board of CT Metals resolved to further increase CT Metals' registered capital from US\$1,680,000 to US\$6,000,000, such increase to be contributed by Mr. Fang and Delco Asia in the amounts of US\$1,761,000 and US\$2,559,000, respectively.

HISTORY AND DEVELOPMENT AND REORGANISATION

On 22 December 2001, the relevant authority's approval was given for the transfer from Taian Recycling of its entire 73.75% interest in the registered capital of CT Metals to Mr. Fang for a consideration of US\$1,239,000 and the transfer from Delco Recycling of its 26.25% interest in the registered capital of CT Metals to Delco Asia for a consideration of US\$441,000. All such transfers were made at the respective original investment cost and completed on 10 May 2002.

Following the increase in registered capital and various equity transfers referred to above, the registered capital of CT Metals then became owned by Mr. Fang and Delco Asia as to US\$3,000,000 each, representing equal shares in CT Metals.

On 8 October 2002, the board of CT Metals resolved that its registered capital be increased further from US\$6,000,000 to US\$10,882,000. Each of Mr. Fang and Delco Asia made their pro rata contribution and, thereafter, each held US\$5,441,000 of the registered capital of CT Metal, representing equal shares in CT Metals.

For the purpose of a group restructuring, Hefast was established on 20 December 2002 as an investment holding company for Mr. Fang and Delco Asia to jointly hold their investments in the scrap recycling businesses. On 31 December 2002, Mr. Fang, Delco Asia and Hefast entered into a share transfer agreement pursuant to which Mr. Fang and Delco Asia transferred their respective entire interests in CT Metals to Hefast for a total consideration of US\$10,882,000. This was approved and became effective on 22 August 2003. After such transfers, CT Metals became a wholly-owned subsidiary of Hefast, while Hefast was held as to 50% by Delco Asia and as to 50% by Mr. Fang.

On 14 December 2006 and in accordance with relevant governmental approvals, CT Metals increased its registered capital from US\$10,882,000 to US\$12,682,000.

On 16 September 2008 and in accordance with relevant governmental approvals, CT Metals increased its registered capital from US\$12,682,000 to US\$22,682,000.

CT Foundry

With a view to developing new recycled metal products by utilising our supply of recycled metals, CT Foundry was incorporated on 8 December 2003 as a wholly foreign-owned enterprise (外商獨資企業) with a registered capital of US\$6,000,000. At the relevant time, CT Foundry was held as to 51% by Takao (who contributed US\$3,060,000) and as to 49% by Hefast (who contributed US\$2,940,000). CT Foundry is engaged in the business of the production and sale of aluminium-alloy ingots and commenced production in May 2004.

On 1 August 2004, Takao and Hefast entered into an equity transfer agreement pursuant to which Takao transferred its 17.67% interest in CT Foundry to Hefast for a consideration of US\$1,060,000 which is equivalent to the amount contributed by Takao for that stake. After the transfer was completed on 10 May 2005, the registered capital of CT Foundry was then owned as to 66.67% by Hefast and as to 33.33% by Takao.

On 17 December 2004, the board of CT Foundry resolved that Takao to transfer its remaining 33.33% interest in CT Foundry to Hefast for a consideration of US\$2,000,000, which is equivalent to the amount contributed by Takao for the stake. The transfer was completed on 14 June 2005 and as a result CT Foundry became a wholly-owned subsidiary of Hefast. In compliance with the relevant governmental approval, the registered capital of CT Foundry was increased from US\$6,000,000 to US\$7,500,000 on 30 May 2005.

HISTORY AND DEVELOPMENT AND REORGANISATION

CT Metals (Ningbo)

In line with our strategy to establish new facilities in other cities in China so as to expand our processing capacity, CT Investments established CT Metals (Ningbo) in Ningbo China on 28 September 2008 as a wholly foreign-owned enterprise of CT Investments with a registered capital of US\$3,000,000. CT Metals (Ningbo) has been established to engage in the business of recycling, reusing and processing of Mixed Metal Scrap and commenced commercial production in November 2009.

As at 26 June 2009, CT Investments has contributed 15.33% of the registered capital for this company and is required to pay the balance of the registered capital within two years from 28 September 2008, being the date of issuance of its business licence.

Our Company

Our Company was incorporated on 15 May 2008 in the Cayman Islands as the holding company of our Group following the Reorganisation with the initial authorised share capital of HK\$50,000, divided into 5,000,000 Shares of HK\$0.01 each. At its incorporation, HWH acquired 1 nil-paid Share in our share capital from the subscriber, Codan Trust Company (Cayman) Limited, and 1 nil-paid Share was allotted and issued to Delco Participation. In consideration for its acquisition on 27 August 2008 of the entire issued share capital of CT International (then held by HWH and Delco Participation in equal shares), 49 Shares were issued to each of HWH and Delco Participation and the 1 nil paid Share previously issued to each of them were paid up.

As a result, our Company became the sole shareholder of CT International while HWH and Delco Participation became the shareholders of our Company, each holding 50% of the Shares then in issue.

On 28 August 2008, each of HWH and Delco Participation transferred 4 Shares to New Asset for an aggregate consideration of US\$12,550,000, funded by a promissory note in the same amount issued by New Asset to HWH, 50% of which was to satisfy the half share of the consideration payable to HWH and the remaining 50% of which New Asset directed HWH to pay in cash to settle the half share of the consideration payable to Delco Participation.

On 12 October 2008 and pursuant to the directions of the beneficiaries of the FDG Trust dated 12 October 2008, New Asset transferred a total of 8 Shares to each of HWH and Delco Participation, in equal proportion, in consideration of the cancellation of the promissory note of US\$12,550,000 issued by New Asset to HWH.

On 8 March 2010, each of HWH and Delco Participation transferred 4 Shares, being a total of 8 Shares, to Green Elite for a total consideration of HK\$0.08.

CT International

CT International was established on 2 April 2008 in BVI as an intermediate holding company of our Group with an authorised share capital of US\$50,000 divided into 50,000 Shares of US\$1 each. On 6 June 2008, 1 share of US\$1 each in its share capital was issued to each of HWH and Delco Participation respectively for a cash consideration of US\$1 each. These 2 shares comprised the entire issued share capital of CT International at the relevant time.

On 27 August 2008, as part of the Reorganisation, HWH and Delco Participation transferred their entire interests in CT International to our company in consideration of which 49 new Shares were issued to each of them and the 1 nil paid Share previously issued to each of them were paid up. Following the transfer, CT International became a wholly-owned subsidiary of our Company. It is an investment holding company.

HISTORY AND DEVELOPMENT AND REORGANISATION

Hefast

Hefast was incorporated in Hong Kong on 20 December 2002 with its initial shareholders being the two nominee companies which applied for its incorporation, each holding one share of HK\$1 each. It was then incorporated primarily as a holding company for our Group's subsidiaries in the PRC. On 31 December 2002 the two nominees transferred their entire interest in Hefast to Mr. Fang and Delco Asia, each of whom acquired one share of HK\$1 each. At the same time, Mr. Fang and Delco Asia also subscribed for an additional 4,999 shares of HK\$1 each, whereupon Hefast became equally owned by Mr. Fang and Delco Asia.

As part of the Reorganisation, on 27 August 2008 Hefast increased its issued share capital from HK\$10,000 to HK\$100,000 and issued 90,000 new shares at par to CT International for a cash consideration of HK\$90,000. On 29 August 2008, each of Delco Asia and Mr. Fang transferred their entire interests in Hefast to CT International for a nominal consideration of HK\$1 each. Immediately upon completion of these transactions Hefast became a wholly-owned subsidiary of CT International and, upon completion of the Reorganisation, an indirectly wholly-owned subsidiary of our Company. Hefast is an investment holding company.

CT HK

CT HK was incorporated in Hong Kong on 12 May 2004 with Mr. Fang as its sole shareholder, holding one share of HK\$1 each.

Mr. Fang, whether by himself or through his nominee shareholder, remained the sole beneficial shareholder of CT HK until he transferred his 1 share to BSV on 8 December 2006 at a consideration of HK\$1 being its par value. BSV was wholly-owned by Mr. Fang and was an investment holding company holding HKM Metal only at that time. On 11 March 2008, Hefast acquired the one share from BSV for a cash consideration of HK\$1.

As part of the Reorganisation, on 29 August 2008 Hefast transferred the one share in CT HK to CT International for a cash consideration of HK\$1. CT HK then became a wholly-owned subsidiary of CT International and an indirect wholly-owned subsidiary of our Company. CT HK obtained the Supplier Registration Licence in December 2008 and currently acts principally as our Group's purchasing agent and primarily responsible for our wholesale business.

CT Investments

CT Investments was incorporated in Hong Kong on 16 July 2008 with its entire issued capital of HK\$10,000, comprising 10,000 shares of HK\$1 each issued to CT International for a cash consideration of HK\$10,000. It is an investment holding company.

CT HK (Copper)

CT HK (Copper) was incorporated in Hong Kong on 15 June 2009 with CT Investments, RQD (Hong Kong) Investment Company Limited ("RQD") and Kwongwik Investments Limited ("Kwongwik") as its initial shareholders respectively holding 5,100 shares, 4,000 shares and 900 shares of HK\$1 each, respectively. RQD and Kwongwik are investment holding companies held by independent third parties.

CT HK (Copper) was initially set up to hold CT Copper (Ningbo), which was intended to pursue the trading of single metal scrap in China. Subsequently, as the joint venture partners and our management did not share the same management directions, on 29 December 2009, RQD and Kwongwik transferred their entire shareholdings in CT HK (Copper) to CT Investments for a cash consideration of HK\$4,000 and HK\$900 respectively. Following the transfer, CT HK (Copper) became a wholly-owned subsidiary of CT Investments. CT HK (Copper) is an investment holding

HISTORY AND DEVELOPMENT AND REORGANISATION

company and is currently dormant. Given that CT Metals (Ningbo) is able to undertake the trading of single metal scrap in China, we decided to de-register CT Copper (Ningbo).

CT Copper (Ningbo)

On 5 August 2009, CT Copper (Ningbo) was established as a wholly foreign-owned enterprise of CT HK (Copper) in Ningbo with a registered capital of US\$ 2,000,000. CT Copper (Ningbo) was initially set up by CT HK (Copper), which was a joint venture between CT Investments, RQD and Kwongwik, for pursuing the trading of single metal scrap in China. Subsequently, as the joint venture partners and our management did not share the same management directions, RQD and Kwongwik transferred their entire shareholdings in CT HK (Copper) to CT Investments on 29 December 2009. Given that CT Metals (Ningbo) is able to undertake the trading of single metal scrap in China, we decided to de-register CT Copper (Ningbo). CT Copper (Ningbo), was deregistered on 9 June 2010.

Delco Europe

Delco Europe was incorporated in the Netherlands on 18 January 1985 and held in equal shares by SVO and HPL. Delco Europe obtained the Supplier Registration Licence in January 2005 and it is principally engaged in the provision of purchasing services to our Group in connection with sourcing and trading of metals scrap in Europe and the United States for export to the PRC.

With effect from 1 January 2010, CT International acquired 40 shares in the issued share capital of Delco Europe from SVO and HPL, being the entire of Delco Europe's issued share capital, for a total consideration of EUR100. Following the share purchase, Delco Europe became a wholly-owned subsidiary of CT International.

Further disclosures relating to Delco Europe for the financial year ended 31 December 2009 are set out in the Accountants' Report in Appendix I to this prospectus.

HISTORY AND DEVELOPMENT AND REORGANISATION

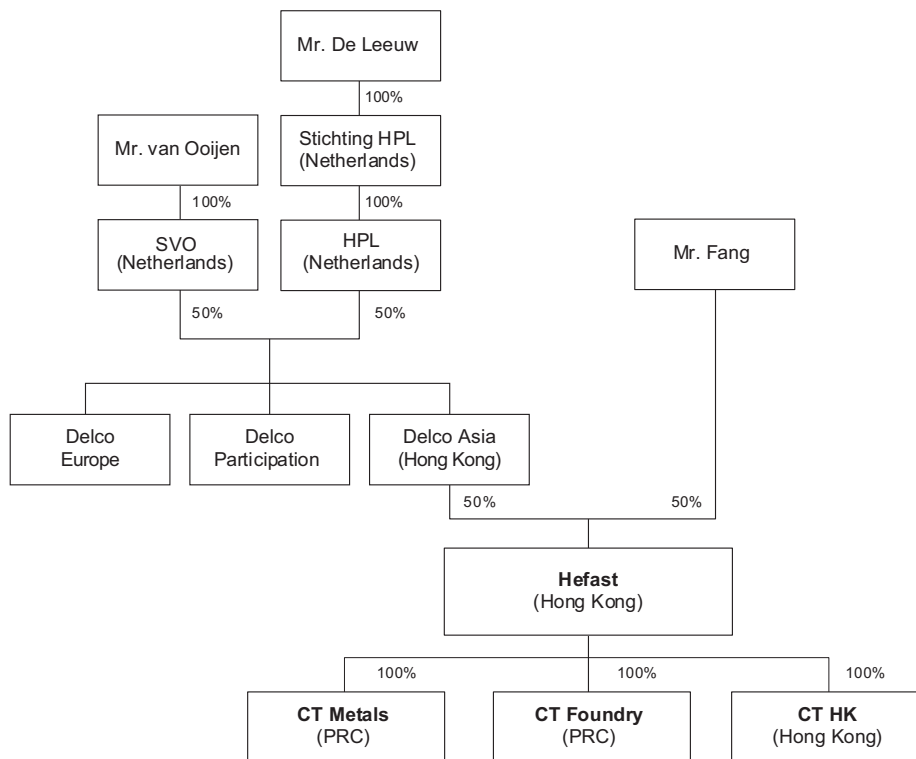
Reorganisation

We underwent the Reorganisation to rationalise our Group's structure in preparation for the Global Offering, pursuant to which our Company became the holding company of our Group. Further details of the Reorganisation are set out in the section headed "Reorganisation" in Appendix VI to this prospectus.

Our PRC legal adviser has confirmed that all approvals required under the PRC laws and regulations in connection with each stage of the Reorganisation have been obtained.

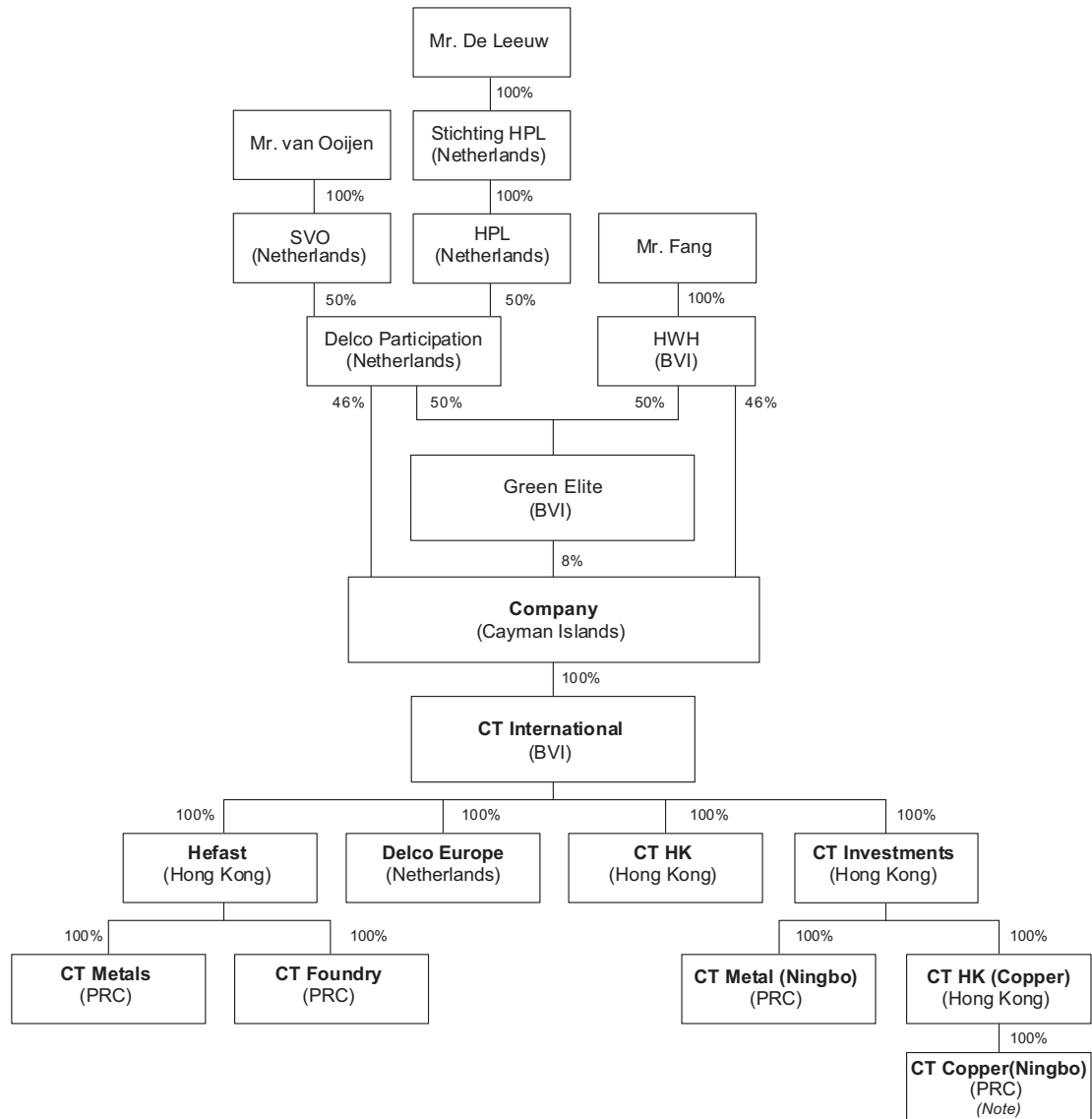
Corporate Structure

Set out below is a diagrammatic presentation of our Group's corporate structure immediately before the Reorganisation:



HISTORY AND DEVELOPMENT AND REORGANISATION

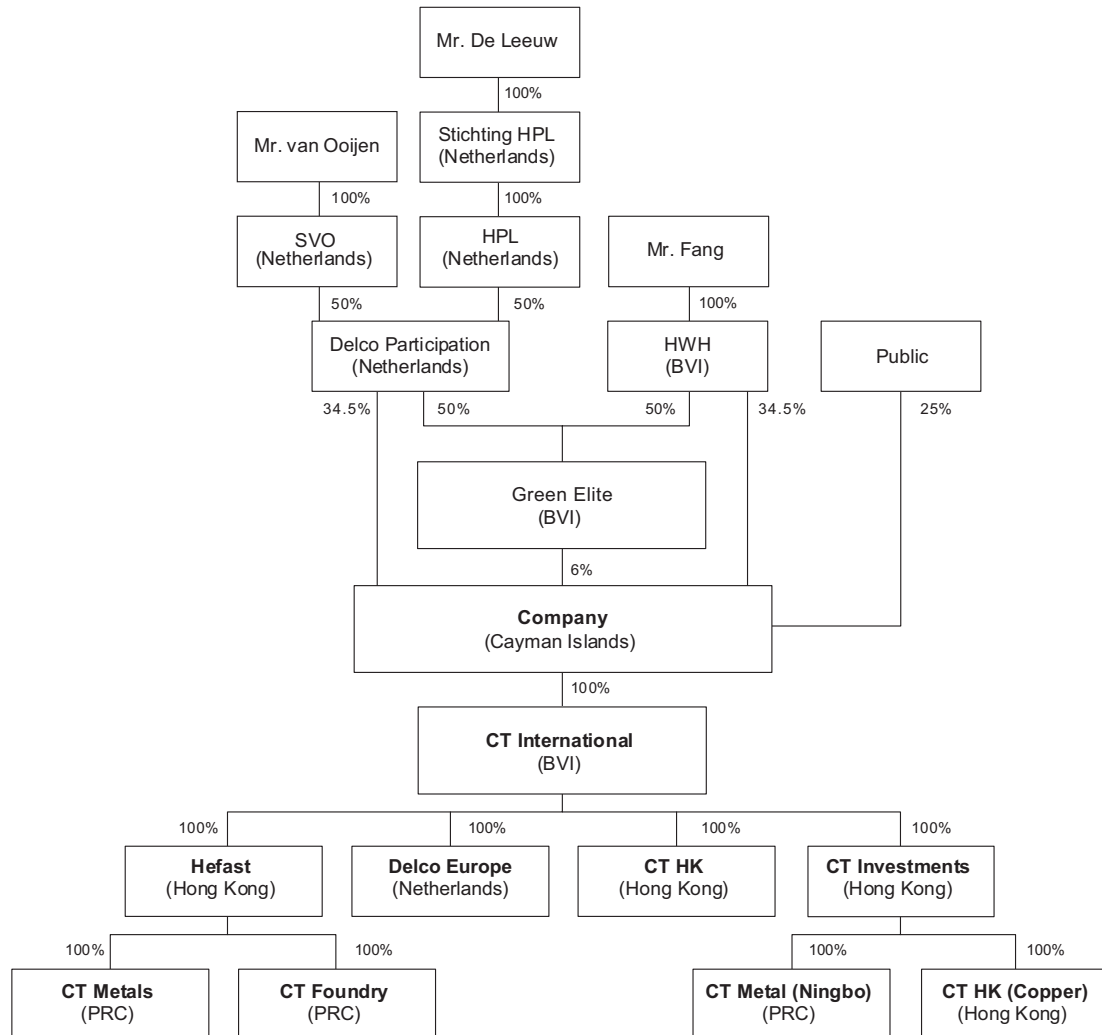
Set out below is a diagrammatic presentation of our Group's corporate structure immediately after the Reorganisation:



Note: CT Copper (Ningbo) was deregistered on 9 June 2010.

HISTORY AND DEVELOPMENT AND REORGANISATION

Set out below is a diagrammatic presentation of our Group's corporate structure immediately after the Global Offering and the Capitalisation Issue assuming (i) the Over-allotment Option is not exercised; and (ii) no Shares are issued pursuant to the exercise of options granted or to be granted under the Share Option Schemes:



OVERVIEW

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

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

Our business segment may be broadly classified into three categories:

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

Notes:

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

BUSINESS

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

	Year ended 31 December					
	2007 HK\$'000	%	2008 HK\$'000	%	2009 HK\$'000	%
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%
	<u>1,798,332</u>	<u>100.0%</u>	<u>2,505,168</u>	<u>100.0%</u>	<u>2,339,243</u>	<u>100.0%</u>

Notes:

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

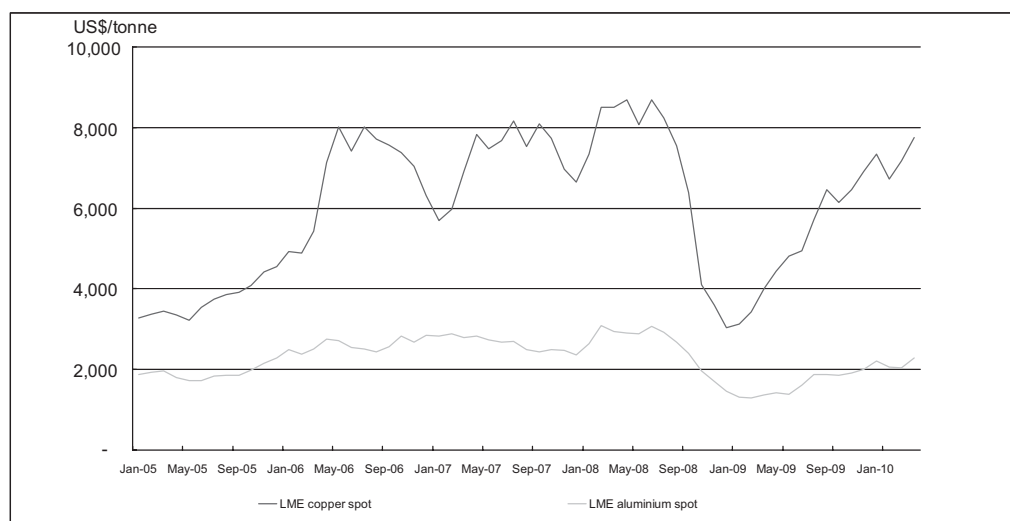
IMPACT OF THE RECENT FINANCIAL CRISIS ON OUR GROUP

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

Although we recorded profits attributable to shareholders of approximately HK\$83.0 million for the year ended 31 December 2007, the sharp collapse in global commodities prices in the fourth quarter of 2008 resulted in our inventories (which comprised mainly of copper, steel, aluminium and iron recycled products as well as raw materials purchased by us) being stated at net realisable value instead of at cost as at 31 December 2008. The Group recorded inventory provision of HK\$308.6 million and a loss of HK\$200.1 million for the year ended 31 December 2008. As a result of the loss we recorded for 2008, we failed to satisfy the requirements of Rule 8.05(1)(a) of the Listing Rules to have an aggregate net profit of HK\$30 million for the two years ended 31 December 2007 and 2008. The Stock Exchange published a news release on 5 June 2009 announcing that the Stock Exchange may grant a waiver to certain listing applicants from strict compliance with the existing profit test in certain circumstances where the negative adverse financial impact arising from the recent global financial downturn is temporary in nature. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant us, a waiver from compliance with Rule 8.05(1)(a) of the Listing Rules. Please refer to the section “Waivers from Strict Compliance with the Listing Rules” in this prospectus.

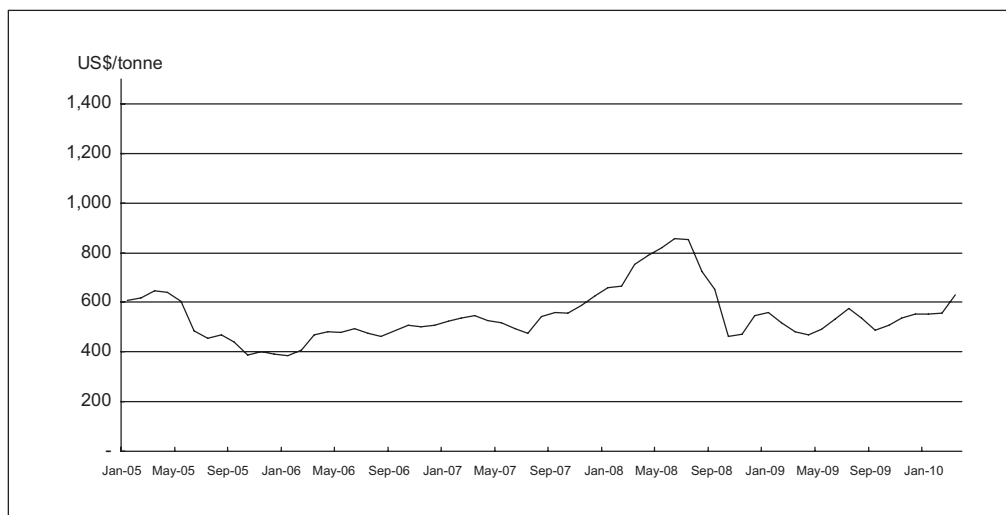
As demonstrated in Chart A below relating to the movement of copper, and aluminium as quoted on the LME, and Chart B below relating to China domestic hot rolled coil steel index for the last 5 years, the prices for these commodities have recovered quite significantly from their lows in December 2008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

Chart A
Copper spot and aluminium spot price quoted from LME



Source: Bloomberg

Chart B
China domestic hot rolled coil steel index



Source: Bloomberg

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

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

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

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

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

COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

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

Note: Based on information available from the MEP.

Largest importer of copper based scrap and motor scrap in China

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

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

Obtained all required qualifications, approvals and licences

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

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

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

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

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

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

Well established procurement network and capabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

Experienced and dedicated management team

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

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

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

Note: Based on information available from the MEP.

Effective environmental protection measures and pollution controls

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

BUSINESS STRATEGIES

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

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

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

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

Continue to develop and expand our existing processing capacity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Market consolidation and mergers and acquisition opportunities

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

OUR PRODUCTS

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

Metal recycling business

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

Foundry business

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

Wholesale business

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

Our principal products and their applications

Recycled Metal Products (再生金屬產品)

Copper scrap
(廢銅)



Burnt copper
(火燒銅)

Descriptions

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

Typical customers

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

Recycled Metal Products (再生金屬產品)



Cleaned raw copper
(淨毛銅)

Descriptions

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

Typical customers

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



Raw copper
(毛銅)

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

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



Copper granules
(銅米)

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

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

Recycled Metal Products (再生金屬產品)

Steel scrap
(廢鋼)



Medium-sized steel
scrap
(中重廢鋼)

Descriptions

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

Typical customers

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



Motor steel scrap
(電機料廢鋼)

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

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

Aluminium scrap
(廢鋁)



Used aluminium scrap
(舊生鋁)

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

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

Iron Scrap
(舊生鐵)



Iron scrap
(舊生鐵)

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

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

Foundry Products

Aluminium-alloy
ingots (鋁錠)



Aluminium-alloy ingots
(鋁錠)

They are manufactured from aluminium scrap either sourced internally or externally ^(Note).

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

BUSINESS

Foundry Products

Copper rods and wires (銅杆銅線)



8mm Copper rods
(8毫米銅杆)



3mm Copper wires
(3毫米銅線)

Descriptions

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

Typical customers

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

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

	Year ended 31 December					
	2007 HK\$'000	%	2008 HK\$'000	%	2009 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 (銅杆銅線)	—	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%
	<u>1,798,332</u>	<u>100.0%</u>	<u>2,505,168</u>	<u>100.0%</u>	<u>2,339,243</u>	<u>100.0%</u>

Notes:

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

BUSINESS

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

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

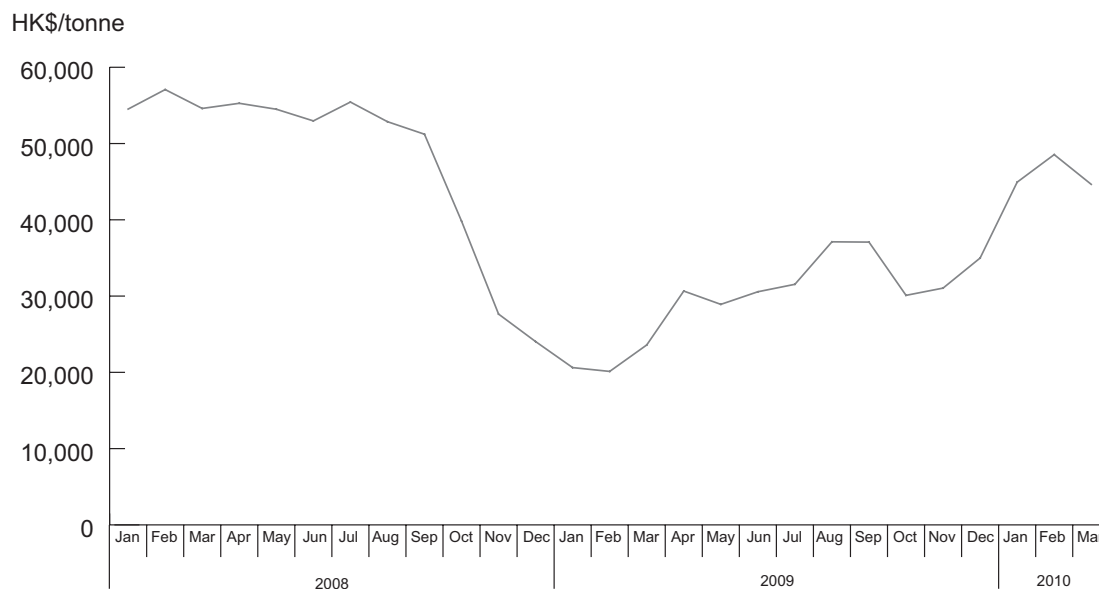
	Year ended 31 December		
	2007	2008	2009
Metal recycling business			
<i>Copper scrap (廢銅)</i>			
Revenue (HK\$'000)	1,096,057	1,407,523	1,164,966
Quantity (tonnes)	22,420	29,236	32,118
Average selling price per tonne (HK\$)	48,887	48,143	36,271
<i>Steel scrap (廢鋼)</i>			
Revenue (HK\$'000)	323,881	542,351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

BUSINESS

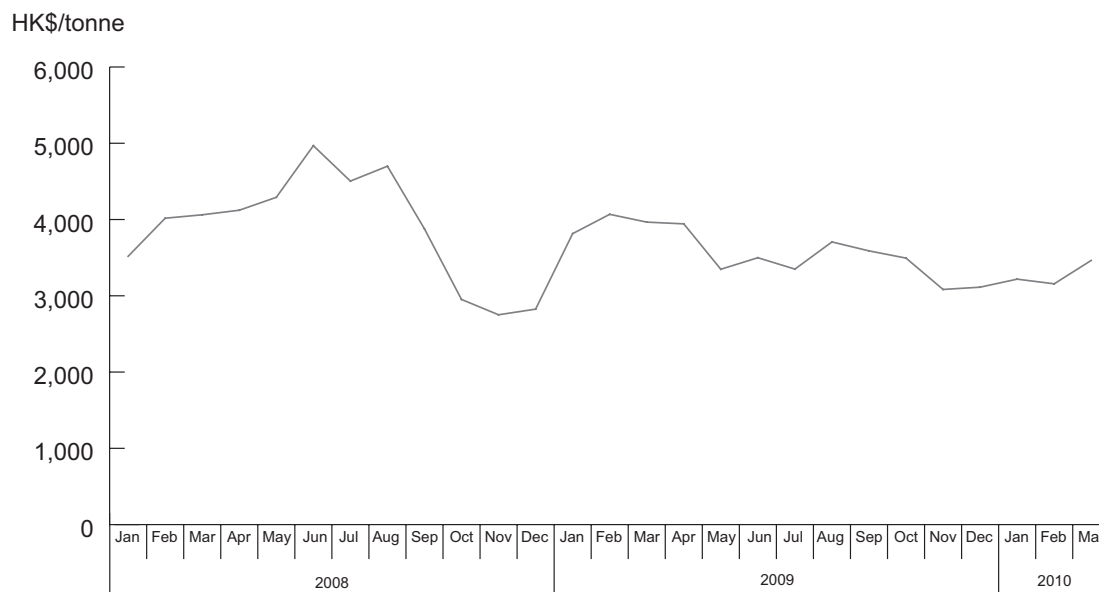
The charts below sets forth the monthly average selling prices of the major components of our Recycled Metal Products, Foundry Products and Wholesale Products from the beginning of 2008 up to the end of March 2010:

Recycled Metal Products

Monthly average selling price of copper scrap

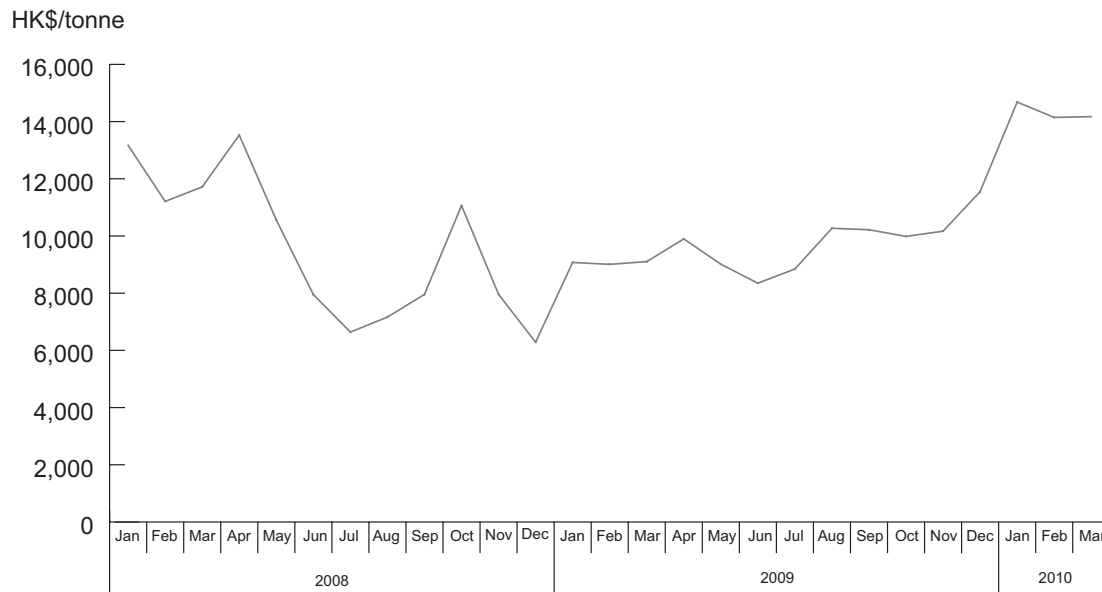


Monthly average selling price of steel scrap

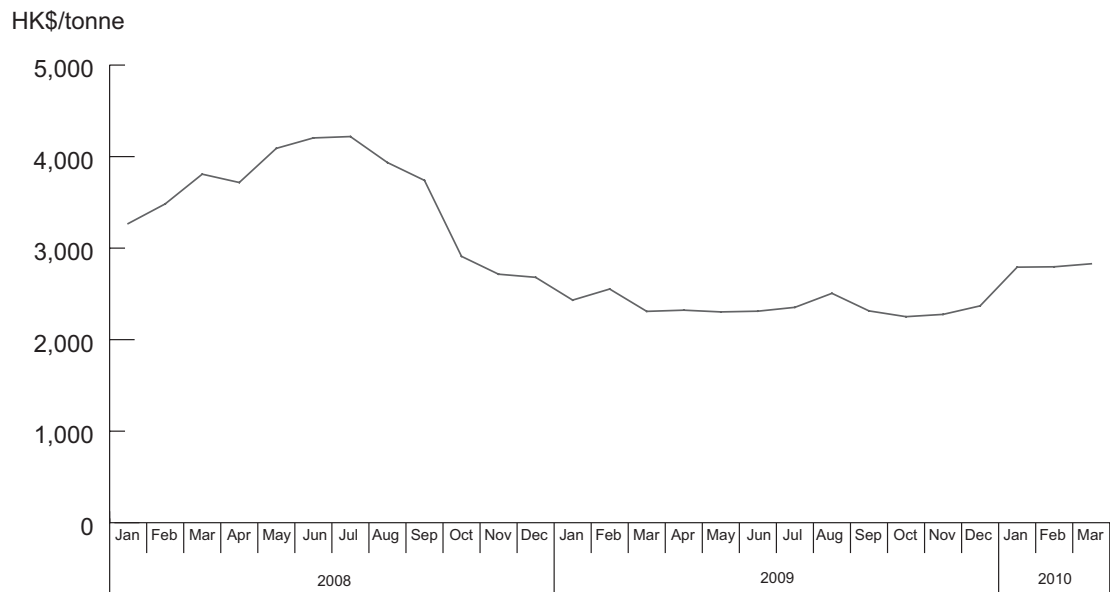


BUSINESS

Monthly average selling price of aluminium scrap

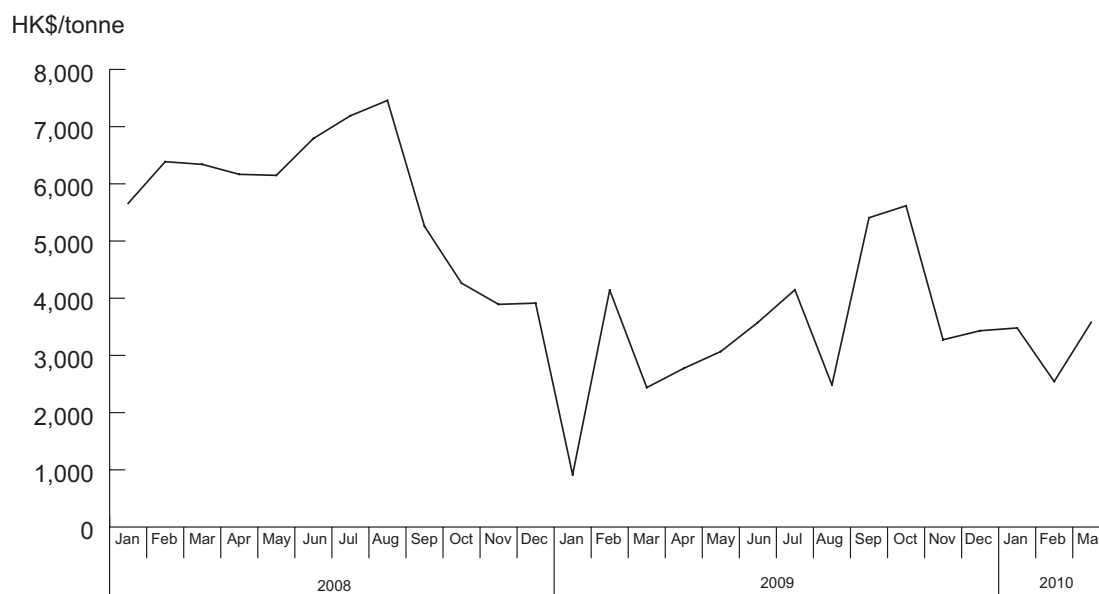


Monthly average selling price of iron scrap



BUSINESS

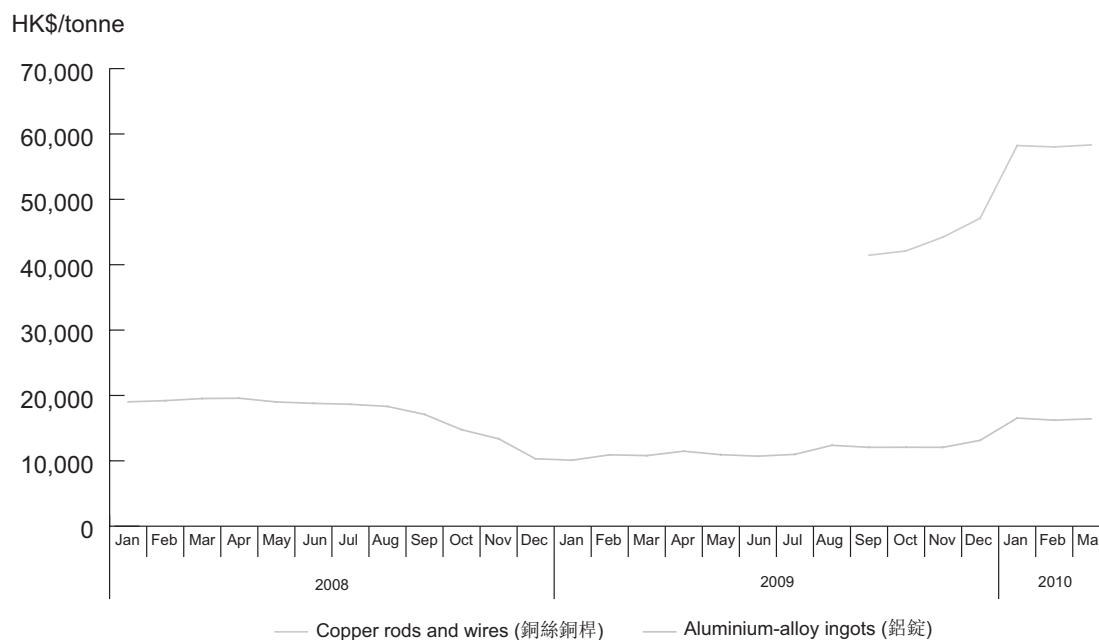
Monthly average selling price of other metal scrap with processing



Foundry Products

Monthly average selling price of Foundry Products

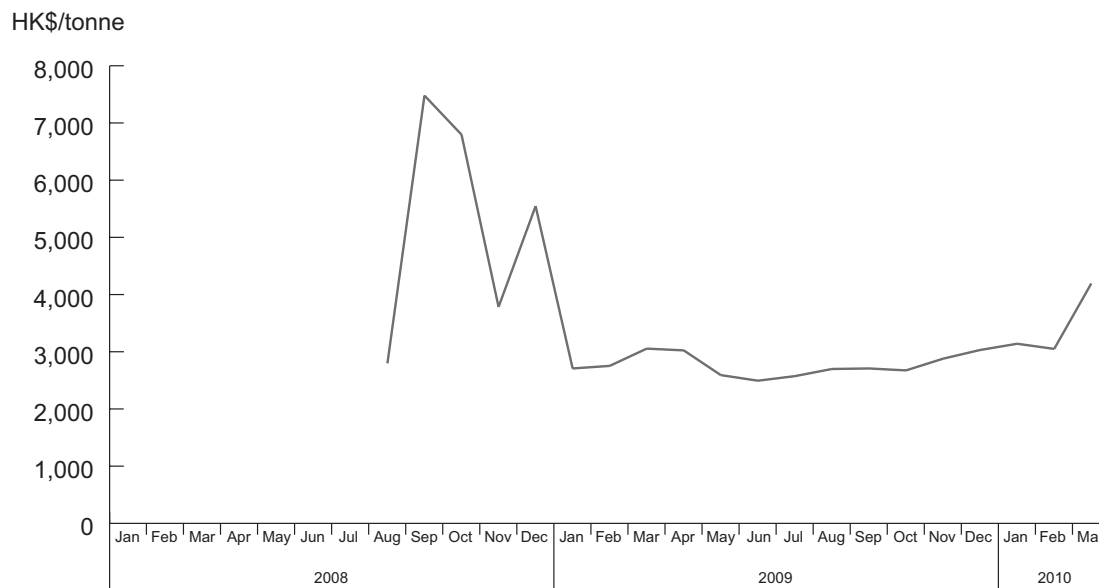
Monthly average selling price of Foundry Products



BUSINESS

Wholesale Products

Monthly average selling price of Wholesale Products

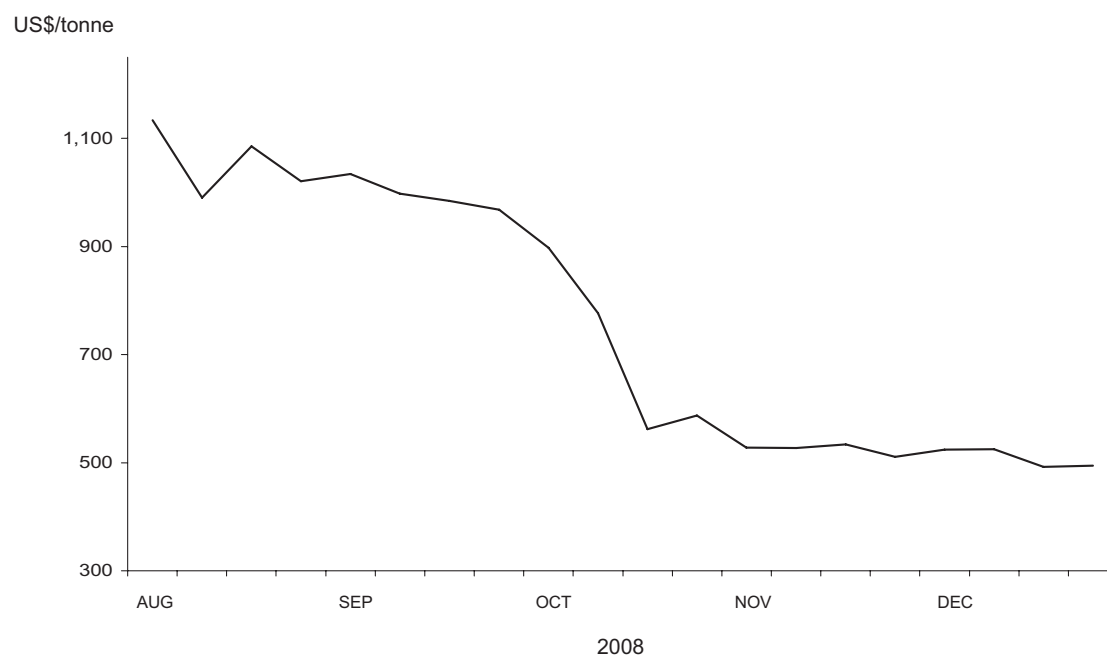


In accordance with the accounting policies of the Group relating to “Provisions for inventories” as set out on page I-13 of this prospectus, the management of the Group will review the inventories listing on a category-by-category basis at the end of each reporting period, and assesses whether the cost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

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

BUSINESS

Weekly average purchase price of motor scrap by the Group



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

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

BUSINESS

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

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

PROCESSING AND PRODUCTION

Processing and Production Sites

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

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

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

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

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

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

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

Processing and Production Capacities

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

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

BUSINESS

Set out below are our existing processing and production facilities:

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

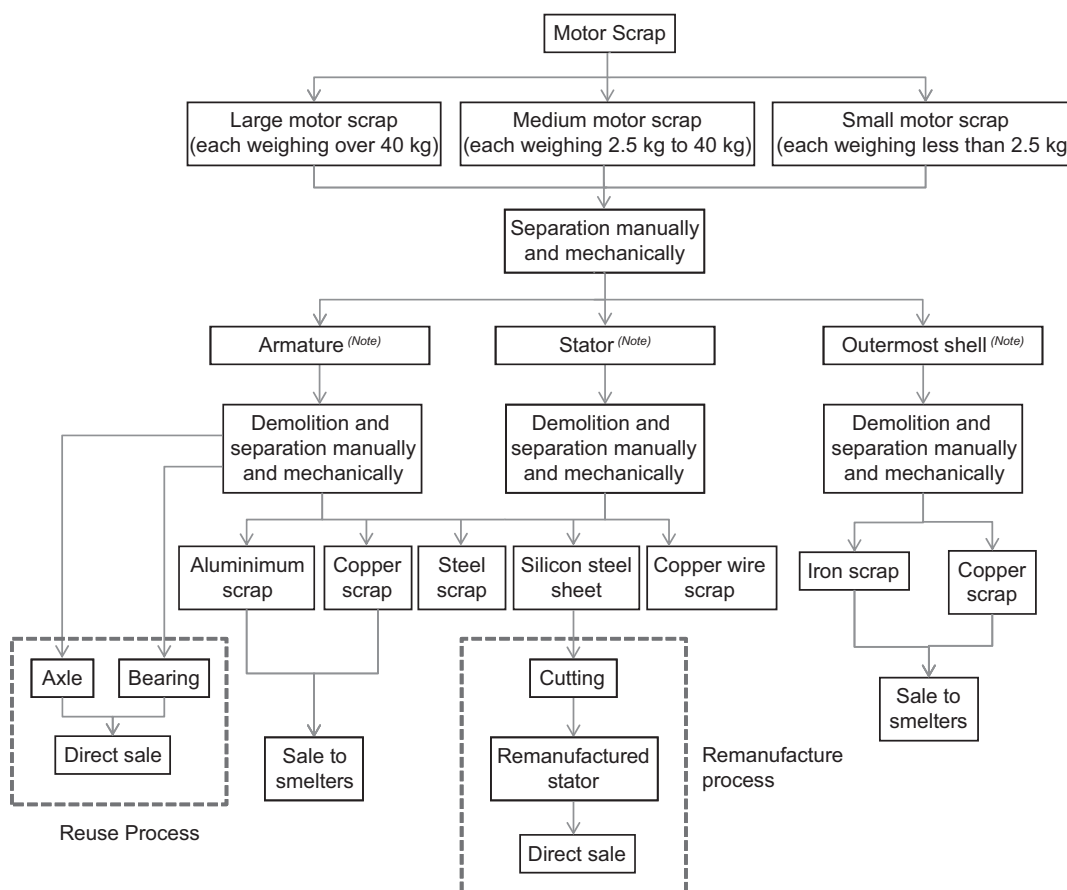
Notes:

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

Metal Recycling Process

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

(1) Processing of motor scrap (廢電機)



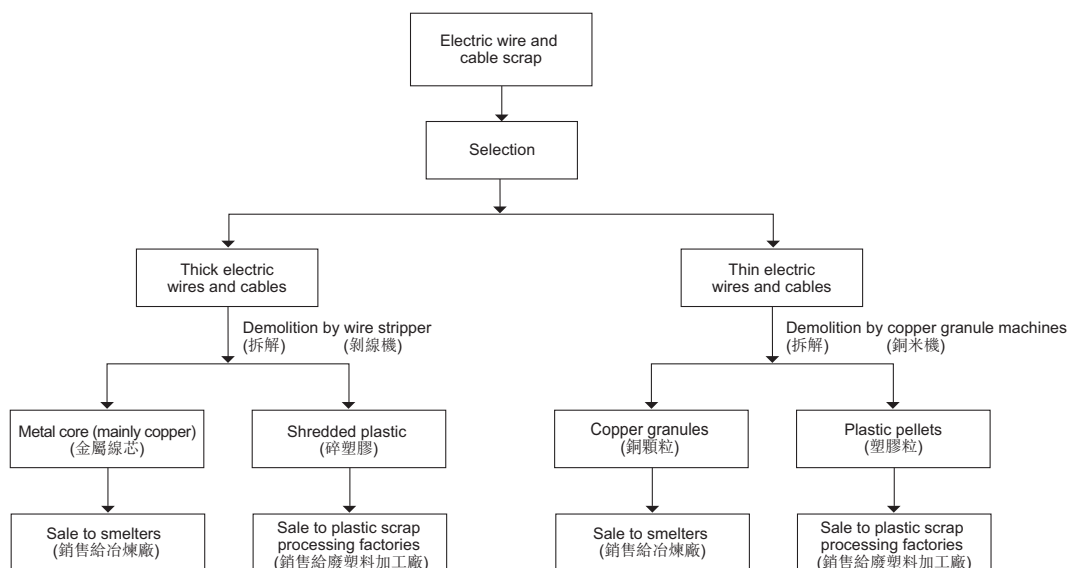
Note: They are the major components of a motor scrap.

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

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

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

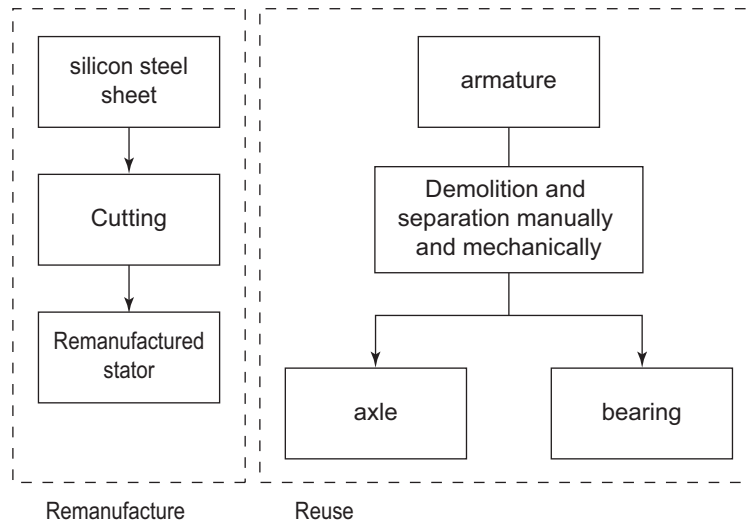
(2) Processing of electric wire and cable scrap (廢電線電纜)



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

(3) *Reuse/Remanufacturing Process*

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



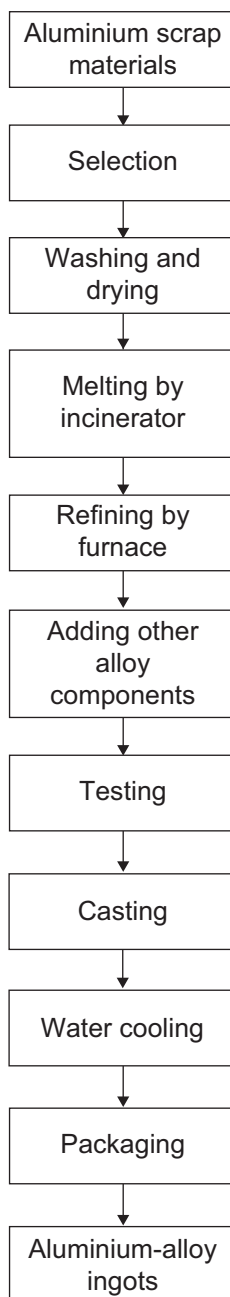
Foundry Production Process

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

(1) *Production of aluminium-alloy ingots*

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

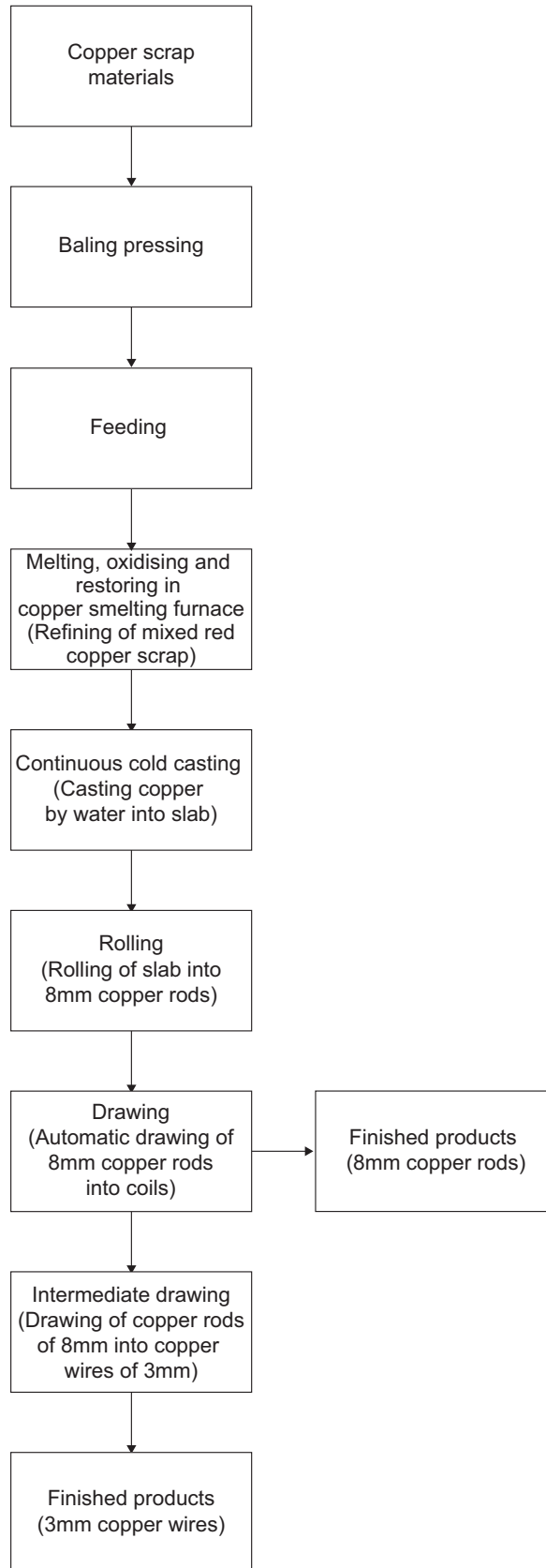
BUSINESS



(2) *Production of copper rods and wires*

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

BUSINESS



CUSTOMERS, SALES, MARKETING AND DISTRIBUTION

Sales force, channels and market

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

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

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

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

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

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

Major customers

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

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

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

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

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

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

Pricing policy

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

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

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

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

Credit and payment terms

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

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

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

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

RAW MATERIALS, PROCUREMENT AND SUPPLIERS

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

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

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

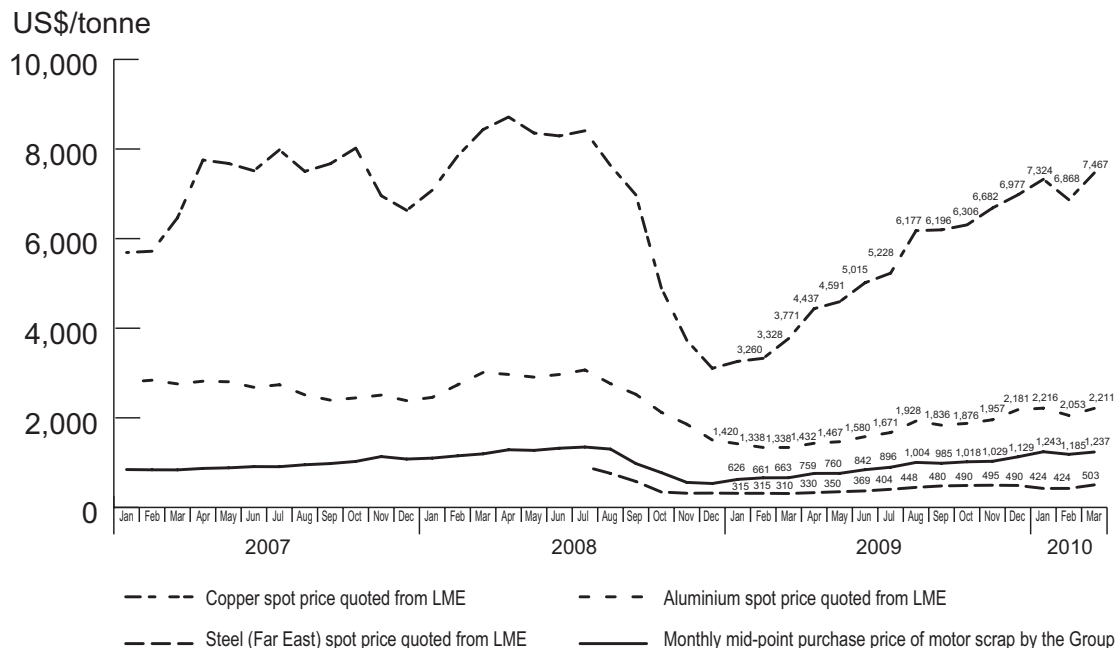
We commenced the commercial production of copper rods and wires in September 2009 and for the year ended 31 December 2009, all the raw materials we used for production of our copper rods and wires were supplied from the recycled copper scrap products we produced from our Mixed Metal Scrap recycling and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

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

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

Price Trend of Metals and Motor Scrap

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



Source: Bloomberg

Notes:

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

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

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

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

Suppliers

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

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

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

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

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

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

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

Purchasing service arrangement

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

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

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

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

Credit and payment terms

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

RISK MANAGEMENT OF COMMODITY PRICE FLUCTUATIONS

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

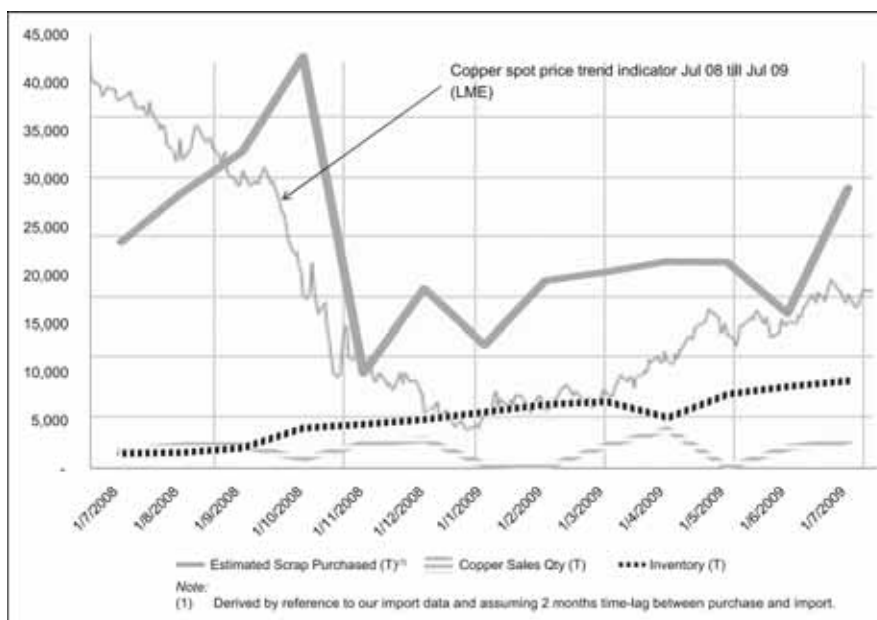
The pricing of Mixed Metal Scrap generally follows the movement of the pricing of refined metals quoted on established exchanges such as the LME and SHFE. Selling prices for our Recycled Metal Products are also determined by reference to such quoted prices (please refer to pages 129 and 147 of this prospectus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

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

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

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

Chart A



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

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

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

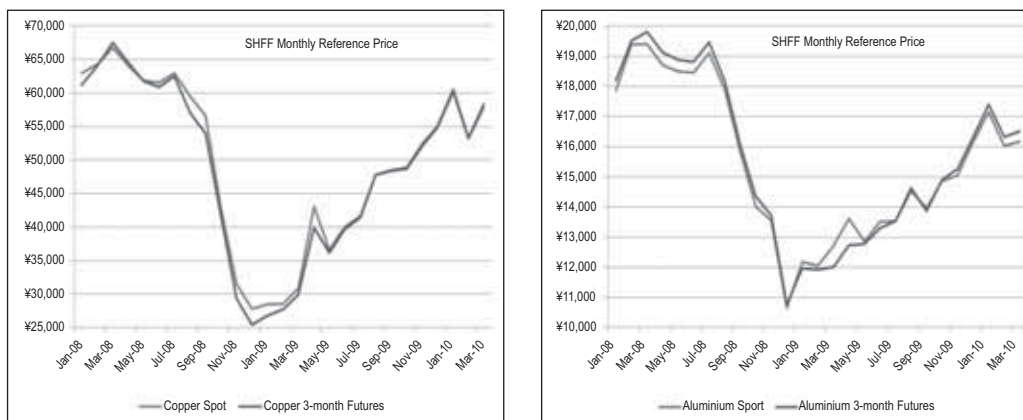
Our treasury and risk management activities during the Track Record Period

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

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

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

Chart B



Our hedging policy

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

Objective

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

Policy

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

- To ensure an effective risk monitoring system

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

- To maintain an appropriate level of inventory for our operations

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

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

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

- To perform annual independent review of our internal control, inventory management and commodity risk management procedures to ensure compliance with our hedging policy

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

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

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

Monitoring procedures for the use of proceeds of the Global Offering

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

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

BUSINESS

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

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

LOGISTICS AND DISTRIBUTION

Warehousing and inventories

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

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

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

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

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

Transportation and distribution

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

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

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

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

QUALITY CONTROL

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

Metal recycling business

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

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

Foundry business

Aluminium-alloy ingots

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

Copper rods and wires

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

RESEARCH AND DEVELOPMENT

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

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

QUALIFICATIONS, PERMITS AND LICENCES

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

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

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

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

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

BUSINESS

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

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

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

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

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

BUSINESS

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

BUSINESS

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

EMPLOYEES

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

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

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

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

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

Housing Provident Fund

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

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

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

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

Workers

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

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

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

INSURANCE

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

ENVIRONMENTAL MATTERS

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

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

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

Environmental protection measures and pollution controls adopted by us

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

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

Solid wastes

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

Noise

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

Waste water

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

Polluted air

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

Regular environmental assessment

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

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

ISO14001:2004

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

OCCUPATIONAL HEALTH AND SAFETY

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

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

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

LEGAL PROCEEDINGS

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

INTELLECTUAL PROPERTY

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

COMPETITION

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

BUSINESS

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

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

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

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

AWARDS AND CERTIFICATION

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

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

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

BUSINESS

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

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

PROPERTY INTERESTS

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

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

BUSINESS

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

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

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

BUSINESS

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

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

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

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

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

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

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

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

CONNECTED TRANSACTIONS

DISCONTINUED CONNECTED TRANSACTIONS

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

Purchase of raw materials from Delco Asia and HKM Metal

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

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

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

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

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

Notes:

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

Purchasing services arrangement with Delco Europe

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

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

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

In connection with this arrangement:

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

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

CONNECTED TRANSACTIONS

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

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

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

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

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

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

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Board is responsible and has general powers for the management and the conduct of our business. The table below shows certain information in respect of members of the Board:

Name	Age	Position
Mr. Fang Ankong	44	executive chairman and chief executive officer
Mr. Stephanus Maria van Ooijen	47	executive Director
Mr. Gu Liyong	47	executive Director
Mr. Ralph Sytze Ybema	43	non-executive Director
Ms. Zhang Jingdong	64	independent non-executive Director
Dr. Loke Yu	60	independent non-executive Director
Mr. Li Xikui	65	independent non-executive Director

Executive Directors

Mr. Fang Ankong (方安空), aged 44, is an executive chairman and chief executive officer of the Group. Mr. Fang Ankong was appointed as Director on 15 May 2008. Mr. Fang Ankong is also one of the founders of our Group. Mr. Fang Ankong has completed secondary education. Mr. Fang Ankong founded our Group in 1999 and has over 15 years of experience in the business of metallurgy and metal scrap recycling. Mr. Fang Ankong is primarily responsible for setting corporate strategy and planning, and overall management of our Group. Prior to founding our Group, Mr. Fang Ankong has been engaged in the import and trading of metals scrap. From 1995, Mr. Fang Ankong was a shareholder of Tianan Resources, a company engaged in the importing of metal scrap into China and recycling of metal scrap, and also participated in the operation and management of Tianan Resources. Tianan Resources was deregistered in 2002. Mr. Fang Ankong is a member of the People's Political Consultative Conference of Luqiao District of Taizhou City (台州市路橋區政協委員).

Mr. Fang Ankong is the younger brother of Ms. Fang Aiping, and elder brother of Mr. Fang Anlin. Both Ms. Fang Aiping and Mr. Fang Anlin are Vice-Presidents of our Group. Mr. Fang Ankong is also the brother-in-law of Mr. Ding Guopei, the Senior Vice-President of CT Metals. Mr. Fang Ankong is also the younger brother of the father-in-law of Mr. Zhu Zhonghui, the manager of the sales and marketing department of our Group.

Mr. Stephanus Maria van Ooijen, aged 47, is an executive Director and one of the founders of our Group. He was appointed as Director on 15 May 2008. Mr. van Ooijen is primarily in charge of corporate strategy and planning with focus on our Group's import functions and has over 12 years of experience. Mr. van Ooijen obtained a diploma in 1985 from Hogere Agrarische Scholen van de Katholieke Nederlandse Boeren-en Tuindersbond 'S-Hertogenbosch (Higher Agricultural Schools of the Catholic Dutch Farmers and Gardeners Union of 'S-Hertogenbosch) in the Netherlands. Mr. van Ooijen is the sole shareholder and has been appointed as the director of SVO since 30 September 1993. He was also the director of Delco Participation from 2 November 2000 until 23 April 2008.

Mr. Gu Liyong (顧李勇), aged 47, is an executive Director and Vice-President of the Group. He was appointed as Director on 28 August 2008. He is primarily responsible for operational and financial activities and has over 24 years of experience in the industry. Mr. Gu graduated from Shanghai University of Technology (上海工業大學) in 1984 with a Bachelor's degree in Engineering and majoring in steel making from the Department of Metallurgy. He worked at the Resources Department of China Resources Reclamation Corp., East China Co. (中國物資再生利用總公司華東公司物資部), a company for recycling and trading ferrous metal (such as steel and iron) and non-ferrous metal (such as copper, aluminium, lead and tin) and plastic scrap in the East China region, for at least 10 years and started his career in the management and operation of domestic and international recycling business. He was a manager for the import and export department and an assistant to general manager in China Resources Reclamation Corp., East China Co., and was

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

responsible for managing the procurement of metal scrap from overseas and reselling to their customers. Mr. Gu has extensive experience in the recycling of different resources, including metals and other scrap materials. Since he joined our Group in 1999, Mr. Gu has been responsible for the import and export businesses of our Group by utilising his professional knowledge in the recycling resources business.

Non-Executive Director

Mr. Ralph Sytze Ybema, aged 43, is a non-executive Director. He was appointed as Director on 28 August 2008. Mr. Ybema obtained a Master of Business Law degree from the University of Leiden in the Netherlands in 1990 and gained certification as corporate counsel through the Dutch bar exam equivalent for in-house counsel in 1993. Mr. Ybema joined the corporate legal department at Royal Philips Electronics N.V. of the Netherlands in 1992 and was first assigned to Hong Kong in May 1995. In 1997, Mr. Ybema joined US-based Global IT outsourcing giant Computer Sciences Corporation in 1997 as European Counsel in UK and in 2000 returned to Asia as Counsel for CSC's Asia Group. Mr. Ybema is co-founder and immediate past President of the Hong Kong Corporate Counsel Association. He serves as an independent non-executive Director on the board of China Resources Microelectronics Ltd. (Stock code: 0597), a public listed company in Hong Kong, and has served on the Professional Services Advisory Committee of the Hong Kong Trade Development Council.

Independent Non-Executive Directors

Ms. Zhang Jingdong (章敬東), aged 64, is an independent non-executive Director. She joined our Group and was appointed as independent non-executive Director on 23 June 2010. She was the vice-secretary-general of Financial Trust Association of Zhejiang Province (浙江省金融信託業協會) before joining our Group and she held various positions in the Chinese banking and finance sectors including the People's Bank of China Heilongjiang Branch (中國人民銀行黑龍江省分行), Financial Intermediation Centre of Zhejiang Province (浙江省資金融通中心), and office of Hangzhou Financial Supervision of People's Bank of China Shanghai Branch (中國人民銀行上海分行杭州金融管辦公室).

Ms. Zhang holds a master's degree in Economic Management (經濟管理) from the Academy of Social Sciences of Hei Longjiang (黑龍江省社會科學院).

Dr. Loke Yu alias **Loke Hoi Lam (陸海林)**, aged 60, is an independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 23 June 2010. Dr. Loke has extensive experience in auditing, taxation, corporate finance, corporate recovery services, mergers and acquisitions, products sourcing, general management and marketing in London, Hong Kong, Malaysia, Taiwan and China. He holds a Master Degree of Business Administration in Techno-Entrepreneurship from Universiti Teknologi Malaysia and a Doctorate Degree of Business Administration from University of South Australia. He is a fellow member of The Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants. Dr. Loke is also an associate member of The Institute of Chartered Secretaries and Administrators and a member of Malaysian Institute of Accountants.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Dr. Loke serves as the company secretary of Minth Group Limited (stock code: 0425), a public listed company in Hong Kong, and also as an independent non-executive director of several public listed companies in Hong Kong which are summarised below:

Name of Company	Stock Code	Position	Date of appointment
Zhong An Real Estate Ltd.	0672	independent non-executive director	30 June 2009
Scud Group Ltd.	1399	independent non-executive director	14 May 2009
Winfair Investment Company Limited	0287	independent non-executive director	2 April 2007
China Fire Safety Enterprise Group Holdings Limited	0445	independent non-executive director	1 August 2006
Bio-Dynamic Group Limited (formerly known as Wealthmark International (Holdings) Limited)	0039	independent non-executive director	24 June 2005
VODone Limited (formerly known as Yanion International Holdings Limited)	0082	independent non-executive director	17 May 2005
Matrix Holdings Limited	1005	independent non-executive director	30 September 2004

Notwithstanding these engagements, Dr. Loke has confirmed to us that he will be able to devote sufficient time to discharge his duty as an independent non-executive Director.

Mr. Li Xikui (李錫奎), aged 65, is an independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 23 June 2010. Mr. Li obtained a Bachelor's degree majoring in foreign trade (對外貿易專業) from Dongbei University of Finance and Economics (東北財經大學) (formally known as Liaoning Finance and Economics College (遼寧財經學院)) in August 1970 and a master diploma in finance from Research Institute for Fiscal Science of Ministry of Finance (財政部財政科學研究所) in July 1982.

Mr. Li became the Researcher (研究員) of China Construction Bank (中國建設銀行) in 1993. He has been receiving a special allowance granted by the State Council (國務院) since 1992.

Mr. Li was appointed as the vice president of the head office (總行副行長) of China Construction Bank (中國建設銀行) in 1985 and 1988; the vice president (副總裁) of China Galaxy Securities Company (中國銀河證券公司). Since February 2006, he has been the chairman of the board (董事長) of Galaxy Asset Management Co., Ltd (銀河基金管理公司).

SENIOR MANAGEMENT

Mr. Chow Wan Hoi Paul (周雲海), aged 54, is the chief financial officer of our Group. He joined our Group in June 2009 as chief financial officer with responsibility for overall financial matters of the Group. Mr. Chow has significant experience in accounting and finance. He is an associate of both the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants in Australia. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow was formerly a non-executive director of Asia Distribution Solutions Limited, a company that was previously trading on AIM, a market operated by the London Stock Exchange plc. (LSE: LSE) Mr. Chow currently serves as an independent non-executive director of Associated International Hotels Limited (Stock code: 0105), Tian Teck Land Limited (Stock code: 0266) and China Ground Source Energy Limited (Stock code: 8128), all public listed companies in Hong Kong, respectively.

Mr. Ding Guopei (丁國培), aged 47, is the Senior Vice-President of the Group primarily responsible for the management of administration office and has over 11 years of experience in the industry. Mr. Ding joined our Group in December 1999. Prior to joining our Group, he was a trader principally engaged in the metal recycling industry. Mr. Ding obtained a diploma majoring in International Economics and Trade (國際經濟與貿易專業大專班) from the faculty of business from Ningbo University (寧波大學商學院) in 2002.

Mr. Ding has been chosen as the third session people's representative of Lu Qiao District (路橋區第三屆人民代表) since December 2006. He has also been the chairman of the Association of Resource Comprehensive Utilisation of Taizhou City (台州市資源綜合利用協會會長) since June 2005. He was chosen as the second session outstanding builders of Taizhou City of the socialism with Chinese characteristics (第二屆台州市優秀中國特色社會主義事業建設者) and was awarded the Top Ten Contribution to the China Metal Recycling Industry Award* (中國再生金屬產業十大傑出貢獻人物) in October 2007. Mr. Ding is the brother-in-law of Mr. Fang Ankong and Mr. Fang Anlin. Mr. Ding is the husband of Ms. Fang Aiping.

Ms. Fang Aiping (方愛萍), aged 47, is the Vice-President of our Group primarily responsible for overall financial planning, financial reporting, budgeting and implementing our Group's business strategies. Ms. Fang Aiping joined our Group since December 1999. Ms. Fang Aiping has more than 10 years of experience in financial management. Ms. Fang Aiping is the sister of Mr. Fang Ankong and Mr. Fang Anlin. She is the wife of Mr. Ding Guopei.

Mr. Fang Anlin (方安林), aged 41, is the Vice-President of our Group, primarily responsible for the production of our Group. Mr. Fang Anlin joined our Group in December 1999 and has over 15 years of experience in the business of Mixed Metal Scrap. Since Mr. Fang Anlin joined our Group, Mr. Fang Anlin has been responsible for overseeing the production of Recycled Metal Products. Mr. Fang Anlin is the brother of Mr. Fang Ankong and Ms. Fang Aiping. Mr. Fang Anlin is also the brother in-law of Mr. Ding Guopei.

Mr. Cai Haifeng (蔡海峰), aged 38, is the Vice-President of our Group, primarily responsible for our Group's import and export business management. Mr. Cai graduated from Zhejiang Polytechnic University (浙江工業大學) with a Bachelor's degree in Fine Chemical Engineering in 1993. Prior to joining our Group, Mr. Cai worked for Zhejiang Dong Da Ji Tuan Company (浙江東大集團公司), a company whose business involves the import and export agency business, as an assistant manager in the business development department responsible for metal scrap import business. He joined our Group in May 2000.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Gan Jun (甘軍), aged 40, is the assistant to the Chief Executive Officer and finance manager of our Group primarily responsible for all financial and accounting matters of our Group. Mr. Gan joined our Group in September 2007. He holds a diploma of Accountancy in Southwestern University of Finance and Economics (西南財經大學). Prior to joining our Group, Mr. Gan worked as the financial manager and the assistant to the general manager in Guangdong Gentle Technology Company Limited (廣東正道科技有限公司), an information technology application provider (信息技術應用服務商), for more than a year. Mr. Gan has extensive experience in the accounting and finance field, and he is also a registered accountant and registered tax adviser in China.

Mr. Xu Jialiang (許加良), aged 46, is the manager of the procurement department of our Group primarily responsible for procuring raw material supply of our Group. Mr. Xu joined our Group in December 1999 and was responsible for the procurement of Mixed Metal Scrap. Mr. Xu has over 10 years of experience in Mixed Metal Scrap procurement.

Mr. Zhu Zhonghui (朱忠輝), aged 31, is the manager of the sales and marketing department of our Group and is primarily responsible for the sales management of our Group. Mr. Zhu joined our Group in December 1999 and was responsible for the selling of Recycled Metal Products. Mr. Zhu is the son-in-law of the elder brother of Mr. Fang Ankong.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Chow Wan Hoi Paul (周雲海), aged 54, is the qualified accountant of our Company. Please refer to sub-section headed “Senior Management” for details of Mr. Chow’s background.

Ms. Yu Miu Cheung (余妙章), aged 36, serves as the secretary of our Company with effect from 15 March 2010. Ms. Yu is an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Company Secretaries. Ms. Yu has extensive experience in company management and secretarial fields. Ms. Yu was employed by Chartac Secretaries Limited on 17 June 1997 and was made a principal of the corporate services department in 2006, a position which she currently still holds, and is responsible for the administration of the company secretarial department including reviewing the works of the department managers and ensuring that the firm’s quality of control and professional standard of services to its clients are maintained.

BOARD COMMITTEES

Audit Committee

We established an Audit Committee on 23 June 2010 pursuant to Chapter 3 of the Listing Rules and the Code of Best Practice set out in Appendix 14 to the Listing Rules.

The Audit Committee has three members comprising Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Li Xikui, all of whom are our independent non-executive Directors. The chairman of the Audit Committee is Dr. Loke Yu.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Company, nominate and monitor external auditors and provide advice and comments to our Directors.

Remuneration Committee

We established a Remuneration Committee on 23 June 2010. Our Remuneration Committee has five members comprising Mr. Fang, Mr. van Ooijen, Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Li Xikui. Mr. Fang and Mr. van Ooijen are executive Directors and other members are our independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Fang.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The primary functions of the Remuneration Committee are to:

- (a) make recommendations to the Directors on our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration;
- (b) determine the terms of the specific remuneration package of each executive Director and senior management of our Company;
- (c) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time;
- (d) review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- (e) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships; and
- (f) make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors of our Company and succession planning for our Directors.

Nomination Committee

We established a nomination committee on 23 June 2010. The nomination committee comprises five members, namely, Mr. Fang, Mr. van Ooijen, Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Li Xikui. The nomination committee is chaired by Mr. van Ooijen. The primary function of the nomination committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board and senior management.

EMPLOYEES

As of the Latest Practicable Date, we had 274 full-time employees, 261 of which were based full-time in China, 6 of which were based in Hong Kong and 7 of which were based in the Netherlands.

All of our employees are employed under employment contracts. We review the performance of our employees on a quarterly basis against our target, the results of which are used in his or her annual bonus review and promotion appraisal. We also provide employees at managerial level or above with a range of benefits including housing allowance, medical insurance and travel allowance.

We review our staff's remuneration packages on an annual basis. We conduct research on remuneration packages offered to similar positions in our industry which we believe allows us to remain competitive in the labour market.

We incurred administrative staff costs (excluding our Directors' emoluments) of HK\$3.5 million, HK\$4.9 million and HK\$8.0 million for the years ended 31 December 2007, 2008 and 2009.

We have not experienced any strikes, work stoppages or significant labor disputes which have affected our operations in the past and we have not experienced any significant difficulties in recruiting and retaining qualified staff.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

RETIREMENT SCHEMES

Our employees in China participate in a State-managed retirement pension scheme operated by the respective local municipal government. The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees. Our only obligation in respect of the retirement pension scheme is to contribute to the scheme at a certain rate of overall payroll expenses. Such rate is prescribed by the government of each of the provinces, autonomous regions or municipalities directly under the central government and may vary in different cities.

The total amount of contributions we made for such employee pension schemes excluding directors for the years ended 31 December 2007, 2008 and 2009 was HK\$576,000, HK\$649,000 and HK\$699,000, respectively.

TRAINING

We place great emphasis on the training and development of our staff. We provide internal and external training programs to our employees on areas such as customer service and technical skills. New joiners are required to attend induction courses to ensure that they are equipped with the necessary skills and knowledge to perform their duties.

SHARE OPTION SCHEMES

We have conditionally adopted the Share Option Schemes. Details of the principal terms of our Share Option Schemes are summarised in the section head “Further Information About Directors, Substantial Shareholders and Experts – 6. Share Option Schemes” in Appendix VI to this prospectus.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation (including any fees, salaries and other allowances and benefits in kind) paid by us to our Directors during the years ended 31 December 2007, 2008 and 2009 was HK\$371,000, HK\$309,000 and HK\$836,000, respectively. The contributions to retirement benefits scheme to our Directors were HK\$2,000, HK\$16,000 and HK\$18,000, respectively.

During the three years ended 31 December 2009, no remuneration was paid by us to or receivable by any of our Directors as an inducement to join or upon joining us and no compensation was paid by us to or receivable by any Directors or past Directors of our Company for the loss of office as Director or of any other office in connection with the management of our affairs. None of our Directors has waived any emoluments during the three years ended 31 December 2009.

The aggregate amount of fees, salaries and contributions to retirement benefit plans paid by us to the five highest paid individuals of our Group during the years ended 31 December 2007, 2008 and 2009 were HK\$509,000, HK\$354,000 and HK\$1,016,000, respectively. The increase in 2009 was to bring these employees' salaries in line with the market standards taking into account remuneration paid by comparable companies. The increase reflects our appointment of independent non-executive directors to align our corporate governance practice with those of other limited companies as well as to align our level of remuneration with such listed companies.

During the three years ended 31 December 2009, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the three years ended 31 December 2009 for the loss of any office in connection with the management of the affairs of any member of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2007, 2008 and 2009 by us or any of our subsidiaries to our Directors. Under the remuneration policy of our Company, the Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of our Directors and the senior management employees as the case may be, in assessing the amount of remuneration payable to our Directors and such employees. It is estimated that under the current arrangements presently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the financial year ending 31 December 2010 is expected to be approximately HK\$2,300,000, excluding the discretionary bonuses payable to our executive Directors.

PARTICULARS OF DIRECTORS' SERVICE CONTRACT

Details of service contracts entered into between us and each of our Directors are summarised in the section headed "Particulars of Service Contracts" in Appendix VI to this prospectus.

COMPLIANCE ADVISER

We will appoint CCB International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking account of the Shares to be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes and the Shares which may be taken up under the Global Offering which would affect disclosure in this section), the following persons will have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	Number of Shares	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme	Approximate percentage of issued Shares immediately after the Global Offering and the Capitalisation Issue
				(Note 4)
HWH	Corporate (Note 1)	375,000,000	–	37.50
Mr. Fang	Corporate (Note 2)	375,000,000	–	37.50
	Personal	–	3,500,000	0.35
Delco Participation	Corporate (Note 3)	375,000,000	–	37.50
SVO	Corporate (Note 3)	375,000,000	–	37.50
HPL	Corporate (Note 3)	375,000,000	–	37.50
Stichting HPL	Corporate (Note 3)	375,000,000	–	37.50
Mr. van Ooijen	Corporate (Note 3)	375,000,000	–	37.50
	Personal	–	1,000,000	0.10
Mr. de Leeuw	Corporate (Note 3)	375,000,000	–	37.50

Notes:

- 345,000,000 of these Shares are held by HWH directly and 30,000,000 of these Shares are held by HWH indirectly through Green Elite.
- 345,000,000 of these Shares are held by HWH directly and 30,000,000 of these Shares are held by HWH indirectly through Green Elite. HWH is wholly-owned by Mr. Fang. Mr. Fang is also the director of HWH. Under the SFO, Mr. Fang is deemed to be interested in all of the Shares held by HWH. Mr. Fang has been brought up and lived in China for a substantial period of time. He is not and has not been a full time government official of any country, nor is he or has he ever been a full time employee of a state/government-owned/operated entity.
- 345,000,000 of these Shares are held by Delco Participation directly and 30,000,000 of these Shares are held by Delco Participation indirectly through Green Elite. Delco Participation is owned as to 50% by SVO (which is wholly-owned by Mr. van Ooijen) and 50% by HPL (which is wholly-owned by Stichting HPL, a foundation for the sole benefit of Mr. de Leeuw). Mr. van Ooijen is also the director of SVO. Under the SFO, each of SVO, HPL, Stichting HPL, Mr. van Ooijen and Mr. de Leeuw is deemed to be interested in all of the Shares held by Delco Participation.

SUBSTANTIAL SHAREHOLDERS

4. As required under the SFO, the relevant percentages are calculated by reference only to the number of Shares in issue as at the Listing Date and we have assumed that no Shares are issued pursuant to (i) the Over-allotment Option and (ii) the exercise of options granted or to be granted under the Share Option Schemes. Consequently, this is based on 1,000,000,000 Shares, being the number of Shares which will be in issue on the Listing Date assuming that the Shares pursuant to the Global Offering and the Capitalisation Issue have been issued.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking account of the Shares to be issued pursuant to any exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial Shareholders of our Company under the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

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

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

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

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

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

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

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

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

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

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

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

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

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

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

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

Non-competition

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

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

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Non-competition Undertaking does not apply to:

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

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

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

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

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

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

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

HK\$

Authorised:

<u>5,000,000,000</u>	Shares	<u>50,000,000</u>

Assuming the Over-allotment Option is not exercised, our share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:

100	Shares in issue as at the date of this prospectus	1
749,999,900	Shares to be issued pursuant to the Capitalisation Issue	7,499,999
<u>250,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>2,500,000</u>
<u>1,000,000,000</u>		<u>10,000,000</u>

Assuming the Over-allotment Option is exercised in full, our Company's share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:

100	Shares in issue as at the date of this prospectus	1
749,999,900	Shares to be issued pursuant to the Capitalisation Issue	7,499,999
250,000,000	Shares to be issued pursuant to the Global Offering	2,500,000
37,500,000	Shares to be issued pursuant to the Over-allotment Option	375,000
<u>1,037,500,000</u>		<u>10,375,000</u>

According to Rule 8.08 of the Listing Rules, at the time of the listing and at all times thereafter, we must maintain the "minimum prescribed percentage" of 25% of our issued share capital in the hands of the public.

ASSUMPTIONS

The above tables assume that the Global Offering and the Capitalisation Issue become unconditional and will be completed in accordance with the relevant terms and conditions. It, however, takes no account of any Shares which may fall to be issued pursuant to the exercise of options granted or to be granted under the Share Option Schemes or which may be allotted and issued, or repurchased by our Company pursuant to the issuing mandate and repurchase mandate as described below.

The Offer Shares and the Shares to be issued upon the exercise of the Over-allotment Option, will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this prospectus and will rank in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus (other than entitlements under the Capitalisation Issue).

SHARE CAPITAL

SHARE OPTION SCHEMES

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 no exercise of the Over-allotment Option).

In addition, we conditionally approved the Post-IPO Share Option Scheme on 23 June 2010. Pursuant to the Post-IPO Share Option Scheme, eligible participants of the scheme (including without limitation, our Directors and directors of other members of our Group, full-time and part-time employees, executives, officers, advisors, and any suppliers, customers, consultants, agents and advisers of the Group who, in the sole opinion of our Board of Directors, will contribute or have contributed to our Group) may be granted options which entitle them to subscribe Shares representing (when aggregated with options granted under any other scheme) not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and Capitalisation Issue (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option), representing 100,000,000 Shares.

Additional information regarding the Share Option Schemes is set forth in the sections headed “Statutory and General Information – Further Information about Directors, Substantial Shareholders and Experts – Share Option Schemes” Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of our Company to allot, issue and deal with the Shares (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued) subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than by way of rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time or pursuant to the exercise of any options granted or to be granted under the Share Option Schemes or an allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), shall not exceed:

- (a) 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the authority referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

The general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company’s next annual general meeting is required be held by any applicable law or the Articles of Association; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “3. Written Resolutions of the Shareholders” in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to purchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and requirements of the Listing Rules. An explanatory statement related to the general mandate to repurchase Shares is set out in the section headed “Repurchase of our own securities” in Appendix VI to this prospectus.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company’s next annual general meeting is required be held by any applicable law or the Articles of Association; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed “3. Written Resolutions of the Shareholders” in Appendix VI to this prospectus.

FINANCIAL INFORMATION

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	2008	% of	2009	% of
	HK\$'000	Revenue	HK\$'000	Revenue	HK\$'000	Revenue
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%

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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	–
	<u>146,413</u>	<u>253,437</u>	<u>175,396</u>
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
	<u>633,021</u>	<u>857,409</u>	<u>1,676,332</u>
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
	<u>595,997</u>	<u>1,115,883</u>	<u>1,188,704</u>
NET CURRENT ASSETS (LIABILITIES)	<u>37,024</u>	<u>(258,474)</u>	<u>487,628</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>183,437</u>	<u>(5,037)</u>	<u>663,024</u>
CAPITAL AND RESERVES			
Share capital	10	–	–
Share premium and reserves	183,427	(5,037)	418,098
TOTAL EQUITY	<u>183,437</u>	<u>(5,037)</u>	<u>418,098</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	–	–	21,218
Amounts due to related parties	–	–	223,708
	<u>183,437</u>	<u>(5,037)</u>	<u>663,024</u>

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

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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.

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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.

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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.

FINANCIAL INFORMATION

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.

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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.

FINANCIAL INFORMATION

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 2010	(unaudited) Month ended 28 February 2010	(unaudited) Month ended 31 March 2010
	2007	2008	2009			
Metal recycling business						
<i>Copper scrap (廢銅)</i>						
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
<i>Steel scrap (廢鋼)</i>						
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
<i>Aluminium scrap (廢鋁)</i>						
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

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	Year ended 31 December			(unaudited) Month ended 31 January 2010	(unaudited) Month ended 28 February 2010	(unaudited) Month ended 31 March 2010
	2007	2008	2009			
<i>Iron scrap (舊生鐵)</i>						
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						
<i>Aluminium-alloy ingots (鋁錠)</i>						
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
<i>Copper rods and wires (銅桿銅線)</i>						
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						
<i>Other metal scrap without processing</i>						
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.

FINANCIAL INFORMATION

- **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

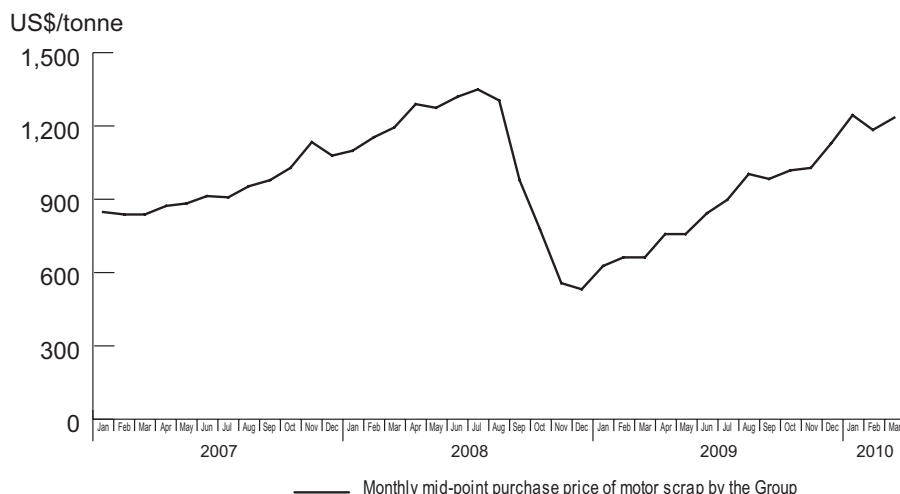
Note: “Other scrap materials” include (a) single metal scrap and other metal scrap that we process and sell in connection with the metal recycling business as well as (b) other metal scrap that we procure and on-sell without further processing to our customers in connection with our wholesale business.

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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.

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- **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.

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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.

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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%
	<u>1,798,332</u>	<u>100.0%</u>	<u>2,505,168</u>	<u>100.0%</u>	<u>2,339,243</u>	<u>100.0%</u>

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.

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- (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.

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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.

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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.

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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.

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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 HK\$'000	Steel scrap HK\$'000	Aluminium scrap HK\$'000	Iron scrap HK\$'000	Other metal scrap with processing HK\$'000	Sub-total HK\$'000	Aluminium-alloy ingots HK\$'000	Copper rods and wires HK\$'000	Sub-total HK\$'000	Other metal scrap without processing HK\$'000	Total 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	<u>327,450</u>	<u>70,149</u>	<u>22,816</u>	<u>50,218</u>	<u>26,474</u>	<u>497,107</u>	<u>14,651</u>	<u>38,163</u>	<u>52,814</u>	<u>4,516</u>	<u>554,437</u>
Gross profit (loss) (without Inventory Provision)	<u>172,017</u>	<u>19,494</u>	<u>3,391</u>	<u>(4,601)</u>	<u>4,653</u>	<u>194,954</u>	<u>8,191</u>	<u>38,163</u>	<u>46,354</u>	<u>4,516</u>	<u>245,824</u>
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 HK\$'000	Steel scrap HK\$'000	Aluminium scrap HK\$'000	Iron scrap HK\$'000	Other metal scrap with processing HK\$'000	Sub-total HK\$'000	Aluminium-alloy ingots HK\$'000	Copper rods and wires HK\$'000	Sub-total HK\$'000	Other metal scrap without processing HK\$'000	Total 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	<u>(132,113)</u>	<u>(33,563)</u>	<u>(15,890)</u>	<u>(51,327)</u>	<u>(9,901)</u>	<u>(242,794)</u>	<u>7,469</u>	<u>–</u>	<u>7,469</u>	<u>486</u>	<u>(234,839)</u>
Gross profit margin (without Inventory Provision)	<u>23,320</u>	<u>17,092</u>	<u>3,535</u>	<u>3,492</u>	<u>11,920</u>	<u>59,359</u>	<u>13,929</u>	<u>–</u>	<u>13,929</u>	<u>486</u>	<u>73,774</u>
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.

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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

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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.

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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						Foundry business			Wholesale business	
	Metal recycling business						Aluminium-alloy ingots	Copper rods and wires	Sub-total	Other metal scrap without processing	Total
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap with processing	Sub-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						Foundry business			Wholesale business	
	Metal recycling business						Aluminium-alloy ingots	Copper rods and wires	Sub-total	Other metal scrap without processing	Total
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap with processing	Sub-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.

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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%.

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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:

		Year ended 31 December		
	<i>Notes</i>	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.

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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.

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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)	–
	<u>324,092</u>	<u>569,808</u>	<u>1,167,437</u>

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	<u>72,761</u>	<u>11,050</u>	<u>10,969</u>
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	<u>11,885</u>	<u>44,451</u>	<u>34,708</u>
Sub-total	147,349	386,227	274,613
Stock provision	<u>–</u>	<u>(308,613)</u>	<u>–</u>
Total	<u>324,092</u>	<u>569,808</u>	<u>1,167,437</u>
Inventory turnover days	66 days	60 days	178 days
Inventory turnover days (excluding the Inventory Provision)	66 days	90 days	178 days

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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.

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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.

Trade and other receivables	As at 31 December		
	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
	<u>283,727</u>	<u>160,157</u>	<u>188,826</u>
Debtors' turnover days	4 days	3 days	7 days

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>19,541</u>	<u>23,856</u>	<u>65,882</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>3,465</u>	<u>6,873</u>	<u>2,318</u>

Movements in the allowance for doubtful debts

	As at 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>–</u>	<u>553</u>	<u>554</u>

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.

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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.

Other receivables	As at 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>264,186</u>	<u>136,301</u>	<u>122,944</u>

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.

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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	–
	<u>1,712</u>	<u>2,999</u>	<u>1,365</u>

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

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>2,734</u>	<u>63,643</u>	<u>101,628</u>
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.

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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:

Other payables	As at 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 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
	<u>23,011</u>	<u>31,217</u>	<u>34,977</u>

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 HK\$'000	2008 HK\$'000	2009 HK\$'000
Bills payables:			
0-60 days	—	—	8,510
61-180 days	—	91,593	105,616
	<u>—</u>	<u>91,593</u>	<u>114,126</u>

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.

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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
	<u>357</u>	<u>17,785</u>	<u>1,603</u>

(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.

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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.

FINANCIAL INFORMATION

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
	<u>633,021</u>	<u>857,409</u>	<u>1,676,332</u>

	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
	<u>595,997</u>	<u>1,115,883</u>	<u>1,188,704</u>

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.

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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

FINANCIAL INFORMATION

	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

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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 of 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 of 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.

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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.

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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.

	<i>HK\$'000</i>
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.

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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
	<u>422,916</u>	<u>500,552</u>	<u>799,046</u>

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 <u>7.22%</u>	4.5% to <u>7.56%</u>	1.29% to <u>5.31%</u>
Variable-rate borrowings	<u>6.74%</u>	<u>6.12%</u>	1.62% to <u>1.82%</u>

As of 30 April 2010, we had unutilised 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
	<u>20,666</u>	<u>79,395</u>	<u>328,644</u>

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Personal guarantees provided by Mr. Fang and his close members of the family to our Group regarding banking facilities	<u>330,864</u>	<u>875,220</u>	<u>449,921</u>
Amount of the above facilities utilised by our Group	<u>286,138</u>	<u>247,541</u>	<u>259,285</u>

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, distraintment, 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.

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- (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 or 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 previous 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.

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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:

	<i>HK\$'000</i>
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:

	<i>HK\$'000</i>
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.

FINANCIAL INFORMATION

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

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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.

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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.

FINANCIAL INFORMATION

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

Product price		Variance from product price (%)	Corresponding 1H 2010 Forecast Profit Before Tax HK\$'000	Variance from 1H 2010 Forecast Profit Before Tax (%)
Aluminium scrap (HK\$ per tonne)	Aluminium- alloy ingots			
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					Variance from product price (%)	Corresponding 1H 2010 Forecast Profit Before Tax HK\$'000	Variance from 1H 2010 Forecast Profit Before Tax (%)
Copper scrap	Copper rods and wires	Aluminium scrap	Aluminium- alloy ingots	Steel scrap			
	(HK\$ per tonne)						
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

FINANCIAL INFORMATION

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Monetary assets			
US\$	1,434	1,824	68,294
EUR	–	5,753	435
	<u> </u>	<u> </u>	<u> </u>
Monetary liabilities			
US\$	526,629	497,873	945,557
EUR	–	7,589	1,241
	<u> </u>	<u> </u>	<u> </u>
Derivative financial liability			
US\$	–	–	1,603
	<u> </u>	<u> </u>	<u> </u>

FINANCIAL INFORMATION

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 HK\$'000	2008 HK\$'000	2009 HK\$'000
Monetary assets and liabilities			
US\$	18,665	20,033	33,679
EUR	<u>–</u>	<u>77</u>	<u>34</u>
Derivative financial liability			
US\$	<u>–</u>	<u>–</u>	<u>60</u>

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 HK\$'000	2008 HK\$'000	2009 HK\$'000
Liabilities	<u>31,186</u>	<u>181,595</u>	<u>314,820</u>

FINANCIAL INFORMATION

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in profit/increase in loss for the year	<u>209</u>	<u>1,487</u>	<u>2,492</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in profit/decrease in loss for the year	<u>797</u>	<u>5,901</u>	<u>1,077</u>

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.

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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.

FINANCIAL INFORMATION

	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
		<u>173,542</u>	<u>165,223</u>	<u>243,940</u>	<u>–</u>	<u>582,705</u>	<u>571,672</u>
Derivative – net settlement							
Copper future contracts		<u>–</u>	<u>357</u>	<u>–</u>	<u>–</u>	<u>357</u>	<u>357</u>
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
		<u>549,981</u>	<u>67,943</u>	<u>470,320</u>	<u>–</u>	<u>1,088,244</u>	<u>1,070,404</u>
Derivative – net settlement							
Copper future contracts	–	<u>–</u>	<u>–</u>	<u>17,785</u>	<u>–</u>	<u>17,785</u>	<u>17,785</u>
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
		<u>399,759</u>	<u>196,602</u>	<u>534,073</u>	<u>223,708</u>	<u>1,354,142</u>	<u>1,345,702</u>
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)
		<u>–</u>	<u>(25)</u>	<u>(1,578)</u>	<u>–</u>	<u>(1,603)</u>	<u>(1,603)</u>

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

	<i>HK\$'000</i>
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.

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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 HK\$'000 (note 1)	Estimated net proceeds from the Global Offering HK\$'000 (note 2)	Unaudited pro forma adjusted consolidated net tangible assets HK\$'000 (note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (note 4)
Based on the maximum indicative Offer Price of HK\$3.13 per Offer Share	<u>418,098</u>	<u>718,042</u>	<u>1,136,140</u>	<u>1.14</u>
Based on the minimum indicative Offer Price of HK\$2.43 per Offer Share	<u>418,098</u>	<u>550,058</u>	<u>968,156</u>	<u>0.97</u>

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).

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

FUTURE PLANS AND USE OF PROCEEDS

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

FUTURE PLANS AND USE OF PROCEEDS

- 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.

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Hong Kong Underwriters

CCB International Securities Limited
China Merchants Securities (HK) Co., Ltd.
First Shanghai Securities Limited
Tai Fook Securities Company Limited

International Underwriter

CCB International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including the Sole Global Coordinator, on behalf of the Underwriters, and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

Grounds for termination

The Sole Global Coordinator, for each of itself and on behalf of the Hong Kong Underwriters, may in its sole and absolute discretion, upon giving notice in writing to us and/or our Controlling Shareholders, terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into force:
 - (a) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, Canada, the European Union (or any member thereof), Japan, Singapore or any other relevant jurisdiction (each a “**Relevant Jurisdiction**”); or
 - (b) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

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- (c) any event or series of events in the nature of *force majeure* (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including without limitation SARS and Influenza A (H5N1)), in or affecting any of the Relevant Jurisdictions; or
- (d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (e) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (f) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (g) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (h) any material adverse change or development or event involving a prospective material adverse change in our assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (i) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (j) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by us of a supplementary prospectus or offering document pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or
- (k) a petition is presented for the winding up or liquidation of us or any of our subsidiaries, or we or any of our subsidiaries make any compromise or arrangement with our or its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of us or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of us or of any of our subsidiaries or anything analogous thereto occurs in respect of us or any of our subsidiaries; or
- (l) a valid demand by any creditor for repayment or payment of any of our indebtednesses or those of any of our subsidiaries or in respect of which we or any of our subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by us or any of our subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (m) any material litigation or claim being threatened or instigated against us or any of our subsidiaries or our Controlling Shareholders,

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and which, in any of the above cases and in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

- (a) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of us or our subsidiaries as a whole; or
 - (b) has or may have or will have or is likely to have an adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
 - (c) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (ii) there has come to the notice of the Sole Global Coordinator that:
- (a) any statement contained in this prospectus (or any other documents used in connection with the offer of the Offer Shares) ("Offer Documents") considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Global Coordinator, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (b) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (c) any of the representations and warranties given by us or our Controlling Shareholders or the executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (d) any matter, event, act or omission which gives or is likely to give rise to any material liability of our Company or our Controlling Shareholders or the executive Directors pursuant to the indemnities given by our Company, our Controlling Shareholders, the executive Directors or any of them under the Hong Kong Underwriting Agreement; or
 - (e) any breach of any of the obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or any of the Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (f) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospects of us and/or our subsidiaries; or
 - (g) we withdraw any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or

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- (h) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (i) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents.

Undertakings

By us

Under Rules 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already issued) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except under the Global Offering (including the exercise of the Over-allotment Option) or the Capitalisation Issue or for the circumstances provided under Rule 10.08(1) to 10.08(4) of the Listing Rules.

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters that except pursuant to the Global Offering and the exercise of the Over-allotment Option and save pursuant to any share option scheme of any member of our Group, we will not without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the “First Six-month Period”): (A) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any such share capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein; or (B) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or (C) enter into any transaction with the same economic effect as any transaction described in (A) or (B) above; or (D) agree or contract to, or publicly announce any intention to enter into, any transaction described in (A) or (B) above; whether any such transaction described in (A) or (B) or (C) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

By the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken that, except pursuant to the Stock Borrowing Agreement in connection with the Global Offering, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (1) during the First Six-months Period, it will not, and will procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, (i) offer, pledge, charge (other than any pledge or charge of our Company’s issued share capital after the Global Offering (assuming the Over-allotment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Cap.155 of the Laws of Hong Kong) for

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a bona fide commercial loan), sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, whether any such transaction is to be settled by delivery of such capital or securities, in cash or otherwise;

- (2) in the period of six months immediately after the expiry of the First Six-month Period (“Second Six-month Period”), it will not enter into any of the foregoing transactions in (1)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, our Controlling Shareholders will cease to be controlling shareholders (as defined by the Listing Rules) of our Company; and
- (3) until the expiry of the Second Six-month Period, in the event that it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Subject to the foregoing undertakings, our Controlling Shareholders have further undertaken that if at any time after the date of the Hong Kong Underwriting Agreement up to and including the expiry of the Second Six-month Period, they shall (i) immediately inform our Company and the Sole Global Coordinator in writing of any pledge or charge of any of the securities or interests in the securities of our Company, together with the number of securities and nature of interest so pledged or charged; and (ii) if and when they receive such indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications. Our Company is expected to undertake that upon receiving such information in writing from our Controlling Shareholders, it shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of a press announcement.

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to us and to the Stock Exchange that he or it will not, and shall procure that any other registered holder (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) during the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (b) during the Second Six-Month Period, disposes of, or enters into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of us.

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Each of the Controlling Shareholders has also undertaken to the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner the Sole Lead Manager, the Underwriters and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

- (a) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when he/she/it receives indications, whether verbal or written, from the pledgee or chargee that any of the pledged or charged Shares beneficially owned by him/her/it will be disposed of immediately inform our Company in writing of such indications.

International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Sole Global Coordinator, our Controlling Shareholders and the International Underwriter. Under the International Underwriting Agreement, the International Underwriter would, subject to certain conditions set out therein, agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

We will grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter on or before 1 August 2010, being the 30th day from the last day for the lodging of applications under the Hong Kong Public Offer, to require us to issue up to an aggregate of 37,500,000 additional Shares, together representing approximately 15% of the Shares initially being offered under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Offering, if any.

Commission and Incentive Fee

Under the terms and conditions of the Underwriting Agreements, the Underwriters will receive a gross underwriting commission of 3% of the aggregate Offer Price payable for the Offer Shares, and a discretionary incentive fee of 0.5%.

Underwriters' Interests in Our Company

Save as disclosed in the sections headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering" and "Underwriting – Underwriting Arrangements and Expenses – International Offering" on pages 255 and 260 respectively, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

Our Global Offering consists of the Hong Kong Public Offering and the International Offering. We intend to initially make available up to 250,000,000 Offer Shares under the Global Offering, of which 225,000,000 Offer Shares will be conditionally placed at the Offer Price pursuant to the International Offering and the remaining 25,000,000 Offer Shares will be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering subject, in each case, to adjustment on the basis described under the paragraph headed “The Hong Kong Public Offering” below.

The 250,000,000 Offer Shares in the Global Offering will represent approximately 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option.

You may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but you may not apply in both offerings for the Offer Shares. In other words, you may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offering or International Offer Shares under the International Offering, but not under both offerings. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offering will involve selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriter, exercisable by Sole Global Coordinator. The Over-allotment Option gives the Sole Global Coordinator the right, exercisable at any time from the Listing Date up to 30 days from the last day for lodging of applications under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 37,500,000 additional Shares, representing in aggregate 15% of the initial size of the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any. The Sole Global Coordinator may cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Offer Shares will represent 3.61% of our enlarged issued share capital following the completion of the Global Offering and the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). Such announcement will also be available at the website of the Stock Exchange at www.hkex.com.hk and our website at www.chiho-tiande.com.

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Global Coordinator may choose to borrow, whether on its own or through its affiliates, up to 37,500,000 Shares from Green Elite pursuant to the Stock Borrowing Agreement (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising the Over-allotment Option.

STRUCTURE OF THE GLOBAL OFFERING

If such Stock Borrowing Agreement is entered into, it will only be effected by the Sole Global Coordinator or its agent for settlement of over-allocation in the International Offering.

Only applicable if stabilisation is to be taken under the Securities and Futures (Price Stabilisation) Rules

The loan of Shares by Green Elite, one of our Controlling Shareholders, pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the Controlling Shareholder(s) subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (i) the Stock Borrowing Agreement will be for the Sole Global Coordinator of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- (ii) the maximum number of Shares which may be borrowed from the Controlling Shareholder(s) must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to the Controlling Shareholder(s) or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;
- (iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Green Elite in relation to the Stock Borrowing Agreement.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connections with the Global Offering, the stabilising manager, being the Sole Global Coordinator or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in our Shares on the Stock Exchange. Such market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the stabilising manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the stabilising manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of application under the Hong Kong Public Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) includes (i) over-allocations for the purpose of preventing or minimising any reduction in the market price; (ii) selling or agreeing to sell shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price; (iii) subscribing, or agreeing to subscribe, for shares pursuant to the over-allotment option in order to close out any position established under item (i) or (ii) above; (iv) purchasing, or agreeing to purchase, shares for the sole purpose of preventing or minimising any reduction in the market price; (v) selling offer shares to liquidate a long position held as a result of those purchases; and (vi) offering or attempting to do anything described in item (ii), (iii), (iv) or (v) above.

STRUCTURE OF THE GLOBAL OFFERING

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the stabilising manager, or any person acting for it, may maintain a long position in the Offer Shares. The size of the long position, and the period for which the stabilising manager, or any person acting for them, will maintain the long position is at the discretion of the stabilising manager and is uncertain. Investors should be warned that, in the event that the stabilising manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilising action by the stabilising manager, or any person acting for them, is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end no later than the 30th day after the last day for lodging applications under the Hong Kong Public Offering. As a result, demand for the Shares, and their market price, may fall after the end of the stabilising period.

Any stabilising action taken by the stabilising manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Stabilising bids for or market purchases of the Offer Shares by the stabilising manager, or any person acting for them, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Offer Price or through stock borrowing arrangements or a combination of these means. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of our Shares initially being offered in the Global Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriter. The Hong Kong Public Offering and the International Offering are subject to the conditions described in the section headed “Underwriting – Underwriting Arrangements and Expenses” in this prospectus. In particular, we and the Sole Global Coordinator, on behalf of the Underwriters, must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was dated 25 June 2010 and, subject to an agreement on the Offer Price between the Sole Global Coordinator, on behalf of the Hong Kong Underwriters, and us for purposes of the Hong Kong Public Offering. The International Underwriting Agreement (including the agreement on the Offer Price between us and the Sole Global Coordinator, on behalf of the International Underwriter for purposes of the International Offering) is expected to be entered into on the Price Determination Date, which is expected to be on or about 2 July 2010, and in any event, not later than 3 July 2010. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

DETERMINING THE OFFER PRICE

We expect the Offer Price to be fixed by agreement among us and the Sole Global Coordinator, on behalf of the Underwriters, on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around 2 July 2010 and in any event, not later than 3 July 2010. The Offer Price will not be more than HK\$3.13 per Offer Share and is expected to be not less than HK\$2.43 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our consents, reduce the number of Offer Shares and/or the indicative offer price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative offer price range.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon among the Sole Global Coordinator, on behalf of the Underwriters, and us, will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the paragraph headed “Working Capital” in the section headed “Financial Information” in this prospectus, the offering statistics as currently disclosed in the section headed “Summary” in this prospectus, the use of proceeds in the section headed “Future Plans and Use of Proceeds” in this prospectus and any other financial information which may change as a result of such reduction. If we do not publish a notice in the South China Morning Post (in English) or the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative offer price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the offer price range as stated in this prospectus.

If we are unable to reach an agreement with the Sole Global Coordinator, on behalf of the Underwriters, on the Offer Price by Saturday, 3 July 2010, the Global Offering will not proceed and will lapse. We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the application results and basis of allotment of the Hong Kong Offer Shares, on Friday, 9 July 2010.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$3.13 per Offer Share and is expected to be not less than HK\$2.43 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK\$3.13 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy. This means that, for one board lot of 2,000 Offer Shares, you should pay HK\$6,323.16 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$3.13 per Offer Share, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus for further details.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting the listing of and permission to deal in our Shares in issue and to be issued as described in this prospectus (including any additional Shares issuable pursuant to the exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

STRUCTURE OF THE GLOBAL OFFERING

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse. Such announcement will also be available at the website of the Stock Exchange at www.hkex.com.hk and our website at www.chiho-tiande.com.

In the above situation, we will return all application monies to the applicants, without interest and on the terms described in the sections headed “How to Apply for the Hong Kong Offer Shares – Publication of Results; Refund of Application Monies; and Despatch/Collection of Share Certificates/e-Refund payment instructions/Refund Cheques” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to despatch share certificates for the Offer Shares on Friday, 9 July 2010. However, these share certificates will only become valid certificates of title on 8:00 a.m. on Monday, 12 July 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the section headed “Structure of the Global Offering – The Global Offering – Conditions of the Global Offering” above) for the subscription in Hong Kong of, initially, 25,000,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the adjustment of Offer Shares between the International Offering and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The total number of the Offer Shares available under the Hong Kong Public Offering (after deducting 2,500,000 Hong Kong Offer Shares available for subscription by Eligible Employees using **PINK** Application Forms and taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

STRUCTURE OF THE GLOBAL OFFERING

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this sub-section only, the “subscription price” for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of the 25,000,000 Offer Shares initially included in the Hong Kong Public Offering after deducting 2,500,000 Hong Kong Offer Shares available for subscription by Eligible Employees using **PINK** Application Forms (that is, 11,250,000 Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments in the event of over-subscription under the Hong Kong Public Offering:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then International Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of International Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of International Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

If the Hong Kong Public Offering is not fully subscribed, however, the Sole Global Coordinator may reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such numbers as they deem appropriate.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

PREFERENTIAL OFFERING TO ELIGIBLE FULL-TIME EMPLOYEES

A maximum of 2,500,000 Hong Kong Offer Shares (not subject to any reallocation), being 10% of the Offer Shares initially being offered under the Hong Kong Public Offering, will be available for subscription by full-time employees in Hong Kong of our Group, excluding the directors or the chief executive of our Company or our subsidiaries, the existing beneficial owners of the shares of our Company or our subsidiaries and their respective associates, and any other connected persons of our Company (“Eligible Employees”), who made their applications on the special **PINK** Application Forms on a preferential basis. As at Latest Practicable Date, we had 6 Eligible Employees. In the event of over-subscription on **PINK** Application Forms, the 2,500,000 Hong Kong Offer Shares initially available to applicants on **PINK** Application Forms will be allocated to such applicants on a pro rata basis on proportion (as nearly as possible without involving portions of a board lot) to the level of valid applications received from the Eligible Employees, or balloted if there are insufficient Hong Kong Offer Shares available to **PINK** Application Form applicants. If balloting is conducted, some Eligible Employees may be allocated more Shares than others who have applied for the same number of Shares. No favour will be given to the employees who apply for a large number of Shares or any employees who held a senior position within the Group. Nor will allocation be based on the length of service or the work performance of the Eligible Employees. Applications in excess of the 2,500,000 Hong Kong Offer Shares initially available to applicants on **PINK** Application Forms will be rejected. In case not all the 2,500,000 Shares are subscribed for by Eligible Employees of our Group, the under-subscribed Shares will be available for subscription by the public under the Hong Kong Public Offering. Allocation of Hong Kong Offer Shares to applications made on **PINK** Application Forms will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules and, in case any exceptions are noted, an announcement will be made in accordance with Practice Note 20 to the Listings Rules. **Such Shares comprise not more than 10% of the initial number of the Hong Kong Offer Shares. This maximum number of Shares will not be adjusted irrespective of any reallocation of the Hong Kong Offer Shares. Any application made by any Eligible Employee of our Group for more than 100% of the Hong Kong Offer Shares being offered to the Eligible Employees of our Group will be rejected.**

THE INTERNATIONAL OFFERING

The number of the Offer Shares to be initially offered under the International Offering will be 225,000,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on our behalf by the International Underwriter or through selling agents appointed by them. International Offer Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States (other than China) in offshore transactions meeting the requirement of, and in reliance on Regulation S under the US Securities Act. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

STRUCTURE OF THE GLOBAL OFFERING

The Sole Global Coordinator, on behalf of the Underwriters, may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

Allocation of the International Offer Shares to investors under the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Offer Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although we may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through the designated website of the **White Form eIPO** Service Provider (www.eipo.com.hk), referred to herein as the “**White Form eIPO service**”; or (iii) by giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a **WHITE** or **YELLOW** Application Form or applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Sole Bookrunner (or its agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

APPLYING BY USING A WHITE, YELLOW OR PINK APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Note: The Offer Shares are not available to existing beneficial owners of Shares, the Directors or chief executives of our Company or any of our subsidiaries, or associates of any of them or to a connected person of our Company or a person who is not outside the United States and will not be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S) or persons who do not have a Hong Kong address.

Where to collect the WHITE and YELLOW Application Forms

You can collect a **WHITE** Application Form and a prospectus from:

any of the Hong Kong Underwriters:

CCB International Securities Limited
34th Floor, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road
Central
Hong Kong

Taifook Securities Company Limited
25/F, New World Tower
16-18 Queen's Road
Central
Hong Kong

or any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

Branches	Address
Hong Kong Island:	
Hong Kong Office	Level 3, 1 Queen's Road Central
Aberdeen Centre Branch	Shop 2, G/F, Site I, Aberdeen Centre Aberdeen
The Westwood Branch	LG01-3, LG Floor, The Westwood, 8 Belcher's Street
Hopewell Centre Branch	Shops 2A, 2/F, Hopewell Centre, 183 Queen's Road East, Wan Chai
Sheung Wan Branch	Shop A, G/F, Guangdong Investment Tower, 293-301 Des Voeux Road Central

HOW TO APPLY FOR HONG KONG OFFER SHARES

Branches

Address

Kowloon:

Festival Walk Branch	Shop LG1-37, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong
Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
Mong Kok Branch	L/G & U/G, 673 Nathan Road, Mong Kok
Tin On Building Branch	777-779 Cheung Sha Wan Road
Whampoa Garden Branch	Shop No. G6 & 6A, G/F, Site 4, Whampoa Garden

New Territories:

Tuen Shing Street Branch	Shop No. 1225, 1/F, Tuen Mun Town Plaza Phase 1, 1 Tuen Shing Street, Tuen Mun

or any of the following branches of DBS Bank (Hong Kong) Limited:

Branches

Address

Hong Kong Islands:

United Centre	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty
North Point	G/F, 391 King's Road, North Point

Kowloon:

Tsimshatsui	G/F, 22-24 Cameron Road, Tsimshatsui
Amoy Plaza	Shops G45-48, Amoy Plaza, 77 Ngau Tau Kok Road, Ngau Tau Kok

New Territories:

Shatin Plaza	Shop 47 & 48, Level 1, Shatin Plaza, No. 21-27 Sha Tin Centre Street, Shatin
Yuen Long	G/F, 1-5 Tai Tong Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 28 June 2010 until 12:00 noon on Friday, 2 July 2010 from:

- (1) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) your stockbroker, who may have such Application Forms and this prospectus available.

Where to collect the PINK Application Form

Each full-time eligible employee can collect a **PINK** Application Form and a prospectus from the Company Secretary in Hong Kong, at 1410, 14/F, Shun Tak Central West Tower, 168-200 Connaught Road, Central, Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

How to complete the Application Forms

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, among other things:

- (i) you agree with our Company and each shareholder of our Company, and our Company agrees with each of our shareholders, to observe and comply with the Cayman Islands Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (ii) you confirm that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;
- (iii) you agree that our Company, our Directors and any person who has authorised this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iv) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally or provisionally) any International Offer Shares nor otherwise participated in the International Offering;
- (v) you agree to disclose to our Company, the Sole Lead Manager, the Underwriters, the Hong Kong Share Registrar, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (vi) you instruct and authorise our Company and/or the Sole Lead Manager (or their respective agents or nominees), as agents of our Company, to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name(s) (for applicants on a **WHITE** Application Form) or in the name of HKSCC Nominees (for applicants on a **YELLOW** Application Form), as required by the Articles of Association, and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;
- (vii) you undertake to sign all documents and to do all things necessary to enable you (for applicants on a **WHITE** Application Form) or the name of HKSCC Nominees (for applicants on a **YELLOW** Application Form) to be registered as the holder of the Hong Kong Offer Shares to be allotted to you, and as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;
- (viii) you warrant the truth and accuracy of the information contained in your application;
- (ix) if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (x) you agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xi) you agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) you represent, warrant and undertake that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you and any person for whose account or benefit you are acquiring the Hong Kong Offer Shares are outside the United States (as defined in Regulation S under the US Securities Act) when completing the Application Form;
- (xiii) you undertake and agree to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to you under the application;
- (xiv) you agree that the processing of your application, may be done by any of our Company's receiving bankers and is not restricted to the bank at which your application was lodged;
- (xv) if you are applying for Shares using a **PINK** Application Form, you should return your Application Form to the Company Secretary of the Company by 4:00 p.m. on Wednesday, 30 June, 2010; and
- (xvi) Joint applications are not permitted and you may not apply on behalf of other person(s) as a nominee on a PINK Application Form.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (a) the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (ii) **If the application is made by an individual CCASS Investor Participant:**
 - (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
 - (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (iii) **If the application is made by a joint individual CCASS Investor Participant:**
 - (a) the Application Form must contain the names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
 - (b) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (iv) **If the application is made by a corporate CCASS Investor Participant:**
 - (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
 - (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is made through a duly authorised attorney, our Company, the Sole Lead Manager, the Underwriters and their respective agents and nominees, each severally as our agent(s), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney. We and the Sole Lead Manager, in the capacity as our agent, or its agents or nominees, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

APPLYING THROUGH WHITE FORM eIPO

General

- (i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set forth in the sub-section headed “Who can apply for Hong Kong Offer Shares” in this section above and on the same website. If you apply through **White Form eIPO**, the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **White Form eIPO** service are set forth on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.
- (iii) If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorised the designated **White Form eIPO** Service Provider to apply on the terms and conditions set forth in this prospectus, as supplemented and amended by the terms and conditions applicable to the White Form eIPO service.
- (iv) In addition to the terms and conditions set forth in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set forth on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (v) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.
- (vi) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (vii) You should give electronic application instructions through **White Form eIPO** service at the times set out in the sub-section headed “Members of the Public — Time for Applying for Hong Kong Offer Shares” in this section below.
- (viii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, 2 July 2010 or such later time as described under the sub-section headed “Effect of Bad Weather on the Opening of the Application Lists” in this section below, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

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- (ix) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (x) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Sole Lead Manager, the Underwriters and the White Form eIPO Service Provider take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-served and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “**CHIHOTIANDE GROUP LIMITED**” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give electronic application instruction to HKSCC.

Conditions of the White Form eIPO service

In using the **White Form eIPO** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- Applies for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk subject to the Articles of Association of our Company;
- Undertakes and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- Declares that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the **White Form eIPO** Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;

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- Undertakes and confirms that the applicant and the person for whose benefit the applicant is applying have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally and/or provisionally) any International Offer Shares, nor otherwise participated in the International Offering;
- Understands that this declaration and representation will be relied upon by our Company in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- Authorises our Company to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set forth in this prospectus) to send any share certificates by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** application except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus;
- Requests that any refund cheque(s) be made payable to the applicant who had used multiple bank accounts to pay the applicant monies; and (subject to the terms and conditions set forth in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the **White Form eIPO** application (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus;
- request that any e-Refund payment instructions be despatched to the application payment bank account where the applicant had paid the application monies from a single bank account;
- Has read the terms and conditions and application procedures set forth on the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus and **agrees** to be bound by them;
- Represents, warrants and undertakes that the applicant, and any persons for whose benefit the applicant is applying are non-U.S. person(s) outside the United States (as defined in Regulation S under the US Securities Act) when completing and submitting the Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the US Securities Act or the allotment of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- Agrees that such application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted **electronic application instructions** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications

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through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorise our Company, the Sole Lead Manager (as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk;
- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;
- agree that our Company, our Directors and any person who has authorised this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorised to submit the application as that other person's agent; you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any International Offer Shares;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agree to disclose to our Company, the Sole Lead Manager, the Underwriters, the Hong Kong Share Registrar, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- agree with our Company and each Shareholder, and our Company agrees with each of its Shareholders, to observe and comply with the Companies Ordinance, the Cayman Islands Companies Law, the Memorandum of Association and the Articles of Association;

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- agree with our Company and each Shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- authorise our Company to enter into a contract on your behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to shareholders as stipulated in the Memorandum and Articles of Association of our Company;
- represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);
- represent and warrant that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of rule 902 of Regulation S;
- confirm that you have read the terms and conditions and application procedures set forth in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk and agree to be bound by them;
- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk.

Our Company, the Sole Lead Manager, the Underwriters and their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorised attorney, our Company or the Sole Lead Manager, as its agents, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

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Otherwise, any monies payable to you due to a refund for any of the reasons is set forth below in the sub-section headed “Dispatch/Collection of Share Certificates and Refund of Application Monies” in this section below.

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person’s behalf or that person’s CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

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- undertakes and confirms that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and has not received or been placed or allocated (including conditionally or provisionally) any International Offer Shares nor otherwise participated in the International Offering;
- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
- understands that the above declaration will be relied upon by our Company, our Directors and the Sole Lead Manager in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set forth in this prospectus and agrees to be bound by them;
- confirms that that person has received a copy of this prospectus and has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
- agrees that our Company, our Directors and any person who has authorised this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company, the Sole Lead Manager, the Underwriters, the Hong Kong Share Registrar, the receiving bankers and/or their respective advisers and agents and any information which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the

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instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees Limited is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering made available by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Offer Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

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- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give electronic application instructions to HKSCC via CCASS terminals to apply for Hong Kong Offer Shares.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 28 June 2010	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 29 June 2010	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 30 June 2010	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 2 July 2010	– 8:00 a.m.⁽¹⁾ to 12:00 noon

⁽¹⁾ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 28 June 2010 until 12:00 noon on Friday, 2 July 2010 (24 hours daily, except the first and the last application days).

Effect of Bad Weather on the Opening of the Application Lists

The latest time for inputting your **electronic application instructions** via CCASS will be 12:00 noon on Friday, 2 July 2010, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 July 2010, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

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Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

If the application lists of the Hong Kong Public Offering do not open and close on Friday, 2 July 2010 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made in such event.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Lead Manager and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 2 July 2010.

HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares if and only if:

You are a **nominee**, in which case you may give **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

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If you are an eligible full-time employee in Hong Kong of our Group applying for Shares using a **PINK** Application Form, you may (unless you are a Director or chief executives of our Company or any of our subsidiaries, or associates of any of them or to a connected person of our Company) also make another application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the White Form eIPO Service Provider **www.eipo.com.hk**.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an electronic application instruction, you (and if you are joint applicants, each of you jointly and severally):

- (if the application is made for your own benefit) **warrant** that the application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through the **White Form eIPO** service; or
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

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Except where you are a nominee and provide the information required to be provided in your application, **all** of your applications (other than your application on a **PINK** Application Form) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or the designated **White Form eIPO** Service Provider through the **White Form eIPO** service; or
- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through the **White Form eIPO** service; or
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through the **White Form eIPO** service for more than 11,250,000 Shares, being 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offering (after deducting the 2,500,000 Shares available for subscription by Eligible Employees using **PINK** Application Forms), as more particularly described in the sub-section headed “The Hong Kong Public Offering” in the section headed “Structure of the Global Offering” in this prospectus; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares.

All of your applications will (other than your application on a **PINK** Application Form) also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through the **White Form eIPO** service is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

All your applications made on **PINK** Application Forms will be rejected as multiple applications if you made more than one application on a **PINK** Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK\$3.13 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Shares you will pay HK\$6,323.16. The Application Forms have tables showing the exact amount payable for numbers of Shares that may be applied for. Your application must be for a minimum of 2,000 Shares. Applications must be in one of the numbers set forth in the tables in the Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the amount payable upon application for the Shares by one cheque or one banker's cashier order in accordance with the terms set forth in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be) and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reasons, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of e-Refund payment instructions/refund cheques will be retained for our benefit.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$3.13 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. Please refer to the sub-section headed "Dispatch/Collection of Share Certificates and Refund of Application Monies" in the section headed "How to Apply for Hong Kong Offer Shares" below.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Sole Lead Manager, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on or about Friday, 9 July 2010 in accordance with the various arrangements as described in this section.

MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 2 July 2010, or, if the application lists are not open on that day, then by the time and date stated in the sub-section headed "Effect of Bad Weather on the Opening of the Application Lists" in this section below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your completed **WHITE** or **YELLOW** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Hong Kong and Shanghai Banking Corporation Limited or DBS Bank (Hong Kong) Limited (please refer to the sub-section headed “Applying by Using a **WHITE** or **YELLOW** Application Form” in this section and collect the **WHITE** and **YELLOW** Application Forms” above) at the following times:

Monday, 28 June 2010	– 9:00 a.m. to 4:30 p.m.
Tuesday, 29 June 2010	– 9:00 a.m. to 4:30 p.m.
Wednesday, 30 June 2010	– 9:00 a.m. to 4:30 p.m.
Friday, 2 July 2010	– 9:00 a.m. to 12:00 noon

Application on PINK Application Forms

Completed **PINK** Application Forms, with payment attached, must be returned to the Company Secretary of the Company in Hong Kong, at 1410, 14/F, Shun Tak Centre West Tower, 168-200 Connaught Road, Central, Hong Kong by 4:00 p.m. on Wednesday, 30 June 2010.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 28 June 2010 until 11:30 a.m. on Friday, 2 July 2010 or such later time as described under the sub-section headed “Effect of Bad Weather on the Opening of the Application Lists” in this section below (24 hours daily, except on the first and the last application days). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 2 July 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-section headed “Effect of Bad Weather on the Opening of the Application Lists” in this section below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set forth in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, 2 July 2010, or such later time as described under the sub-section headed “Effect of Bad Weather on the Opening of the Application Lists” in this section below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 2 July 2010. No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until after the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 July 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the application lists of the Public Offer do not open and close on Friday, 2 July 2010 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made in such event.

PUBLICATION OF RESULTS

Our Company expects to release and announce the Offer Price, level of indication of interest in the International Offering, level of applications in the Hong Kong Public Offering and basis of allotment under the Hong Kong Public Offering on Friday, 9 July 2010 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on our website at www.chiho-tiande.com and the website of the Stock Exchange at www.hkexnews.hk. The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) under the Hong Kong Public Offering will be made available at the times and date and in the manner specified below:

- on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.chiho-tiande.com on Friday, 9 July 2010;
- on our Hong Kong Public Offering results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Friday, 9 July 2010 to 12:00 midnight on Thursday, 15 July 2010. The user of our Hong Kong Public Offering results of allocations website at www.iporesults.com.hk will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their application has been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 9 July 2010 to Monday, 12 July 2010; and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Friday, 9 July 2010 to Monday, 12 July 2010 at all the receiving banker branches and sub-branches at the address set forth in the sub-section headed “Applying by Using a **WHITE** or **YELLOW** Application Form — Where to collect the **WHITE** and **YELLOW** Application Forms” in this section.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set forth in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or applying online through the **White Form eIPO** service), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may not be revoked on or

HOW TO APPLY FOR HONG KONG OFFER SHARES

before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service and an application has been made by HKSCC Nominees or the **White Form eIPO** Service Provider respectively on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of our Company, the Sole Global Coordinator or the designated White Form eIPO Service Provider or their agents and nominees to reject or accept your application:**

Our Company, the Sole Global Coordinator (as agent for our Company) or the designated **White Form eIPO** Service Provider or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Sole Global Coordinator and **White Form eIPO** Service Provider, in its capacity as our Company's agent, and our agents and nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **You will not receive any allotment if:**
 - you make multiple applications or suspected multiple applications;
 - you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares. By filling in any of the Application Forms or applying by giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider through **White Form eIPO** service, you agree not to apply for Hong Kong Offer Shares as well as International Offer Shares. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
 - your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set forth in the designated website at www.eipo.com.hk;
 - your payment is not made correctly;
 - you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
 - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
 - you apply for more than 11,250,000 Hong Kong Offer Shares, being 50% of the 25,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after deducting the 2,500,000 Hong Kong Offer Shares available for subscription by Eligible Employees using **PINK** Application Forms);
 - you apply for more than 2,500,000 Hong Kong Offer Shares using a **PINK** Application Form;
 - our Company or the Lead Manager believes that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed;
 - the Underwriting Agreements do not become unconditional; or
 - the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Shares under the Hong Kong Public Offering or indicate an interest for Shares under the International Offering, but may not do both.

HOW TO APPLY FOR HONG KONG OFFER SHARES

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$3.13 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the sub-section headed “Conditions of the Global Offering” in the section headed “Structure of the Global Offering” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents or evidence of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) for applications on **WHITE** Application Forms or by giving **electronic application instructions** through the **White Form eIPO** service: (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful. For wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the Shares successfully applied for will be deposited into CCASS as described below; and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms refund cheque(s) crossed “Account payee only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms and share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **electronic application instructions** through the **White Form eIPO** service are expected to be posted on or around Friday, 9 July 2010. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and the right of termination described in the sub-sections headed “Underwriting Arrangements and Expenses” and “Grounds for Termination” in the section headed “Underwriting” in this prospectus has not been exercised

(a) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) from our Hong Kong Share Registrar and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from our Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 July 2010 or such other date as notified by us in the newspapers as the date of collection/dispatch of share certificates/e-Refund payment instructions/refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. If you do not collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address on your Application Form on Friday, 9 July 2010 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Friday, 9 July 2010, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Friday, 9 July 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are applying as a CCASS Investor Participant:

- we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the sub-section headed "Publication of Results" in this section on Friday, 9 July 2010. You should check the announcement made by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) If you apply using a PINK Application Form

Share certificate(s) and/or refund cheque(s) (if any) for applications on **PINK** Application Forms will be sent to our Company on your behalf on the date of dispatch and our Company will arrange for onward dispatch to you at the address specified in your Application Form or as otherwise notified by you to our Company. Any dispatch will be by ordinary post and at your own risk.

(d) If you apply through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from our Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 July 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Friday, 9 July 2010, by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment bank account in the form of e-Refund payment instructions on Friday, 9 July 2010; If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on the your **White Form eIPO** application in the form of refund cheque(s) on Friday, 9 July 2010, by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set forth above in the sub-section headed "Applying Through White Form eIPO — Additional Information" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(e) If you apply by giving electronic application instructions to HKSCC:

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents or evidence of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Friday, 9 July 2010, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to make available the Offer Price, the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in the sub-section headed “Publication of Results” in this section and to publish the basis of allotment of the Hong Kong Offer Shares in the newspapers on Friday, 9 July 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 9 July 2010. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 9 July 2010. No interest will be paid thereon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

COMMENCEMENT OF DEALINGS IN THE OFFER SHARES

Dealings in the Offer Shares on the Stock Exchange are expected to commence on Monday, 12 July 2010.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 976.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

1. GENERAL

- (a) If you apply for Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) as set out below.
- (b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.
- (d) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC or the **White Form eIPO** Service Provider prior to making any application for Hong Kong Offer Shares.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

- (a) You offer to purchase from us at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus, the relevant Application Form and the additional information provided by the **White Form eIPO** Service Provider on the designated website **www.eipo.com.hk** for the **White Form eIPO** service.
- (b) For applicants using **WHITE** or **YELLOW** Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form on or before Friday, 9 July 2010.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering channels are contained below in the paragraphs headed “If your application for Hong Kong Offer Shares is successful (in whole or in part)”, “Refund of application monies”, “Additional information for applicants applying by giving **electronic application instructions** to HKSCC” and “Additional information for applicants applying through **White Form eIPO**” in this section.

- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

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3. ACCEPTANCE OF YOUR OFFER

- (a) The Hong Kong Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Friday, 9 July 2010.
- (b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong Identity Card numbers, Passport numbers or Hong Kong Business Registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Friday, 9 July 2010 in the manner described in the sub-sections headed “Publication of Results” and “Despatch/Collection of Share Certificates and Refunds of Application Money” in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.
- (c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

- (a) By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
 - **instruct** and **authorise** us, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by our Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by our Articles of Association;

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- **represent, warrant and undertake** that you are not restricted by any applicable laws of Hong Kong or elsewhere from making the application, paying any application monies for, or being allocated or taking up any Hong Kong Public Offer Shares; that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing the Application Form and are not a US person (within the meaning of Regulation S under the US Securities Act 1933, as amended);
- **represent, warrant and undertake** that allocation of or application for the Hong Kong Offer Shares to you or by you or to for whose benefit this application is made would not require our Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation save as set out in any supplement to this prospectus;
- **agree** that we, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement to this prospectus;
- without prejudice to any other rights which you may have, **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- if the application is made for your own benefit, **warrant** that the application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** Service (www.eipo.com.hk) (other than an application (if any) made on a **PINK** Application Form in the capacity as an eligible full-time employee of our Company in Hong Kong);
- if the application is made by an agent on your behalf, **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- if you are an agent for another person, **warrant** that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the designated **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk) and that you are duly authorised to sign the Application Form as that other person's agent;

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- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the International Offer Shares, nor otherwise participate in the International Offering;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** us to place your name(s) or HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and us and/or our agents to send any Share certificate(s) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form you will collect your Share certificates and refund cheque (where applicable) in person);
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form(s) and agree to be bound by them and are aware of the restrictions on the Global Offering of the Offer Shares described in this prospectus;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- **agree** to disclose to us, our Hong Kong Share Registrar, the receiving bankers, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;
- **understand** that these declarations and representations will be relied upon by us, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters (or their respective agents) in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of us, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

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- **agree** with us and each Shareholder, and we agree with each of the Shareholders, to observe and comply with the Cayman Islands Companies Law, the Companies Ordinance, our Memorandum of Association and our Articles of Association;
 - **agree** that the processing of your application, may be done by our receiving banker and is not restricted to the bank at which your Application Form was lodged;
 - **agree** with us and each Shareholder that the Hong Kong Offer Shares are freely transferable by the holders thereof; and
 - **authorise** us to enter into a contract on your behalf with each Director and our officer whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in our Articles.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) agree that:
- any Hong Kong Offer Shares allotted to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are joint applicants, in the name of the first-named applicant) and in such a case, to post the Share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;
 - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things.

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Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per Offer Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- (where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares) in addition to the confirmations and agreements set out in paragraph (a), above, **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** Application Form, and the following:
 - **agree** that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf or your CCASS Investor Participant stock account;
 - **undertake** and **agree** to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
 - (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the benefit of that other person and that you are duly authorised to give those instructions as that other person's agent;
 - **understand** that the above declaration will be relied upon by us, the Directors and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
 - **authorise** us to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allotted in respect of your **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately **agreed** between us and HKSCC;
 - **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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- **confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your broker or custodian to give **electronic application instructions** on your behalf;
 - **agree** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
 - **agree** that any application made by HKSCC Nominees on your behalf pursuant to the **electronic application instructions** given by you is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person until the expiration of the fifth day after opening of the application lists, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
 - **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by us;
 - **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares.
- (d) We, the Sole Global Coordinator, the Hong Kong Underwriters and their respective directors, officers, employees, partners, agents and advisers and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.
- (e) In the event of this application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. MULTIPLE APPLICATIONS

- (a) It will be a term and condition of all applications that by completing and delivering an Application Form, you:
- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk), unless you are an eligible employee who has made an application on a **PINK** Application Form;
 - if you are an eligible full-time employee in Hong Kong of our Company, warrant that this is the only application which will be made on a **PINK** Application Form; or
 - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk) and that you are duly authorised to sign the Application Form or submit **White Form eIPO** as that other person's agent.
- (b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk);
 - both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk);
 - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk) for more than 11,250,000, being 50% of the Hong Kong Offer Shares, after deducting the 2,500,000 Shares available for subscription by Eligible Employees using **PINK** Application Form, as more particularly described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus;
 - apply on **PINK** Application Form for more than 2,500,000 Shares, being the total Shares initially for subscription by eligible employees under the **PINK** Application Forms; or

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- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) International Offer Shares under the International Offering.
- (c) All of your applications (other than your application on a **PINK** Application Form) will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and
- the principal business of that company is dealing in securities; and
 - you exercise statutory control over that company,

then the application will be treated as being for your benefit.

For these purposes:

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you or your application is liable to be rejected:

- (a) If your application is revoked

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the fifth day after the time of the opening of application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person until the expiration of the fifth day after opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth day after the time of the opening of application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

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If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (b) If we, the Sole Global Coordinator or their respective agents exercise their discretion to reject your application

We and the Sole Global Coordinator (as agent for our Company), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

- (c) If the allotment of Hong Kong Offer Shares is void

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list and deal in the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing of the application lists.

- (d) If:

- you make multiple applications or suspected multiple applications;
- you or the person(s) for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offering. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk), you agree not to apply for Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- you apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk) for more than 11,250,000 Hong Kong Offer Shares, being

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50% of the Shares, after deducting the 2,500,000 Shares available for subscription by Eligible Employees using **PINK** Application Form, as more particularly described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus; or

- you apply for more than 2,500,000 Hong Kong Offer Shares using a **PINK** Application Form;
- your payment is not made correctly or you pay by cheque or banker’s cashier order and the cheque or banker’s cashier order is dishonored upon its first presentation;
- your Application Form is not completed correctly and in accordance with the instructions;
- either of the Underwriting Agreements do not become unconditional in accordance with their respective terms;
- either of the Underwriting Agreements are terminated in accordance with their respective terms; or
- we and/or the Sole Global Coordinator believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations.

7. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application.

Share certificates will only become valid certificates of title at 8:00 a.m. on Monday, 12 July 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Grounds for termination” in this prospectus has not been exercised.

(a) If you apply using a **WHITE** Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your Share certificate(s) and/or refund cheque (where applicable) from Computershare Hong Kong Investor Services Limited (“Computershare”) and have provided all information required by the Application Form, you may collect it/them in person from Computershare at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 July 2010 or such other date as notified by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch/collection of Share certificates/refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your refund cheque(s) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Friday, 9 July 2010, by ordinary post and at your own risk.

- (b) If you apply using a **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on your Application Form or electronically (as the case may be)) at the close of business on Friday, 9 July 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant on a **YELLOW** Application Form, we expect to publish the results of CCASS Investor Participants' applications in the manner described in the sub-section headed "Publication of Results" in the section "How to Apply for Hong Kong Offer Shares" in this prospectus on Friday, 9 July 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Friday, 9 July 2010, by ordinary post and at your own risk.

If you have given **electronic application instructions** to HKSCC, we expect to make available the application results of the Hong Kong Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, we shall include information relating to the beneficial owner), your Hong Kong Identity Card number or Passport number or Hong Kong Business Registration number or other identification code (as appropriate) and the basis of allotment of the Hong Kong Public Offering in the manner described the sub-section headed "Publication of Results" and the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus on Friday, 9 July 2010. You should check the results made available by us and report any discrepancies to HKSCC before 5:00 p.m. or any other date HKSCC or HKSCC Nominees Limited chooses.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** to HKSCC on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

If you are applying as a CCASS Investor Participant by giving electronic application instruction to HKSCC, you can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 9 July 2010. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

(c) If you apply using a **PINK** Application Form:

The Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to our Company on your behalf on the date of despatch and our Company will arrange for onward despatch to you at the address specified in the Application Form or as otherwise notified by you to our Company.

(d) If you apply through **White Form eIPO**:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 July 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider on Friday, 9 July 2010 by ordinary post and at your own risk.

If you used a single bank account to pay the application monies, e-Refund payment instructions (if any) will be despatched to your application payment bank account on Friday, 9 July 2010.

If you used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Friday, 9 July 2010, by ordinary post and at your own risk.

Please also note that the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the **White Form eIPO** Service Provider set out in "10. Additional information for applicants applying through **White Form eIPO**" below.

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares for any of the reasons set out in the section headed "How to Apply for Hong Kong Offer Shares — Circumstances in which you will not be allotted Hong Kong Offer Shares" in this section;

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- the Offer Price as finally determined is less than the Offer Price of HK\$3.13 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Friday, 9 July 2010 in accordance with the various arrangements as described herein. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. Refund cheque will be crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong Identity Card number or Passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or Passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number or Passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or Passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

(b) Deposit of Share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- * If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Friday, 9 July 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

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- We expect to publish the results of CCASS Participant (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), together with your Hong Kong Identity Card/Passport number or other identification code (Hong Kong Business Registration number for corporations, if supplied) and the results of allocations in the Hong Kong Public Offering through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares – Publication of Results” in this prospectus. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 9 July 2010. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Offer Price per share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 9 July 2010. No interest will be paid thereon.

10. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the **White Form eIPO** Service Provider on the designated website www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the paragraph headed “How to Apply for Hong Kong Offer Shares — Dispatch/Collection of Shares Certificates and Refund of Application Money” in this section shall be made pursuant to the arrangements described above.

11. PERSONAL DATA

Personal Information Collection Statement

The main provisions of the Hong Kong Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December, 1996. This Personal Information Collection Statement informs the applicant for and holder of our Shares of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for our securities or registered holders of our securities to supply their latest correct personal data to us and our Hong Kong Share Registrar when applying for our securities or transferring our securities into or out of their names or in procuring the services of the Hong Kong Share Registrar. Failure to supply the requested data may result in your application for our securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) and/or e-Refund payment instructions and/or refund cheque(s) (where applicable) to which you are entitled.

It is important that holders of securities inform us and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable, verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with, including making disclosure as required, by all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating our registers of holders of securities;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements, such as dividends, rights issues and bonus issues;
- distributing communications from us and our subsidiaries;
- compiling statistical information and shareholder profiles;

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- making disclosures as required by laws, rules or regulations (whether statutory or otherwise);
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by us and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but we and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- we or our respective appointed agents such as financial advisers, receiving bankers and overseas principal registrars;
- HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the securities to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of our or their business;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies;
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

(d) Access to and correction of personal data

The Ordinance provides the holders of securities with rights to ascertain whether we or our Hong Kong Share Registrar hold(s) their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Ordinance, we and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to us, at our head office and principal place of business in Hong Kong as disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time in accordance with applicable law, for the attention of our company secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree to all of the above.



MORISON HENG
Certified Public Accountants

28 June 2010

The Directors
Chiho-Tiande Group Limited
CCB International Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Chiho-Tiande Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 (the "Track Record Period") (the "Financial Information") for inclusion in the prospectus dated 28 June 2010 issued by the Company (the "Prospectus") in connection with the initial public offering of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 15 May 2008 as an exempted company with limited liability under the Companies Law (2004 Revision), Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix VI to the Prospectus (the "Group Reorganisation"), the Company became the holding company of the Group on 27 August 2008.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group				Principal activities
			At 31 December		Date of this report		
			2007	2008		2009	
Chiho-Tiande International Limited ("CT International") (note (i))	British Virgin Islands 2 April 2008	US\$2	N/A	100%	100%	100%	Investment holding
Hefast Holding Corporation Limited ("Hefast")	Hong Kong 20 December 2002	HK\$100,000	100%	100%	100%	100%	Investment holding and purchasing agent of the Group
Chiho-Tiande (HK) Limited ("CT HK") (note (ii))	Hong Kong 12 May 2004	HK\$1	N/A	100%	100%	100%	Purchasing agent of the Group and wholesales of metal scrap without processing
Chiho-Tiande Investments Limited ("CT Investments")	Hong Kong 16 July 2008	HK\$10,000	N/A	100%	100%	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company				Date of this report	Principal activities
			At 31 December 2007	2008	2009			
Chiho-Tiande (Hong Kong) Copper Industry Company Limited ("CT HK (Copper)")	Hong Kong 15 June 2009	HK\$10,000	N/A	N/A	100%	100%		Investment holding
台州齊合天地金屬有限公司 Taizhou Chiho-Tiande Metals Company Limited ("CT Metals") (note (iv))	The People's Republic of China (the "PRC") 24 December 1999	US\$22,682,000	100%	100%	100%	100%		Processing and sales of metal scrap, production and sales of metal products
台州齊合天地鑄造有限公司 Taizhou Chiho-Tiande Foundry Company Limited ("CT Foundry") (note (iv))	The PRC 8 December 2003	US\$7,500,000	100%	100%	100%	100%		Processing and sales of metal scrap, production and sales of metal products
齊合天地(寧波)再生金屬有限公司 Chiho-Tiande (Ningbo) Metals Recycling Co., Limited ("CT Metals (Ningbo)") (note (iv))	The PRC 28 September 2008	US\$3,000,000	N/A	100%	100%	100%		Processing and sales of metal scrap
齊合天地(寧波)銅業有限公司 Chiho-Tiande (Ningbo) Copper Industry Co., Limited ("CT Copper (Ningbo)") (notes (iii) and (iv))	The PRC 5 August 2009	Nil	N/A	N/A	100%	100%		Trading of metal scrap
Delco Europe B.V. ("Delco Europe") (note (v))	The Netherlands 18 January 1985	EUR18,151	N/A	N/A	N/A	100%		Purchasing agent of the Group

notes:

- (i) The Company holds CT International directly and all other subsidiaries indirectly.
- (ii) On 11 March 2008, the Group acquired the entire issued capital of CT HK from Mr. Fang Ankong ("Mr. Fang") for a consideration of HK\$1 which was equivalent to CT HK's net asset value at that date.
- (iii) CT Copper (Ningbo) was established on 5 August 2009 in the PRC as a wholly owned subsidiary of CT HK (Copper). CT Copper (Ningbo) was deregistered on 9 June 2010.
- (iv) These entities are wholly-foreign owned enterprise established in the PRC.
- (v) On 1 January 2010, the Group acquired 100% equity interest in Delco Europe from H.P.L. Metals B.V. ("HPL") and SVO Company B.V. ("SVO"), companies owned by the holding companies of certain shareholders of the Company, for a consideration of EUR100 in cash which was equivalent to its net asset value at that date. Further details of Delco Europe are set out in Note 1 to Section C below.

The financial year end date of the companies now comprising the Group is 31 December.

No audited financial statements have been prepared for the Company, CT International and Delco Europe since the date of their incorporation as there is no statutory audit requirement in their respective places of incorporation. No audited financial statements have been prepared for CT Copper (Ningbo) as it was deregistered on 9 June 2010.

The statutory financial statements of CT Metals (Ningbo) for each of the periods from its date of establishment were prepared in accordance with the relevant accounting rules and regulations of the PRC and were audited by Ningbo Weiyuan Certified Public Accountants 寧波威遠會計師事務所, certified public accountants registered in the PRC.

The statutory financial statements of CT Metals and CT Foundry for each of the periods in the Track Record Period were prepared in accordance with the relevant accounting rules and regulations of the PRC and were audited by Taizhou Zhongtian Certificial Public Accountants 台州中天會計事務所, certified public accountants registered in the PRC.

The statutory financial statements of the Company's subsidiaries prepared in accordance with Hong Kong Financial Reporting Standards for each of the periods in the Track Record Period were audited by certified public accountants registered in Hong Kong in accordance with Hong Kong Standards on Auditing as follows:

Name of subsidiary	Financial year/period	Name of auditor
Hefast	Financial year ended 31 December 2007	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2008	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly
CT HK	Financial year ended 31 December 2008	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly
CT Investments	Period from 16 July 2008 (date of incorporation) to 31 December 2008	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly
CT HK (Copper)	Period from 15 June 2009 (date of incorporation) to 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the financial statements in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountants" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 below. No adjustments have been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation sets out in note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2008 and 2009 and of the Group as at 31 December 2007, 2008 and 2009, and of the consolidated results and cash flows of the Group for each of the years then ended.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2007	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	8	1,798,332	2,505,168	2,339,243
Cost of sales	9	<u>(1,683,399)</u>	<u>(2,740,007)</u>	<u>(1,784,806)</u>
Gross profit (loss)		114,933	(234,839)	554,437
Other income	10	1,217	8,501	5,711
Other gains and losses	11	23,710	37,050	98,200
Distribution costs		(709)	(1,700)	(1,757)
Administrative expenses		(14,799)	(28,137)	(34,917)
Other expenses		–	(10,575)	(5,657)
Finance costs	12	<u>(18,431)</u>	<u>(41,598)</u>	<u>(28,823)</u>
Profit (loss) before tax	13	105,921	(271,298)	587,194
Income tax (expense) credit	15	<u>(22,958)</u>	<u>71,166</u>	<u>(167,540)</u>
Profit (loss) for the year		<u>82,963</u>	<u>(200,132)</u>	<u>419,654</u>
Other comprehensive income				
Exchange difference arising on translation to presentation currency		<u>17,540</u>	<u>11,658</u>	<u>3,481</u>
Total comprehensive income (expense) for the year		<u>100,503</u>	<u>(188,474)</u>	<u>423,135</u>
		<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
Earnings (loss) per share – basic	17	<u>11.06</u>	<u>(26.68)</u>	<u>55.95</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	At 31 December		
		2007	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	18	110,973	132,269	135,284
Prepaid lease payments	19	35,440	36,798	35,962
Deposits paid for acquisition of property, plant and equipment		–	2,825	4,150
Deferred tax assets	29	–	81,545	–
		<u>146,413</u>	<u>253,437</u>	<u>175,396</u>
CURRENT ASSETS				
Inventories	20	324,092	569,808	1,167,437
Trade and other receivables	21	283,727	160,157	188,826
Bills receivables	22	1,712	2,999	1,365
Prepaid lease payments	19	807	858	858
Amount due from a related party	23	–	313	371
Derivative financial instruments	24	–	67	1,072
Tax recoverable		–	42,250	–
Pledged bank deposits	25	–	16,292	241,440
Restricted bank deposits	25	2,570	20,491	5,535
Bank balances and cash	25	20,113	44,174	69,428
		<u>633,021</u>	<u>857,409</u>	<u>1,676,332</u>
CURRENT LIABILITIES				
Trade and other payables	26	25,745	94,860	136,605
Bills payables	27	–	91,593	114,126
Amounts due to related parties	23	145,606	411,093	93,205
Derivative financial instruments	24	357	17,785	1,603
Tax payable		1,373	–	44,119
Bank borrowings	28	422,916	500,552	799,046
		<u>595,997</u>	<u>1,115,883</u>	<u>1,188,704</u>
NET CURRENT ASSETS (LIABILITIES)		<u>37,024</u>	<u>(258,474)</u>	<u>487,628</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>183,437</u>	<u>(5,037)</u>	<u>663,024</u>

		At 31 December		
	Notes	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
CAPITAL AND RESERVES				
Share capital	30	10	–	–
Share premium and reserves		<u>183,427</u>	<u>(5,037)</u>	<u>418,098</u>
TOTAL EQUITY		<u>183,437</u>	<u>(5,037)</u>	<u>418,098</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	29	–	–	21,218
Amounts due to related parties	23	<u>–</u>	<u>–</u>	<u>223,708</u>
		<u>–</u>	<u>–</u>	<u>244,926</u>
		<u>183,437</u>	<u>(5,037)</u>	<u>663,024</u>

STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2007	2008	2009
	Notes	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSET				
Investment in a subsidiary	35	—	—	—
		—	—	—
CURRENT LIABILITIES				
Accruals		—	—	325
Amount due to a subsidiary	35	—	10,642	16,784
Amount due to a related party	23	—	—	—
		—	10,642	17,109
NET CURRENT LIABILITIES		—	(10,642)	(17,109)
TOTAL ASSETS LESS CURRENT LIABILITIES		—	(10,642)	(17,109)
CAPITAL AND RESERVES				
Share capital	30	—	—	—
Accumulated losses	37	—	(10,642)	(17,109)
TOTAL EQUITY		—	(10,642)	(17,109)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Acc-	Total
	Share capital	Share premium	Capital reserve	Statutory general reserve	Enterprise expansion fund	Foreign currency translation reserve	umulated profits (losses)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	10	6,542	–	4,817	4,817	9,941	56,807	82,934
Profit for the year	–	–	–	–	–	–	82,963	82,963
Exchange difference arising on translation to presentation currency	–	–	–	–	–	17,540	–	17,540
Total comprehensive income for the year	–	–	–	–	–	17,540	82,963	100,503
Transfer of reserves	–	–	–	6,217	6,217	–	(12,434)	–
At 31 December 2007	10	6,542	–	11,034	11,034	27,481	127,336	183,437
Loss for the year	–	–	–	–	–	–	(200,132)	(200,132)
Exchange difference arising on translation to presentation currency	–	–	–	–	–	11,658	–	11,658
Total comprehensive expense for the year	–	–	–	–	–	11,658	(200,132)	(188,474)
Effect of the Group Reorganisation	(10)	(6,542)	6,552	–	–	–	–	–
Transfer of reserves	–	–	–	3,380	3,380	–	(6,760)	–
At 31 December 2008	–	–	6,552	14,414	14,414	39,139	(79,556)	(5,037)
Profit for the year	–	–	–	–	–	–	419,654	419,654
Exchange difference arising on translation to presentation currency	–	–	–	–	–	3,481	–	3,481
Total comprehensive income for the year	–	–	–	–	–	3,481	419,654	423,135
Transfer of reserves	–	–	–	17,722	17,722	–	(35,444)	–
At 31 December 2009	–	–	6,552	32,136	32,136	42,620	304,654	418,098

Statutory general reserve and enterprise expansion fund represent the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the PRC as required by the Articles of Association of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory general reserve and enterprise expansion fund has reached 50% of the PRC subsidiaries' registered capital.

The capital reserve of the Group represents the difference between the nominal value of the aggregate share capital and share premium of the subsidiaries acquired by the Company upon the Group Reorganisation and the nominal value of the Company's shares issued in exchange.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	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	<u>(34,686)</u>	<u>(52,076)</u>	<u>(219,726)</u>
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	<u>(85,576)</u>	<u>290,655</u>	<u>(96,352)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>158,959</u>	<u>387,889</u>	<u>204,734</u>
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	<u>613</u>	<u>1,258</u>	<u>27</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
represented by bank balances and cash	<u>20,113</u>	<u>44,174</u>	<u>69,428</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

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 Luqiao Taizhou, Zhejiang, the PRC.

The Company is an investment holding company. The Group is principally engaged in processing and sales of metal scrap.

The functional currency of the Company and its subsidiaries is Renminbi ("RMB"). The Financial Information is presented in Hong Kong dollars ("HK\$") because the Company intends to be listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

The consolidated statements of comprehensive income and consolidated statements of cash flows which include the results and cash flows of the companies now comprising the Group for the Track Record Period, have been prepared as if the Company had always been the holding company of the 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 now comprising the Group as if the current group structure had been in existence at those dates, taking into account the effective date of incorporation or acquisition.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and Interpretations ("HK(IFRIC)s") (herein collectively referred to as "new HKFRSs"), which are effective for the accounting periods beginning on 1 January 2009.

At the date of this report, the following new and revised standards, amendments and interpretations have been issued which are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ⁸
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Right Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

⁸ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

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 Group's entities are translated into the presentation currency of the Group (i.e. HK\$) 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 other 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. The Group's 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 the Group is 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 the Group expects, 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

The Group's financial assets are classified into one of the 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 the 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

The Group's 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. 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 re-organisation.

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 the Group's 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 the assets of the Group after deducting all of its liabilities. The Group's 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

The Group's 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 the 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 the Group has 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Provision for inventories

Management of the Group 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 the Group's inventories were stated at cost in the consolidated statements of financial position at the end of each reporting period except that the Group's inventories at 31 December 2008 were stated at net realisable value.

6. CAPITAL RISK MANAGEMENT

The Group and the Company manages its capital to ensure that entities in the 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. The Group and the Company's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes bank borrowings, amounts due to related companies, and equity attributable to owners of the Company, comprising capital and various reserves.

The capital structure of the Company consists of debt, which includes amounts due to a subsidiary and a related party, and equity attributable to owners of the Company, comprising capital and accumulated losses.

The directors of the Company review the capital structure periodically. The directors of the Company also balance the 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.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
The Group			
Financial assets			
Derivative financial instruments	–	67	1,072
Loans and receivables (including cash and cash equivalents)	46,337	110,363	387,925
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
Derivative financial instruments	357	17,785	1,603
Amortised cost	571,672	1,070,404	1,345,702
	<u> </u>	<u> </u>	<u> </u>
The Company			
Financial liabilities			
Amortised cost	–	10,642	16,884
	<u> </u>	<u> </u>	<u> </u>

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivables, amounts due from (to) related parties, derivative financial instruments, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables, bills payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk(i) **Currency risk**

The Group has foreign currency sales, purchases, bank balances and cash, amounts due to related parties and bank borrowings, which expose the Group to market risk arising from changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However management closely monitors its foreign currency risk exposure and enters into foreign currency forward contracts should the need arise.

The carrying amounts of the Group's monetary assets, monetary liabilities and derivative financial liability denominated in United States Dollars ("USD") and Euro ("EUR") at the end of each reporting period are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Monetary assets			
USD	1,434	1,824	68,294
EUR	–	5,753	435
	<u> </u>	<u> </u>	<u> </u>
Monetary liabilities			
USD	526,629	497,873	945,557
EUR	–	7,589	1,241
	<u> </u>	<u> </u>	<u> </u>
Derivative financial liability			
USD	–	–	1,603
	<u> </u>	<u> </u>	<u> </u>

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 USD and EUR against RMB rate. On the basis of the above assets and liabilities denominated in USD and EUR at the end of each reporting period, and assuming all other variables remain unchanged, a 5% weakening of the USD and EUR against RMB throughout the relevant year would give rise to an exchange gain and an increase in profit/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			
USD	18,665	20,033	33,679
EUR	—	77	34
	<u> </u>	<u> </u>	<u> </u>
Derivative financial liability			
USD	—	—	60
	<u> </u>	<u> </u>	<u> </u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

Other than USD and EUR, the Group does not have any other major exposure to foreign currency risk.

(ii) **Interest rate risk**

The Group is 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 to related parties.

The Group's fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, bank borrowings and amounts due to related parties. It is the Group's policy to maintain a majority of borrowings at fixed rate of interest so as to reduce the cash flow interest rate risk.

The Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, management monitors the Group's related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

Sensitivity analysis

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

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Liabilities	31,186	181,595	314,820
	<u> </u>	<u> </u>	<u> </u>

The sensitivity analysis below have 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.

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.

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

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

(iii) Other price risk

The Group is exposed to price risk through its investment in copper and aluminium future contracts.

Sensitivity analysis

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

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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent other price risk as the year end exposure does not reflect the exposure during the Track Record Period.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group 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, management of the Group 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, the directors of the Company consider that the Group's 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 the Group's financial assets spread over a number of counterparties and customers.

Liquidity risk

The objective of the Group and the Company 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 consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

*Liquidity and interest risk tables***The Group**

	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 the reporting period HK\$'000
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
		<u>173,542</u>	<u>165,223</u>	<u>243,940</u>	<u>–</u>	<u>582,705</u>	<u>571,672</u>
Derivatives – net settlement							
Copper future contracts	–	–	357	–	–	357	357

	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 the reporting period HK\$'000
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
		<u>549,981</u>	<u>67,943</u>	<u>470,320</u>	<u>–</u>	<u>1,088,244</u>	<u>1,070,404</u>
Derivatives – net settlement							
Copper future contracts	–	–	–	17,785	–	17,785	17,785

	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 the reporting period HK\$'000
At 31 December 2009							
Non-derivative financial liabilities							
Trade and other payables	–	78,835	27,105	9,677	–	115,617	115,617
Bills payable							
– 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
		<u>399,759</u>	<u>196,602</u>	<u>534,073</u>	<u>223,708</u>	<u>1,354,142</u>	<u>1,345,702</u>

Derivatives – gross settlement

Foreign currency forward contracts							
– inflow	–	–	4,725	152,091	–	156,816	156,816
– outflow	–	–	(4,750)	(153,669)	–	(158,419)	(158,419)
		<u>–</u>	<u>(25)</u>	<u>(1,578)</u>	<u>–</u>	<u>(1,603)</u>	<u>(1,603)</u>

The Company

	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 the reporting period HK\$'000
At 31 December 2008							
Amount due to a subsidiary							
– non-interest bearing	–	10,642	–	–	–	10,642	10,642
		<u>10,642</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,642</u>	<u>10,642</u>
At 31 December 2009							
Amount due to a subsidiary							
– non-interest bearing	–	16,884	–	–	–	16,884	16,884
		<u>16,884</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,884</u>	<u>16,884</u>

7c. Fair value

The fair value of financial assets and financial liabilities of the Group are determined as follows:

- the fair value of derivative financial instruments traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments at 31 December 2007, 2008 and 2009 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	31/12/2007		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at FVTPL			
Derivative financial asset	—	—	—
Financial liabilities at FVTPL			
Derivative financial liability	357	—	357
	31/12/2008		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at FVTPL			
Derivative financial asset	67	—	67
Financial liabilities at FVTPL			
Derivative financial liability	17,785	—	17,785
	31/12/2009		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at FVTPL			
Derivative financial asset	1,072	—	1,072
Financial liabilities at FVTPL			
Derivative financial liability	—	1,603	1,603

There were no transfers between level 1 and level 2 during the Track Record Period.

8. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for the sales of metal scrap, net of sales related taxes, during the Track Record Period.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. The executive directors of the Company are identified as the CODM and they regularly review the internal report on gross profit derived from different business activities and different products to assess performance and allocate resources of the Group.

The Group is mainly engaged in the principal business of metal recycling, involving the recycling of mixed metal scrap into copper scrap, steel scrap, aluminium scrap, iron scrap and other metal scrap (collectively named as "Recycled Metal Products"). The Group is also engaged in the foundry business which involves the production and sale of aluminium-alloy ingots and copper rod and wire, and wholesales business which involves trading of other metal scrap. The operating segments are classified into three categories of business activities:

- (i) metal recycling business;
- (ii) foundry business; and
- (iii) wholesales business.

Segment revenues and segment results

An analysis of the Group's reportable segment revenues and segment results by reportable segment is as below.

For the year ended 31 December 2007

	Metal recycling business				Foundry business		Wholesales business			
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap	Aluminium-alloy ingots	Copper rod and wire	Other metal scrap without processing	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE										
External Sales	1,096,057	323,881	87,550	88,059	64,878	137,907	–	–	–	1,798,332
Inter-segment sales	31,604	5,320	17,424	2,395	–	–	–	–	(56,743)	–
Total	1,127,661	329,201	104,974	90,454	64,878	137,907	–	–	(56,743)	1,798,332
Profit (loss) from external sales	75,485	20,844	6,406	5,700	(2,075)	8,573	–	–	–	114,933
Segment profit	66,921	18,474	6,980	4,398	987	6,930	–	–	10,243	114,933
Other income										1,217
Other gains and losses										23,710
Distribution costs										(709)
Administrative expenses										(14,799)
Other expenses										–
Finance costs										(18,431)
Profit before tax										105,921
Income tax expense										(22,958)
Profit for the year										82,963

For the year ended 31 December 2008

	Metal recycling business				Foundry business		Wholesales business			
	Copper scrap HK\$'000	Steel scrap HK\$'000	Aluminium scrap HK\$'000	Iron scrap HK\$'000	Other metal scrap HK\$'000	Aluminium-alloy ingots HK\$'000	Copper rod and wire HK\$'000	Other metal scrap without processing HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE										
External Sales	1,407,523	542,351	59,376	134,958	160,351	179,923	–	20,686	–	2,505,168
Inter-segment sales	2,152	17	94,957	467	817	15,526	–	253,723	(367,659)	–
Total	1,409,675	542,368	154,333	135,425	161,168	195,449	–	274,409	(367,659)	2,505,168
Profit (loss) from external sales	(132,113)	(33,563)	(15,890)	(51,327)	(9,901)	7,469	–	486	–	(234,839)
Segment profit (loss)	(134,647)	(34,605)	(16,008)	(51,501)	(10,127)	5,661	–	32,295	(25,907)	(234,839)
Other income										8,501
Other gains and losses										37,050
Distribution costs										(1,700)
Administrative expenses										(28,137)
Other expenses										(10,575)
Finance costs										(41,598)
Loss before tax										(271,298)
Income tax credit										71,166
Loss for the year										(200,132)

For the year ended 31 December 2009

	Metal recycling business				Foundry business		Wholesales business			
	Copper scrap HK\$'000	Steel scrap HK\$'000	Aluminium scrap HK\$'000	Iron scrap HK\$'000	Other metal scrap HK\$'000	Aluminium-alloy ingots HK\$'000	Copper rod and wire HK\$'000	Other metal scrap without processing HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE										
External Sales	1,164,966	490,246	52,280	114,271	32,671	189,988	180,649	114,172	–	2,339,243
Inter-segment sales	15,009	1,481	122,091	–	2,495	25,776	–	1,072,181	(1,239,033)	–
Total	1,179,975	491,727	174,371	114,271	35,166	215,764	180,649	1,186,353	(1,239,033)	2,339,243
Profit from external sales	327,450	70,149	22,816	50,218	26,474	14,651	38,163	4,516	–	554,437
Segment profit	314,858	58,833	32,942	47,366	28,427	16,048	38,041	88,883	(70,961)	554,437
Other income										5,711
Other gains and losses										98,200
Distribution costs										(1,757)
Administrative expenses										(34,917)
Other expenses										(5,657)
Finance costs										(28,823)
Profit before tax										587,194
Income tax expense										(167,540)
Profit for the year										419,654

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of other income, other gains and losses, distribution costs, administrative expenses, other expenses and finance costs. This is the measure reporting to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and segment liabilities

Information on segment assets and segment liabilities of the Group are not reviewed by the CODM for the purpose of resource allocation and performance assessment nor otherwise regularly provided to the CODM. As a result, no analysis of segment assets and segment liabilities are presented.

Geographical information

Over 90% of external revenues of the Group during the Track Record Period are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. Majority of the Group's non-current assets other than deferred tax assets are located in the PRC.

Information about major customers

During the year ended 31 December 2007, revenue from transactions with a single external customer of the Group (involving each of operating segments in the Recycled Metal Products Category) contributed to approximately 10% of the Group's revenue for that year and amounted to approximately HK\$180,000,000. No individual customer contributed to more than 10% of the Group's revenue for each of the two years ended 31 December 2009.

9. COST OF SALES

Included in cost of sales are the following write-down (reversal) of inventories:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Write-down (reversal) of inventories	—	308,613	(308,613)

Management assesses whether the cost of inventories exceed their net realisable value at the end of each reporting period. Management estimates the net realisable value for inventories with reference to the ask price of metal scrap in the relevant markets and the quoted prices of metal on applicable commodity exchanges at the end of each reporting period. As at 31 December 2008, because the market prices of the commodities had dropped significantly as compared with the purchase price of certain inventories held, a provision of approximately HK\$308,613,000 was recorded.

All the Group's inventories were stated at cost in the consolidated statements of financial position at the end of each reporting period except that the Group's inventories at 31 December 2008 were stated at net realisable value.

10. OTHER INCOME

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Interest income	186	7,151	2,415
Rental income for a temporary lease	—	—	2,121
Government subsidies (<i>note</i>)	551	1,037	1,137
Others	480	313	38
	<u>1,217</u>	<u>8,501</u>	<u>5,711</u>

note: The Group received unconditional government grants from the local municipal government as an encouragement of the development and advancement of business.

11. OTHER GAINS AND LOSSES

	Year ended 31 December		2009 HK\$'000
	2007 HK\$'000	2008 HK\$'000	
Gain (loss) from changes in fair value of derivative financial instruments (<i>note</i>)	5,088	(8,575)	99,047
Net foreign exchange gains (losses)	18,622	46,040	(585)
Impairment loss recognised in respect of trade receivables	–	(546)	(247)
Gain (loss) on disposal of property, plant and equipment	–	131	(15)
	<u>23,710</u>	<u>37,050</u>	<u>98,200</u>

note: The amounts for each of the years ended 31 December 2009 were derived from copper and aluminium future contracts and foreign currency forward contracts.

12. FINANCE COSTS

	Year ended 31 December		2009 HK\$'000
	2007 HK\$'000	2008 HK\$'000	
Interest on:			
– bank borrowings wholly repayable within five years	17,870	39,700	24,022
– Amounts due to related parties	561	1,898	4,801
	<u>18,431</u>	<u>41,598</u>	<u>28,823</u>

13. PROFIT (LOSS) BEFORE TAX

	Year ended 31 December		2009 HK\$'000
	2007 HK\$'000	2008 HK\$'000	
Profit (loss) before tax has been arrived at after charging:			
Directors' emoluments (<i>Note 14</i>)	371	309	836
Other staff costs	20,379	60,351	59,862
Retirement benefit scheme contributions, excluding those of directors	576	649	699
Total staff costs	<u>21,326</u>	<u>61,309</u>	<u>61,397</u>
Cost of inventories recognised as an expense	1,683,399	2,740,007	1,784,806
Depreciation of property, plant and equipment	6,363	7,502	7,642
Amortisation of prepaid lease payments	773	847	857
Auditors' remuneration	540	734	826

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid by the Group to the directors of the Company for the Track Record Period are as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Fee	—	—	—
Salaries and other allowances	369	293	818
Retirement benefit scheme contributions	2	16	18
	<u>371</u>	<u>309</u>	<u>836</u>
Executive directors:			
Mr. Stephanus Maria van Ooijen ("Mr. van Ooijen")	—	—	—
Mr. Fang	371	222	490
Mr. Gu Liyong	—	87	346
Non-executive director:			
Mr. Ralph Sytze Ybema	—	—	—
	<u>371</u>	<u>309</u>	<u>836</u>

Employees

The five highest paid individuals of the Group included one, one and two directors, respectively, for each of the year ended 31 December 2007, 2008 and 2009, details of their emoluments are set out above. The emoluments of the remaining four, four and three individuals, for the respective years are as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Salaries and other allowances	500	327	984
Retirement benefit scheme contributions	9	27	32
	<u>509</u>	<u>354</u>	<u>1,016</u>

The emoluments for each of the five highest paid individuals were below HK\$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

No remuneration was paid to the independent non-executive directors during the Track Record Period. Moreover, Mr. van Ooijen and Mr. Ralph Sytze Ybema did not receive any emoluments during the Track Record Period because:

- (i) Mr. van Ooijen has a beneficial interest in the Group and his contribution is compensated by the capital appreciation of the Group in lieu of emoluments.
- (ii) Mr. Ralph Sytze Ybema was appointed as a director of the Company in August 2008 and he has agreed to receive emolument only upon completion of the listing of shares of the Company on the Stock Exchange (the "Listing").

15. INCOME TAX (EXPENSE) CREDIT

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Enterprise income tax (expense) credit in the PRC			
Current tax for the year	(22,768)	(10,379)	(64,540)
Underprovision of current tax in prior years	(190)	–	(237)
Deferred tax (<i>Note 29</i>)	–	81,545	(102,763)
	<u>(22,958)</u>	<u>71,166</u>	<u>(167,540)</u>

PRC

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

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. Pursuant to the relevant laws and regulations in the PRC, CT Foundry was entitled to exemption from FEIT for two years starting from its first profit-making year, followed by a 50% reduction of tax for the three years thereafter ("Tax Holiday"). The first profit making year of CT Foundry was the year of 2004. Accordingly, the applicable FEIT rate for 2007 was 12%, together with local tax of 1.2%.

On 16 March 2007, the PRC promulgated the Law of the PRC 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 arrangement 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.

CT Metals (Ningbo) and CT Copper (Ningbo) were subject to EIT at the rate of 25% for the Track Record Period.

Hong Kong

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

The tax expense (credit) for the Track Record Period can be reconciled to the profit (loss) before tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before tax	<u>105,921</u>	<u>(271,298)</u>	<u>587,194</u>
Tax at applicable tax rates (<i>note i</i>)	31,982	(68,927)	144,524
Tax effect of expenses not deductible for tax purpose (<i>note ii</i>)	209	2,868	2,510
Tax effect of incomes not taxable for tax purpose (<i>note iii</i>)	(2,528)	(2,534)	(949)
Effect of tax exemption	(1,462)	(1,015)	–
Tax refund/credit to the Group (<i>note iv</i>)	(5,433)	(1,558)	–
Deferred tax provided on dividends withholding tax on PRC subsidiaries	–	–	21,218
Under provision in prior years	<u>190</u>	<u>–</u>	<u>237</u>
Tax expense (credit) for the year	<u>22,958</u>	<u>(71,166)</u>	<u>167,540</u>

notes:

- (i) As the Group operates in different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated and presented.
- (ii) The amount for the year ended 31 December 2007 mainly represents operating expenses of a company without assessable profit. The amounts for the years ended 31 December 2008 and 2009 mainly represent legal and professional fees. They were not deductible for tax purpose under the relevant tax jurisdictions.
- (iii) The amount for the year ended 31 December 2007 mainly represents procurement service income. The amounts for the years ended 31 December 2008 and 2009 mainly represent exchange gain. They were not assessable for tax purpose under the relevant tax jurisdictions.
- (iv) The amounts for the years ended 31 December 2007 and 2008 represent tax refund/credit to the Group as a result of its acquisition of plant and equipment in the PRC and its reinvestment of profits in a PRC subsidiary, respectively.

There was no significant unprovided deferred tax during the Track Record Period or at the end of each reporting period.

16. DIVIDENDS

During the Track Record Period, no dividend was paid or declared by the Company or by any of the companies now comprising the Group.

17. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the Track Record Period is based on the following data:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year attributable to owners of the Company for the purposes of basic earnings (loss) per share	82,963	(200,132)	419,654
Number of ordinary shares for the purpose of basic earnings per share	750,000,000	750,000,000	750,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the Track Record Period has been retrospectively adjusted for the issue of shares as described more fully in Note 2 to Section C below.

No diluted earnings (loss) per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant and machinery HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST						
At 1 January 2007	69,030	17,085	1,548	2,377	6,107	96,147
Exchange realignment	4,323	1,562	134	179	1,444	7,642
Additions	–	5,237	490	146	24,414	30,287
Transfers	–	2,030	–	–	(2,030)	–
At 31 December 2007	73,353	25,914	2,172	2,702	29,935	134,076
Exchange realignment	4,000	1,636	168	163	2,071	8,038
Additions	–	6,692	2,775	–	15,526	24,993
Disposals	–	(5,465)	(287)	(494)	–	(6,246)
At 31 December 2008	77,353	28,777	4,828	2,371	47,532	160,861
Exchange realignment	60	40	3	2	(2)	103
Additions	–	1,787	478	101	8,361	10,727
Transfers	18,400	21,192	–	–	(39,592)	–
Disposals	–	(77)	(93)	–	–	(170)
At 31 December 2009	95,813	51,719	5,216	2,474	16,299	171,521
DEPRECIATION						
At 1 January 2007	8,400	4,913	595	1,517	–	15,425
Exchange realignment	672	466	55	122	–	1,315
Provided for the year	3,323	2,460	259	321	–	6,363
At 31 December 2007	12,395	7,839	909	1,960	–	23,103
Exchange realignment	729	493	63	123	–	1,408
Provided for the year	3,636	2,997	608	261	–	7,502
Disposals	–	(2,745)	(231)	(445)	–	(3,421)
At 31 December 2008	16,760	8,584	1,349	1,899	–	28,592
Exchange realignment	13	8	2	–	–	23
Provided for the year	3,675	2,926	934	107	–	7,642
Disposals	–	(11)	(9)	–	–	(20)
At 31 December 2009	20,448	11,507	2,276	2,006	–	36,237
CARRYING VALUE						
At 31 December 2007	60,958	18,075	1,263	742	29,935	110,973
At 31 December 2008	60,593	20,193	3,479	472	47,532	132,269
At 31 December 2009	75,365	40,212	2,940	468	16,299	135,284

Certain owner-occupied leasehold property interests of HK\$8,006,000, HK\$7,537,000 and HK\$7,069,000 at 31 December 2007, 2008 and 2009, respectively, are included in land and buildings, as in the opinion of the directors of the Company, allocations between the land and buildings elements could not be made reliably. The building is situated in Hong Kong and held under medium-term lease.

The property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account their residual value, as follows:

Land and buildings	20 years or the relevant lease term, whichever is shorter
Plant and machinery	9% – 18%
Office furniture and equipment	9% – 18%
Motor vehicles	9% – 18%

As at 31 December 2007, 2008 and 2009, certain buildings with carrying amount of HK\$2,637,000, HK\$48,329,000 and HK\$50,384,000, respectively, were pledged as security for bank borrowings granted to the Group.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold lands situated in the PRC held under medium term leases and are analysed for reporting purposes as:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Current asset	807	858	858
Non-current asset	35,440	36,798	35,962
	<u>36,247</u>	<u>37,656</u>	<u>36,820</u>

As at 31 December 2007, 2008 and 2009, prepaid lease payments with carrying amount of HK\$18,029,000, HK\$14,774,000 and HK\$36,820,000, respectively, were pledged as security for bank borrowings granted to the Group.

20. INVENTORIES

	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)	–
	<u>176,743</u>	<u>340,004</u>	<u>892,824</u>
Finished goods	147,349	386,227	274,613
Less: provision for inventories	–	(156,423)	–
	<u>147,349</u>	<u>229,804</u>	<u>274,613</u>
	<u>324,092</u>	<u>569,808</u>	<u>1,167,437</u>

All raw materials and finished goods as at 31 December 2008 were carried at net realisable value. The inventories as at 31 December 2007 and 2009 were stated at cost.

21. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period of 30 to 90 days. A longer credit period may be granted to trade customers with good credit quality upon the approval of management. An aged analysis of the Group's trade receivables at the end of each reporting period, net of allowance for doubtful debts and based on the invoice date, are as follows:

	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
	<u>19,541</u>	<u>23,856</u>	<u>65,882</u>
Other receivables:			
Deposits and prepayments	22,762	34,272	51,852
Deposits paid for purchase of raw materials (note)	209,739	3,690	51,774
Rental receivable	–	–	2,123
VAT recoverable	29,284	96,101	15,413
Others	2,401	2,238	1,782
	<u>264,186</u>	<u>136,301</u>	<u>122,944</u>
	<u>283,727</u>	<u>160,157</u>	<u>188,826</u>

note: Included in the balance at 31 December 2007 were purchase deposits of approximately HK\$48,718,000 paid to Delco Asia Company Limited ("Delco Asia"), which was a shareholder of Hefast up to 27 August 2008. Mr. van Ooijen, a director of the Company, was a director and a shareholder of Delco Asia during the Track Record Period.

Before accepting any new customer, the Group assesses 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 end of each reporting period are of good credit quality.

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

Ageing of trade receivables which are past due but not impaired

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
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
	<u>3,465</u>	<u>6,873</u>	<u>2,318</u>

The Group 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.

Movement in the allowance for doubtful debts

	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
	<u>—</u>	<u>7</u>	<u>1</u>
Balance at end of year	<u>—</u>	<u>553</u>	<u>554</u>

Trade and other receivables that were denominated in currency other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
USD	910	—	31,598
EUR	—	—	77
	<u>910</u>	<u>—</u>	<u>31,675</u>

22. BILLS RECEIVABLES

Aged analysis of the Group's bills receivables at the end of each reporting period, based on their invoice dates, are as follows:

	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	—
	<u>1,712</u>	<u>2,999</u>	<u>1,365</u>

23. AMOUNTS DUE FROM (TO) RELATED PARTIES

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
The Group			
Amount due from a related party			
Non-trade nature			
New Asset Holdings Limited ("New Asset") (note i)	–	313	371
Amounts due to related parties			
Trade nature			
Mr. Fang, his close members of the family and entities controlled by him (notes ii and iii)	(34,272)	–	–
Non-trade nature (note iv)			
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 ii)			
– 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)
Analysed as:			
Current liabilities	(145,606)	(411,093)	(93,205)
Non-current liabilities	–	–	(223,708)
	(145,606)	(411,093)	(316,913)

The amounts due to related parties that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
USD	141,163	312,789	138,455
EUR	–	15	–

notes:

- (i) New Asset has a beneficial interest in the Company. The balances at 31 December 2008 and 2009 were the maximum amount outstanding during the respective year in the Track Record Period. The balance represents expenses paid by the Company on behalf of New Asset. In the opinion of the directors, the balance will be settled prior to the Listing and there will be no similar advances to New Asset after the Listing.
- (ii) Mr. Fang is a director and a beneficial shareholder of the Company.
- (iii) The balances were trade in nature with credit period of 30 days. They were aged within one year and interest-free.
- (iv) 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 the Listing.

The Company

Included in the balance at 31 December 2008 and 2009 is an amount due to Mr. Fang of HK\$15 and HK\$15, which is unsecured, interest-free and with no fixed repayment term.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 HK\$'000	Current 2008 HK\$'000	2009 HK\$'000
Derivative financial asset			
Copper and aluminium future contracts (<i>note i</i>)	–	67	1,072
Derivative financial liabilities			
Copper future contracts (<i>note i</i>)	357	17,785	–
Foreign currency forward contracts (<i>note ii</i>)	–	–	1,603
	357	17,785	1,603

notes:

- (i) Copper and aluminium future contracts (net settlement)

During the Track Record Period, the Group entered into copper and aluminium future contracts in order to manage its inventory level and its exposure to the price risk of copper and aluminium. These contracts were actively traded in an active market and were measured at fair values based on unadjusted quoted price at the end of each reporting period, with gain or loss recognised directly in the consolidated statements of comprehensive income.

Major terms of the outstanding copper and aluminium future contracts at the end of each reporting period 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 ranging from RMB16,098 per tonne to RMB16,396 per tonne	1,500 tonne	From 15 January 2010 to 15 March 2010

(ii) Foreign currency forward contracts (gross settlement)

During the Track Record Period, the Group entered into foreign currency forward contracts in order to minimize its exposure to the foreign currency risk. These contracts were measured at fair value using quoted forward exchange rates at the end of reporting period, with gain or loss recognised directly in the consolidated statements of comprehensive income.

Major terms of the foreign currency forward contracts are as follows:

31 December 2009

Notional amount	Exchange rates	Maturity
13 contracts to buy USD20,537,000 in total	USD1: RMB6.7423 to 6.8505	From 12 April 2010 to 18 November 2010

25. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH**Pledged bank deposits**

At 31 December 2008 and 31 December 2009, the amounts represent deposits pledged to banks to secure general banking facilities of approximately HK\$15,252,000 and HK\$237,112,000 granted to the Group, respectively. The pledged bank deposits carry fixed interest rates as follows:

	2007	At 31 December 2008	2009
Interest rate per annum	N/A	4.14%	1.98% to 2.25%

Restricted bank deposits

These represent deposits placed with the financial institutions to secure the margin accounts of the Group for trading copper and aluminium futures in the relevant financial institutions. The restricted bank deposits are interest-free.

Bank balances and cash

These represent cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates as follows:

	2007	At 31 December 2008	2009
Interest rate per annum	0.72% to 1.15%	0.36% to 1.15%	0.36% to 1.15%

Pledged bank deposits, restricted bank deposits and bank balances and cash held in the PRC at 31 December 2007, 2008 and 2009 with an aggregate amount of HK\$20,666,000, HK\$79,395,000 and HK\$316,402,000, respectively, were denominated in RMB and were subject to foreign exchange control.

Pledged bank deposits, restricted bank deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2007 HK\$'000	At 31 December 2008 HK\$'000	2009 HK\$'000
USD	524	1,824	36,696
EUR	—	5,753	358

26. TRADE AND OTHER PAYABLES

The average credit period for trade purchases is 30 to 60 days.

An aged analysis of the Group's trade payables at the end of each reporting period, presented based on the invoice date, are as follows:

	At 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 180 days	61	–	1,679
	<u>2,734</u>	<u>63,643</u>	<u>101,628</u>
Other payables:			
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
	<u>23,011</u>	<u>31,217</u>	<u>34,977</u>
	<u>25,745</u>	<u>94,860</u>	<u>136,605</u>

Trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	–	49,027	90,613
EUR	–	7,574	1,241
	<u>–</u>	<u>56,601</u>	<u>91,854</u>

27. BILLS PAYABLES

An ageing analysis of the Group's bills payables at the end of each reporting period is as follows:

	At 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	–	–	8,510
31 – 60 days	–	–	–
61 – 90 days	–	3,725	22,752
91 – 180 days	–	87,868	82,864
	<u>–</u>	<u>91,593</u>	<u>114,126</u>

Bills payables that are denominated in currency other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
USD	–	23,379	23,118

28. BANK BORROWINGS

	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 Group's variable-rate borrowings at the end of each reporting period are mainly subject to interest at London Interbank Offered Rate plus a spread, ranging from 0.6% to 3%, or 90% of The People's Bank of China Base Lending Rate.

The effective interest rates of the borrowings are as follows:

	At 31 December		
	2007	2008	2009
Effective interest rate:			
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%

The Group's borrowings that are denominated in currency other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
USD	385,466	112,678	693,371

29. DEFERRED TAX

The deferred tax (assets) liabilities recognised by the Group and movements thereon during the Track Record Period are as follows:

	Inventories provision HK\$'000	Change in fair value of derivative financial instruments HK\$'000	Undistributed profits of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2007, 31 December 2007 and 1 January 2008	–	–	–	–
Credit to profit or loss for the year	(76,545)	(5,000)	–	(81,545)
At 31 December 2008	(76,545)	(5,000)	–	(81,545)
Charge to profit or loss for the year	76,545	5,000	21,218	102,763
At 31 December 2009	–	–	21,218	21,218

Under the New EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards to non-resident shareholders of the companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied. Deferred tax has not been provided for in the Financial Information in respect of such withholding tax for the year ended 31 December 2008 due to the absence of undistributed profits in that year. For the year ended 31 December 2009, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have been recognised in the Financial Information was HK\$424,360,000.

30. SHARE CAPITAL

	Number of shares	Amounts HK\$
Authorised:		
Ordinary shares of HK\$0.01 each on date of incorporation, 31 December 2008 and 31 December 2009	5,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
– Issue of shares upon incorporation on 15 May 2008	2	–
– Issue of shares to acquire CT International on 27 August 2008	98	1
Balance at 31 December 2008 and 2009	100	1
		HK\$'000
Shown in the Financial Information at 31 December 2008 and 31 December 2009		–

For the purpose of the preparation of the consolidated statements of financial position, the balance of the share capital at 31 December 2007 represents the issued share capital of Hefast.

31. PLEDGE OF ASSETS

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

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Buildings (Note 18)	2,637	48,329	50,384
Prepaid lease payments (Note 19)	18,029	14,774	36,820
Bank deposits (Note 25)	—	16,292	241,440
	<u>20,666</u>	<u>79,395</u>	<u>328,644</u>

In addition, certain of the Group's general banking facilities are also secured by personal guarantees provided by related parties as set out in Note 34.

32. CAPITAL COMMITMENTS

	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

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

34. RELATED PARTY DISCLOSURES

(I) Transactions

During the Track Record Period, the Group had the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
Delco Asia	Purchases of raw materials	501,559	525,775	—
	Management service income	480	—	—
	Interest expense	—	1,591	2,797
Mr. Fang and/or his close members of the family and entities controlled by him	Purchases of raw materials	153,307	—	—
	Interest expense	561	307	2,004
	Acquisition of CT HK (note i)	—	—	—
Delco Europe B.V. (note ii)	Purchasing support service fee expense	—	1,719	5,467

notes:

- (i) On 11 March, 2008, the Group acquired the entire issued capital of CT HK from Mr. Fang for a consideration of HK\$1 which was equivalent to CT HK's net asset value at that date.
- (ii) Delco Europe became a subsidiary of the Company on 1 January 2010. Further details are set out in Note 1 to Section C.

In the opinion of the directors, all the above related party transactions will be discontinued after the Listing.

(II) Balances

Details of balances with related parties are set out in Notes 21 and 23.

(III) Compensation of key management personnel

The directors of the Company and the five highest paid employees are identified as key management members of the Group, details of their compensation during the Track Record Period are set out in Note 14.

(IV) Other disclosure

	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 the Group regarding banking facilities	330,864	875,220	449,921
Amount of the above facilities utilised by the Group	286,138	247,541	259,285

In the opinion of the directors, the personal guarantees provided by Mr. Fang and his close members of the family to the Group will be fully released prior to or upon the Listing.

35. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE TO A SUBSIDIARY

	At 31 December		
	2007	2008	2009
	HK\$	HK\$	HK\$
Unlisted investment, at cost	—	16	16

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Shown in the Financial Information	—	—	—

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

36. OPERATING LEASES

The Group as lessee

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases during the period:			
Plant and machinery	—	—	45

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Within one year	–	–	227
In the second to fifth years inclusive	–	–	1,364
	<u>–</u>	<u>–</u>	<u>1,591</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5 years with fixed rentals.

The Group as lessor

Rental income of subleasing a leasehold land in the PRC on a temporary basis during year ended 31 December 2009 was HK\$2,121,000. The sublease was negotiated for one year.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Within one year	–	–	1,062

37. STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000
Issue of share capital	–	–	–
Loss and total comprehensive expense for the year	–	(10,642)	(10,642)
At 31 December 2008	–	(10,642)	(10,642)
Loss and total comprehensive expense for the year	–	(6,467)	(6,467)
At 31 December 2009	–	(17,109)	(17,109)

B. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration has been provided or is payable by the Group to the directors of the Company in respect of the Track Record Period.

C. EVENTS AFTER THE REPORTING PERIOD

- On 1 January 2010, the Group acquired 100% equity interest in Delco Europe from HPL and SVO for a consideration of EUR100 in cash which was equivalent to Delco Europe's net asset value as at that date. HPL and SVO are ultimately wholly owned by Mr. de Leeuw and Mr. van Ooijen, respectively, while HPL and SVO are the holding companies of certain shareholders of the Company. Accordingly, Delco Europe became a wholly owned subsidiary of the Company on 1 January 2010.

Delco Europe was established in The Netherlands on 15 January 1985 as a limited liability company and it is principally engaged as a purchasing agent.

The underlying accounts and records of Delco Europe are maintained in accordance with the relevant accounting principles and financial regulations applicable in The Netherlands. For the purpose of this report, the directors of the Company have prepared financial information of Delco Europe for the Track Record Period in accordance with the accounting policies as set out in Note 4 to Section A above which conform with HKFRSs issued by the HKICPA, as follows:

(i) **Statements of Comprehensive Income**

		Year ended 31 December		
		2007	2008	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	(a)	5,185	5,279	5,467
Operating costs		<u>(4,173)</u>	<u>(5,216)</u>	<u>(4,685)</u>
Gross profit		1,012	63	782
Other income	(b)	2,425	423	2,434
Other (losses) and gains		(7,291)	3,285	1,428
General and administrative expenses		(955)	(660)	(445)
Finance costs		(3,536)	(6,542)	(264)
Other expenses		<u>(3,333)</u>	<u>(3,577)</u>	<u>(737)</u>
(Loss) profit before tax	(c)	(11,678)	(7,008)	3,198
Income tax expense	(d)	<u>(2,132)</u>	<u>(436)</u>	<u>(886)</u>
(Loss) profit for the year		<u>(13,810)</u>	<u>(7,444)</u>	<u>2,312</u>
Other comprehensive income (expense)				
Exchange difference arising on translation to presentation currency		<u>669</u>	<u>121</u>	<u>(157)</u>
Total comprehensive (expense) income for the year		<u>(13,141)</u>	<u>(7,323)</u>	<u>2,155</u>

(ii) Statements of Financial Position

		As at 31 December		
		2007	2008	2009
	Notes	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSET				
Property, plant and equipment	(e)	565	564	853
CURRENT ASSETS				
Other receivables		320	62	1,177
Tax recoverable		–	2,254	–
Amounts due from related parties	(f)	55,330	61,549	–
Bank balances and cash		52,956	189	3,982
		108,606	64,054	5,159
CURRENT LIABILITIES				
Other payables	(g)	5,718	7,850	1,006
Amounts due to related parties	(f)	17,158	17,547	707
Unsecured short term bank borrowings	(h)	81,478	45,850	3,416
Tax payable		4,123	–	882
		108,477	71,247	6,011
NET CURRENT ASSETS (LIABILITIES)				
		129	(7,193)	(852)
TOTAL ASSETS LESS CURRENT LIABILITIES				
		694	(6,629)	1
CAPITAL AND RESERVES				
Share capital	(i)	126	126	126
Reserves		568	(6,755)	(125)
Total Equity		694	(6,629)	1

(iii) Statements of Changes in Equity

	Share capital HK\$'000	Accumulated profits (losses) HK\$'000	Foreign currency translation reserve HK\$'000	Capital reserve HK\$'000	Total HK\$'000
At 1 January 2007	126	13,032	677	–	13,835
Loss for the year	–	(13,810)	–	–	(13,810)
Exchange difference arising on translation to presentation currency	–	–	669	–	669
At 31 December 2007	126	(778)	1,346	–	694
Loss for the year	–	(7,444)	–	–	(7,444)
Exchange difference arising on translation to presentation currency	–	–	121	–	121
At 31 December 2008	126	(8,222)	1,467	–	(6,629)
Profit for the year	–	2,312	–	–	2,312
Exchange difference arising on Translation to presentation currency	–	–	(157)	–	(157)
Capital contribution	–	–	–	4,475	4,475
At 31 December 2009	126	(5,910)	1,310	4,475	1

The capital contribution represents the waiver of loans by the two shareholders of Delco Europe on 31 December 2009.

(iv) Statements of Cash Flows

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
(Loss) profit before tax	(11,678)	(7,008)	3,198
Adjustments for:			
Interest income	(296)	(423)	(2,434)
Gain on disposal of property, plant and equipment	–	(343)	(52)
Write-off of receivables	–	169	–
Finance costs	3,536	6,542	264
Depreciation of property, plant and equipment	126	160	198
Operating cash flows before movements in working capital	(8,312)	(903)	1,174
Decrease (increase) in other receivables	8,661	89	(1,115)
(Increase) decrease in amounts due from related parties	(3,907)	5,995	41,278
(Decrease) increase in other payables	(577)	2,132	(6,844)
Cash (used in) from operations	(4,135)	7,313	34,493
Interest paid	(3,536)	(6,542)	(264)
Tax refunded	–	–	2,415
Tax paid	(14,728)	(6,813)	(161)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(22,399)	(6,042)	36,483
INVESTING ACTIVITIES			
Interest received	296	423	2,434
Purchase of property, plant and equipment	(80)	(419)	(761)
Proceeds from sales of property, plant and equipment	–	572	356
(Advance to) repayment from related parties	(3,186)	(12,214)	20,271
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,970)	(11,638)	22,300
FINANCING ACTIVITIES			
New bank borrowings raised (repayment of bank borrowings)	76,562	(35,628)	(42,434)
Advanced from (repayment to) related parties	1,695	389	(12,365)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	78,257	(35,239)	(54,799)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,888	(52,919)	3,984
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5)	152	(191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	73	52,956	189
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	52,956	189	3,982

(v) Explanatory notes:

(a) Revenue

Revenue represents the amount received and receivable for services rendered by Delco Europe, net of sales related tax, during the Track Record Period.

All of Delco Europe's revenue was derived from providing logistic services in The Netherlands to related companies and all of its non-current assets are located in The Netherlands.

(b) Other income

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Write off of other payables	2,129	—	—
Interest income	296	423	2,434
	<u>2,425</u>	<u>423</u>	<u>2,434</u>

(c) (Loss) profit before tax

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
(Loss) profit before tax has been arrived at after charging:			
Staff costs, including directors' emoluments			
Salaries and other benefit costs	1,590	1,543	1,517
Retirement benefit scheme contributions	186	181	169
Depreciation of property, plant and equipment	126	160	198
and crediting:			
Gain on disposal of property, plant and equipment	<u>—</u>	<u>343</u>	<u>52</u>

(d) *Income tax expense*

Delco Europe was subject to The Netherlands Corporate Income Tax calculated at 20% of taxable income determined in accordance with the relevant laws and regulations in The Netherlands.

The tax expense for the Track Record Period can be reconciled to the (loss) profit before tax per the statements of comprehensive income as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
(Loss) profit before tax	(11,678)	(7,008)	3,198
Tax at The Netherlands Corporate Income Tax rate of 20%	(2,336)	(1,402)	640
Tax effect of expenses not deductible for tax purposes	582	1,838	246
Under provision in prior year	2,132	—	—
Tax effect of tax losses not recognised	1,754	—	—
Tax expense for the year	2,132	436	886

(e) *Property, plant and equipment*

	Furniture and equipments <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 January 2007	1,488	587	2,075
Additions	80	–	80
Exchange realignment	167	64	231
At 31 December 2007	1,735	651	2,386
Additions	94	325	419
Disposal	(17)	(280)	(297)
Exchange realignment	(95)	(37)	(132)
At 31 December 2008	1,717	659	2,376
Additions	38	723	761
Disposal	–	(658)	(658)
Exchange realignment	62	26	88
At 31 December 2009	1,817	750	2,567
DEPRECIATION			
At 1 January 2007	1,304	216	1,520
Provided for the year	65	61	126
Exchange realignment	148	27	175
At 31 December 2007	1,517	304	1,821
Provided for the year	88	72	160
Disposal	(16)	(52)	(68)
Exchange realignment	(84)	(17)	(101)
At 31 December 2008	1,505	307	1,812
Provided for the year	89	109	198
Disposal	–	(354)	(354)
Exchange realignment	56	2	58
At 31 December 2009	1,650	64	1,714
CARRYING VALUE			
At 31 December 2007	218	347	565
At 31 December 2008	212	352	564
At 31 December 2009	167	686	853

The property, plant and equipment are depreciated on a straight-line basis, based on their estimated useful lives of 5 years.

(f) Amounts due from (to) related companies

	At 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Amounts due from related parties			
Trade nature			
Delco Asia (notes i)	47,273	41,278	—
Non-trade nature			
Delco Recycling B.V. (note i)	5,655	7,130	—
SVO (note ii)	2,402	12,035	—
HPL (note ii)	—	1,106	—
	<u>55,330</u>	<u>61,549</u>	<u>—</u>
Amounts due to related parties			
Non-trade nature			
Delco Asia	17,158	16,253	—
SVO	—	647	681
HPL	—	647	26
	<u>17,158</u>	<u>17,547</u>	<u>707</u>
Analysed as:			
Current assets	<u>55,330</u>	<u>61,549</u>	<u>—</u>
Current liabilities	<u>17,158</u>	<u>17,547</u>	<u>707</u>

notes:

- (i) Both these companies and Delco Europe were held jointly by SVO and HPL as to 50% each. The outstanding balances aged within one year.
- (ii) Each of them held 50% beneficial interest in Delco Europe up to 31 December 2009.
- (iii) All the above balances were denominated in US\$, carry interest at prevailing market rates, unsecured and repayable on demand. In the opinion of the directors, the balances will be fully settled prior to the Listing.

(g) *Other payables*

	As at 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Accrued advisory costs	569	546	559
Accrued interest expense	1,407	2,389	112
Accrued travelling expense	2,873	4,325	–
Others	869	590	335
	<u>5,718</u>	<u>7,850</u>	<u>1,006</u>

(h) *Unsecured short term bank borrowings*

The bank borrowings are variable-rate borrowings denominated in Euro which carry interest at a premium plus The Netherlands Interbank Offered Rate per annum. The bank borrowings are guaranteed by the shareholders and they are repayable on demand.

(i) *Share capital*

	Number of share	Amounts
Authorised and issued – share of EUR453.78 each	40	EUR18,151
		HK\$'000
Shown as		126

(j) *Related party transactions*

During the Track Record Period, Delco Europe had the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Delco Asia	Interest Income	270	322	2,295
	Interest expense	1,281	684	–
	Purchase support service fee income	5,185	3,560	–
SVO	Interest Income	26	58	57
	Management fee	641	683	647
HPL	Interest Income	–	28	82
	Management fee	641	683	647
The Group	Purchasing support service fee income	–	1,719	5,467

2. Pursuant to written resolutions of all shareholders of the Company passed on 23 June 2010 (i) the authorised share capital of the Company was increased from HK\$50,000 to HK\$50,000,000 by the creation of an additional new 4,995,000,000 shares, such new shares ranking pari passu in all respects with the existing shares; (ii) conditional upon all the conditions in the Hong Kong Undertaking Agreement and the International Underwriting Agreement being fulfilled or waived, 344,999,954, 344,999,954 and 59,999,992 shares are to be issued and allotted to HWH Holding Limited, Delco Participation B.V. and Green Elite Limited, respectively (being a total of 749,999,900 shares), credited as fully paid up at par out of the reserve created pursuant to the capitalisation of a sum of HK\$111,854,000 due to each of Mr. Fang and Delco Asia, such shares ranking pari passu in all respects with the then existing shares.
3. Subsequent to 31 December 2009, the Company adopted the Pre-IPO Share Option Scheme, pursuant to which the Company has offered share options to certain employees, executives, officers and directors of the Group. For further details of this Pre-IPO Share Option Scheme, please refer to the paragraph headed "Pre-IPO Share Option Scheme" in the section headed "Statutory and General Information" on pages VI-36 to VI-50 of this prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Morison Heng
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by Deloitte Touche Tohmatsu and Morison Heng, both Certified Public Accountants in Hong Kong, the joint reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The Unaudited Pro Forma Financial Information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) 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 HK\$'000 (note 1)	Estimated net proceeds from the Global Offering HK\$'000 (note 2)	Unaudited pro forma adjusted consolidated net tangible assets HK\$'000 (note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the six months ending 30 June 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. This unaudited pro forma forecast earnings per share has been prepared for illustration purpose only and because of its nature, it may not give a true picture of the earnings per share of the Group for the six months ending 30 June 2010 or any future period following the Global Offering.

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 Scheme.

(C) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND PRO FORMA FORECAST EARNINGS PER SHARE

The following is the text of a report received from our Joint reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, and Morison Heng, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of our Group.



MORISON HENG
Certified Public Accountants

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHIHO-TIANDE GROUP LIMITED

We report on the unaudited pro forma financial information of Chiho-Tiande Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustration purposes only, to provide information about how the global offering might have affected the financial information presented, for inclusion in part (A) and part (B) of the Appendix II to the prospectus dated 28 June 2010 issued by the Company (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 and II-2 of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustration purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31 December 2009 or at any future date; or
- the earnings per share of the Group for the six months ending 30 June 2010 or for any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 June 2010

Morison Heng
Certified Public Accountants
Hong Kong

28 June 2010

The forecast of our consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2010 is set forth in the section headed “Financial information” in this prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of our consolidated profit for the six months ending 30 June 2010 attributable to equity holders of the Company based on the unaudited consolidated results on management accounts of the Group for the four months ended 30 April 2010 and a forecast of the consolidated results of the Group for the remaining two months ending 30 June 2010.

The profit forecast has been prepared on the basis of 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.

Our Directors have made the following principal assumptions in the preparation of the profit forecast:

- (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.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

Set out below is the text of a letter from the Joint reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong and Morison Heng, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus in connection with the profit forecast for the six months ending 30 June 2010.

Deloitte.
德勤



MORISON HENG
Certified Public Accountants

28 June 2010

The Directors
Chiho-Tiande Group Limited
CCB International Capital Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Chiho-Tiande Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ending 30 June 2010 attributable to equity holders of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 28 June 2010 issued by the Company (the "Prospectus"). The Forecast is prepared based on the results shown in the unaudited management accounts of the Group for the four months ended 30 April 2010 and a forecast of the results of the Group for the remaining two months of the period ending 30 June 2010.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in part A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report of the financial information of the Group for the three years ended 31 December 2009 as set out in Appendix I to this Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Morison Heng
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SOLE SPONSOR



28 June 2010

The Directors
Chiho-Tiande Group Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of Chiho-Tiande Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ending 30 June 2010 (the "Forecast"), as set out in the prospectus of the Company dated 28 June 2010 (the "Prospectus").

The Forecast, for which the Directors are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Group for the financial year ended 31 December 2009, the unaudited management accounts of the Group for the four months ended 30 April 2010, and a forecast of the consolidated results of the Group for the remaining two months ending 30 June 2010.

We have discussed with you the bases and assumptions upon which the Forecast has been made. We have also considered the letter dated 28 June 2010 addressed to you and us from Deloitte Touche Tohmatsu and Morison Heng regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu and Morison Heng, we have formed the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
CCB International Capital Limited
Lai Voon Wai
Managing Director
Corporate Finance

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the property interests in Hong Kong and the PRC as at 31 March 2010.



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28 June 2010

The Directors
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Nos. 168-200 Connaught Road Central,
Sheung Wan,
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the properties in which Chiho-Tiande Group Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 31 March 2010.

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS AND ASSUMPTION

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In the course of our valuation of the properties in the PRC, we have assumed that the transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by Zhong Lun Law Firm, are set out in the notes in the respective valuation certificate.

In valuing the property situated in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance such leases have been extended without premium until 30 June 2047 and that rents of three percent of the rateable value are charged per annum from the date of extension.

METHOD OF VALUATION

In valuing Property Nos. 1-3 of Group I, which are currently held by the Group for owner occupation in the PRC, we have adopted the Depreciated Replacement Cost ("DRC") Approach in valuing the property interests. The DRC Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. For the land portion, we have made reference to comparable sales evidence as available in the market. The DRC is subject to adequate potential profitability of the business.

In valuing Property No. 4 of Group II, which is held by the Group for owner occupation in Hong Kong, we have valued the property interests by direct comparison method by making reference to comparable sales evidence as available in the relevant market.

The property in Group III which is leased to the Group in the PRC has no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to the lack of substantial profit rents.

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group in respect of the properties in the PRC and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, development schemes, construction costs, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of each of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all money amounts indicated herein are in Hong Kong dollars. The exchange rate adopted in our valuations is RMB1=HK\$1.14 which was the approximate rate prevailing as at the date of valuation.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. K. B. Wong is a Registered Professional Surveyor who has over 25 years' experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I – Properties held by the Group in the PRC

	Property interest	Capital value in existing state as at 31 March 2010	Attributable interest to the Group	Capital value in existing state as at 31 March 2010 attributable to the Group
1.	An industrial complex situated at Taizhou Industrial Zone of Metal Recycling, Fengjiang Town, Luqiao District, Taizhou City, Zhejiang Province, the PRC	RMB83,000,000 (equivalent to approximately HK\$94,620,000)	100%	RMB83,000,000 (equivalent to approximately HK\$94,620,000)
2.	An industrial complex situated at No.1 North Yuanqu Road, Taizhou Industrial Zone of Metal Recycling, Fengjiang Town, Luqiao District, Taizhou City, Zhejiang Province, the PRC	RMB292,000,000 (equivalent to approximately HK\$332,880,000)	100%	RMB292,000,000 (equivalent to approximately HK\$332,880,000)
3.	An industrial complex situated at Shifen Industrial Park, Fengjiang Town, Luqiao District, Taizhou City, Zhejiang Province, the PRC	RMB55,000,000 (equivalent to approximately HK\$62,700,000)	100%	RMB55,000,000 (equivalent to approximately HK\$62,700,000)
Sub-total:		RMB430,000,000 (equivalent to approximately HK\$490,200,000)		RMB430,000,000 (equivalent to approximately HK\$490,200,000)

Group II – Property held by the Group in Hong Kong

	Property interest	Capital value in existing state as at 31 March 2010	Attributable interest to the Group	Capital value in existing state as at 31 March 2010 attributable to the Group
4.	Unit No. 1410 on 14th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong	HK\$18,000,000	100%	HK\$18,000,000
	Sub-total:	HK\$18,000,000		HK\$18,000,000

Group III – Property leased to the Group in the PRC

5.	An industrial complex situated at Zones 18 and 20, Phase 3, Ningbo Recycling Resources Processing Park, Ningbo City, Zhejiang Province, the PRC	No commercial value	–	No commercial value
	Sub-total:	No commercial value		No commercial value
	Grand-total:	HK\$508,200,000		HK\$508,200,000

VALUATION CERTIFICATE

Group I – Properties held by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
1.	An industrial complex situated at Taizhou Industrial Zone of Metal Recycling, Fengjiang Town, Luqiao District, Taizhou City, Zhejiang Province, the PRC	The property comprises an industrial complex erected upon a parcel of land with a site area of approximately 30,384.08 sq m. The industrial complex includes 7 buildings with a total gross floor area of approximately 23,975.03 sq m which were completed in between 2006 and 2009. The land use rights of the property have been granted to the Group for a term due to expire on 7 December 2053 for industrial and storage use.	The property is currently occupied by the Group for industrial use.	RMB83,000,000 (equivalent to approximately HK\$94,620,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land Luo Guo Yong (2008) Di No.00040 issued by People's Government of Taizhou Municipal Luqiao District dated 4 March 2008, the land use rights of the property, comprising a total site area of approximately 30,384.08 sq m have been vested in Taizhou Chiho-Tiande Foundry Co., Ltd. (台州齊合天地鑄造有限公司) for a term due to expire on 7 December 2053 for industrial and storage use.
- (2) According to Grant Contract for State-owned Land Use Rights No. 2006-25 entered into between Zhejiang Province Taizhou Municipal State-owned Land Resources Bureau Luqiao Branch (the Grantor) and Taizhou Chiho-Tiande Foundry Co., Ltd. (the Grantee) on 8 August 2006, the Grantor has agreed to grant the land use rights of the property to the Grantee for the consideration of RMB8,354,303.
- (3) According to 7 Building Ownership Certificates Nos. 347349 to 347354 and S0017279 issued by Taizhou Municipal Construction and Planning Bureau dated 12 August 2008 and 17 August 2009 respectively, the building ownerships of the property, comprising a total gross floor area of approximately 23,975.03 sq m, have been vested in Taizhou Chiho-Tiande Foundry Co., Ltd. for non-residential use.
- (4) According to the remark in Building Ownership Certificate No. 347354, the actual gross floor area of the building is 1,728.39 sq m and it exceeds the permitted gross floor area by 32.31 sq m. In the course of our valuation, no commercial value has been assigned to this portion with gross floor area of 32.31 sq m.
- (5) According to Business License No. 001418 dated 23 June 2006, Taizhou Chiho-Tiande Foundry Co., Ltd. was established with a registered capital of USD7,500,000 (with a paid-up capital of USD7,500,000) for a valid operation period from 8 December 2003 to 7 December 2053.
- (6) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:
 - (i) The signing and implementation of the Grant Contract for State-owned Land are legal, valid, binding on both parties and enforceable in accordance with applicable PRC laws and regulations;
 - (ii) Taizhou Chiho-Tiande Foundry Co., Ltd. has paid all the land premium, social security funds and building and crop compensation fees;
 - (iii) The development of the land has not violated the rules set on the relevant Land Grant Contract, and Taizhou Chiho-Tiande Foundry Co., Ltd. has obtained all the approvals or permits for the construction of the buildings erected on the land;
 - (iv) Taizhou Chiho-Tiande Foundry Co., Ltd. has obtained the land use rights and building ownership of the property comprising a site area of 30,384.08 sq m and a gross floor area of 23,975.03 sq m;

- (v) The property (except the composite building with building ownership certificate no. S0017279) is subject to a mortgage in favor of Luqiao Sub-branch of Bank of China to the extent of RMB30,500,000. The register of the mortgage is legal and valid. Taizhou Chiho-Tiande Foundry Co., Ltd. is entitled to lease, transfer, occupy and dispose of the property subject to the consent of the mortgagee; and
- (vi) A workshop has exceeded the permitted gross floor area by 32.31 sq m. However, according to the certificate issued by Taizhou Municipal Construction and Planning Bureau, the company is exempted from penalty caused by the exceeded area.
- (7) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
- | | |
|--|-----|
| Certificate for the Use of State-owned Land | Yes |
| Grant Contract for State-owned Land Use Rights | Yes |
| Building Ownership Certificate | Yes |
| Business License | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
2. An industrial complex situated at No.1 North Yuanqu Road, Taizhou Industrial Zone of Metal Recycling, Fengjiang Town, Luqiao District, Taizhou City, Zhejiang Province, the PRC	The property comprises an industrial complex erected upon three parcels of land with a total site area of approximately 136,631 sq m. The industrial complex comprises 19 buildings with a total gross floor area of approximately 74,786.62 sq m which were completed in the period between 2003 and 2008. The land use rights of the property with a site area of 98,416 sq m have been granted to the Group for a term due to expire on 1 November 2052 for industrial and storage use. The land use rights of the property with a site area of 38,215 sq m have been granted to the Group for a term due to expire on 15 October 2048 for industrial and storage use.	The property is currently occupied by the Group for industrial use.	RMB292,000,000 (equivalent to approximately HK\$332,880,000)

Notes:

- (1) According to 2 Certificates for the Use of State-owned Land Lu Guo Yong (2005) Di Nos. 000033 and 000035 issued by People's Government of Taizhou Municipal Luqiao District dated 5 February 2005, the land use rights of the property, comprising a total site area of approximately 98,416 sq m have been vested in Taizhou Chiho-Tiande Metals Co., Ltd. (台州齊合天地金屬有限公司) for a term due to expire on 1 November 2052 for industrial and storage uses.
- (2) According to Certificate for the Use of State-owned Land Lu Guo Yong (2005) Di No. 000034 issued by People's Government of Taizhou Municipal Luqiao District dated 5 February 2005, the land use rights of the property, comprising a total site area of approximately 38,215 sq m have been vested in Taizhou Chiho-Tiande Metals Co., Ltd. (台州齊合天地金屬有限公司) for a term due to expire on 15 October 2048 for industrial and storage uses.
- (3) According to 16 Building Ownership Certificates Nos. 347318 to 347333 issued by Taizhou Municipal Construction and Planning Bureau dated 12 August 2008, the building ownerships of the property, comprising a total gross floor area of approximately 74,786.62 sq m, have been vested in Taizhou Chiho-Tiande Metals Co., Ltd. for non-residential use.
- (4) Taizhou Chiho-Tiande Metals Co., Ltd. is required to pay for a land premium of RMB11,238,511 in the first transaction of the property. We have taken into account such land premium in our valuation.
- (5) According to Business License No. 331000400000741 dated 23 April 2008, Taizhou Chiho-Tiande Metals Co., Ltd. was established with a registered capital of USD12,680,000 (with a paid-up capital of USD12,680,000) for a valid operation period from 24 December 1999 to 23 December 2048.
- (6) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:
 - (i) The signing and implementation of the Grant Contracts for State-owned Land are legal, valid, binding on both parties and enforceable in accordance with applicable PRC laws and regulations;
 - (ii) Taizhou Chiho-Tiande Metals Co., Ltd. has paid all the land premium. The company has also paid Land Use Tax in accordance with applicable PRC laws and regulations;
 - (iii) Taizhou Chiho-Tiande Metals Co., Ltd. has obtained the land use rights and building ownership of the property comprising a site area of 136,631 sq m and a gross floor area of 74,786.62 sq m;

- (iv) Taizhou Chiho-Tiande Metals Co., Ltd. is entitled to transfer, lease and mortgage the land use rights of the property with the residual land use term. However, the company must pay the land premium of RMB11,238,511 and get the approvals from Taizhou Municipal Land Resources Bureau Luqiao Branch upon the first land transfer; and
- (v) The property is subject to a mortgage in favor of Luqiao Sub-branch of Agriculture Bank of China to the extent of RMB186,940,000. The register of the mortgage is legal and valid. Taizhou Chiho-Tiande Metals Co., Ltd. is entitled to lease, transfer, occupy and dispose of the property subject to the consent of the mortgagee.
- (7) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
- | | |
|---|-----|
| Certificate for the Use of State-owned Land | Yes |
| Building Ownership Certificate | Yes |
| Business License | Yes |

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
3. An industrial complex situated at Shifen Industrial Park, Fengjiang Town, Luqiao District, Taizhou City, Zhejiang Province, the PRC	The property comprises an industrial complex erected upon four parcels of land with a total site area of approximately 29,073.54 sq m. The industrial complex comprises 4 buildings with a total gross floor area of approximately 4,947.88 sq m which were completed in the period between 1995 and 1997. The industrial complex also includes some temporary structures with a total gross floor area of 12,285.89 sq m for shelter use. The land use rights of the property have been granted to the Group for various terms due to expire on 29 July 2050, 15 October 2048, 31 August 2050 and 30 May 2051 respectively for industrial use.	The property is currently occupied by the Group for industrial use.	RMB55,000,000 (equivalent to approximately HK\$62,700,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land Luo Guo Yong (2002) Zi Di Nos. 10-135 and 10-2877 issued by Taizhou Municipal Land Resources Bureau Luqiao Branch dated 15 March 2002 1 August 2001 respectively, the land use rights of the property comprising a total site area of approximately 29,073.54 sq m have been vested in Taizhou Chiho-Tiande Metals Co., Ltd. (台州齊合天地金屬有限公司) for various terms due to expire on 29 July 2050, 15 October 2048, 31 August 2050 and 30 May 2051 respectively for industrial use.
- (2) According to Grant Contract for State-owned Land Use Rights No. 106 entered into between Zhejiang Province Taizhou Municipal State-owned Land Resources Bureau Luqiao Branch (the Grantor) and Taizhou Chiho-Tiande Metals Co., Ltd. (the Grantee), the Grantor has agreed to grant the land use rights of the property with a site area of approximately 12,121 sq m to the Grantee at a consideration of RMB1,334,037.
- (3) According to 3 Building Ownership Certificates Nos. 315926, 319913 and 347317 issued by Taizhou Municipal Construction and Planning Bureau dated 10 August, 2001, 22 November 2001 and 12 August 2008 respectively, the building ownerships of the property, comprising a total gross floor area of approximately 4,947.88 sq m, have been vested in Taizhou Chiho-Tiande Metals Co., Ltd. for non-residential use.
- (4) According to the Approval issued by Taizhou Municipal Construction and Planning Bureau Luqiao Branch on 26 June 2008, Taizhou Chiho-Tiande Metals Co., Ltd. has some temporary structures with a gross floor of 12,285.89 sq m for shelter use.
- (5) According to Business License No. 331000400000741 dated 23 April 2008, Taizhou Chiho-Tiande Metals Co., Ltd. was established with a registered capital of USD12,680,000 (with a paid-up capital of USD12,680,000) for a valid operation period from 24 December 1999 to 23 December 2048.
- (6) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alias, the following information:
 - (i) The signing and implementation of the Grants Contract for State-owned Land and Real Estate Sale and Purchase Contract are legal, valid, binding on both parties and enforceable in accordance with applicable PRC laws and regulations;
 - (ii) Taizhou Chiho-Tiande Metals Co., Ltd. has paid all the land premium;

- (iii) Taizhou Chiho-Tiande Metals Co., Ltd. has obtained the land use rights and building ownership of the property comprising a site area of 29,073.54 sq m and a gross floor area of 4,947.88 sq m; and
- (iv) The property is subject to a mortgage in favor of Luqiao Sub-branch of Bank of China to the extent of RMB28,370,000. The register of the mortgage is legal and valid. Taizhou Chiho-Tiande Metals Co., Ltd. is entitled to lease, transfer, occupy and dispose of the property subject to the consent of the mortgagee.
- (7) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
- | | |
|--|-----|
| Certificates for the Use of State-owned Land | Yes |
| Grant Contract for State-owned Land Use Rights | Yes |
| Building Ownership Certificates | Yes |
| Business License | Yes |

VALUATION CERTIFICATE

Group II – Property held by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
4.	Unit No. 1410 on 14th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong 24/33888th shares of and in Inland Lot No. 8517	The property comprises an office unit on the 14th floor of a 33-storey office building upon a 7-storey commercial podium completed in 1986. The property has a gross floor area of approximately 1,440 sq ft (133.78 sq m). The property is held by Government under Conditions of Grant No. UB11612 for a lease term of 75 years renewable for 75 years from 31 December 1980. The current Government rent payable for the property is HK\$1,000 per annum.	The property is currently occupied by the Group for office use.	HK\$18,000,000

Notes:

- (1) The registered owner of the property is Hefast Holding Corporation Limited.
- (2) The property is subject to a Mortgage to secure general banking facilities in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 09091401100113 dated 25 August 2009 for all money.

VALUATION CERTIFICATE

Group III – Property leased to the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
5.	An industrial complex situated at Zones 18 and 20, Phase 3, Zhenhai Recycling Resources Processing Park, Ningbo City, Zhejiang Province, the PRC	The property comprises an industrial complex erected upon a parcel of land with a total site area of approximately 36,112 sq m. The industrial complex comprises 3 buildings with a total gross floor area of approximately 10,218 sq m. The property is currently leased from an independent third party to Chiho-Tiande (Ningbo) Recycling Metals Co., Ltd. 齊合天地(寧波)再生金屬有限公司 for a term of 5 years commencing on 1 October 2009 at an annual service fee of not less than RMB2,233,210 and an annual rent of RMB319,680. According to the PRC legal opinion, the lease agreement has not been registered. As indicated in the undertaking issued by the lessor and the management committee of Ningbo Metals Recycling Park on 11 March 2010, the lessor of the property is in the process of applying for the building ownership certificates of the property. As at the date of valuation, the lessor has no right to lease out the property. As advised by the Company, the property is not subject to any mortgage. The existing use of the property complies with its prescribed use.	The property is currently occupied by the Group for industrial use.	No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 23 June 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries.

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any

such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last

re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by The Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days' and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of poll.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)).

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days' and not less than ten (10) clear business days. Any other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant Share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution

amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by our company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of our company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of our company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of our company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of our company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of our company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our company to challenge (a) an act which is ultra vires our company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our company in issue, appoint an inspector to examine into the affairs of our company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by our company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our company; and (iii) the assets and liabilities of our company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 3 June 2008.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2008 under the Cayman Islands Companies Law. Our Company has established a principal place of business in Hong Kong at Room 1410, 14/F., Shun Tak Centre, West Tower, 168-200 Connaught Road, Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 30 April 2010. Mr. Chow Wan Hoi Paul and Ms. Yu Miu Cheung, our authorised representatives for the purposes of Part XI of the Companies Ordinance, have been appointed as our agents for the acceptance of service of process and notices on our behalf in Hong Kong. Our address for service of process and notices in Hong Kong is Room 1410, 14/F., Shun Tak Centre, West Tower, 168-200 Connaught Road, Central, Hong Kong.

As our Company is incorporated in the Cayman Islands, its corporate structure and its Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant sections of its Articles of Association and relevant aspects of the Cayman Islands Companies Law are set out in Appendix V to this prospectus.

2. Changes in Share Capital of our Company

The following sets out the changes in the share capital of our Company since the date of our incorporation:

- (a) As of the date of our incorporation, our initial authorised share capital was HK\$50,000 divided into 5,000,000 Shares. On 15 May 2008, HWH acquired 1 nil-paid Share in our share capital from the subscriber, Codan Trust Company (Cayman) Limited and 1 nil-paid Share was allotted and issued to Delco Participation respectively. Such 2 nil-paid Shares were subsequently paid up pursuant to the Reorganisation.
- (b) On 27 August 2008, our Company acquired the entire issued share capital of CT International from HWH and Delco Participation, in consideration and exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 98 Shares, as to 49 Shares to each of HWH and Delco Participation; (ii) credited as fully paid the 2 nil-paid Shares allotted and issued as set out in paragraph (a) above.
- (c) Pursuant to written resolutions of all our Shareholders passed on 23 June 2010 (i) our authorised share capital was increased from HK\$50,000 to HK\$50,000,000 by the creation of an additional new 4,995,000,000 Shares, such new Shares ranking pari passu in all respects with the existing Shares; (ii) conditional upon all the conditions in the Hong Kong Undertaking Agreement and the International Underwriting Agreement being fulfilled or waived, the allotment and issue of 344,999,954, 344,999,954 and 59,999,992 Shares to HWH, Delco Participation and Green Elite, respectively (being a total of 749,999,900 Shares) credited as fully paid up at par by way of a capitalisation of an amount of HK\$223.7 million, such Shares ranking pari passu in all respects with the then existing Shares was approved.

Assuming that the Global Offering and the Capitalisation Issue become unconditional and the Offer Shares are issued but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the exercise of the options granted or to be granted under the Share Option Schemes, our authorised share capital will be HK\$50,000,000 divided into 5,000,000,000 Shares, of which 1,000,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 4,000,000,000 Shares will remain unissued.

A general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with the Shares or securities convertible into Shares and to make an offer or agreement or grant an option which would or might require such Shares to be allotted and issued subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time pursuant to the exercise of any options which may be granted or to be granted under the Share Option Schemes or an allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion on the Global Offering and the Capitalisation Issue (but excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option). Such mandate to issue Shares will remain in effect until (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which our Company's next annual general meeting is required to be held by Cayman Islands law or the Articles; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

Other than the issue of Shares pursuant to the Global Offering, the Capitalisation Issue, the exercise of the Over-allotment Option, the exercise of options granted or to be granted under the Share Option Schemes and the general mandate to issue Shares referred to in paragraph (c) of the section headed "3. Written Resolutions of the Shareholders" in this Appendix, there is no present intention to issue any part of our authorised but unissued share capital and, without the prior approval of the Shareholders in a general meeting, no issue of Shares will be made which would effectively alter the control of our Company within 12 months from the Listing Date.

Save as disclosed in this prospectus, there has been no alteration in our share capital since our incorporation.

3. Written Resolutions of the Shareholders

Pursuant to written resolutions of all our Shareholders passed on 23 June 2010:

- (a) our authorised share capital was increased from HK\$50,000 to HK\$50,000,000 by the creation of an additional new 4,995,000,000 Shares, such new Shares ranking pari passu in all respects with the existing Shares;
- (b) conditional upon all the conditions set out in the section headed "Underwriting" in this prospectus being fulfilled or waived:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be allotted and issued pursuant to the exercise of the Over-allotment Option;
 - (iii) our Directors were authorised to allot and issue an aggregate of 749,999,900 new Shares credited as fully paid at par pursuant to the Shareholders Loan Assignment and Capitalisation Agreement by way of the capitalisation of the Shareholders' loan of HK\$223.7 million (the "Capitalisation Issue"), such new Shares ranking pari passu in all respects with the existing Shares;

- (iv) the rules of the Pre-IPO Share Option Scheme were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and to take all such actions as they consider necessary and/or desirable to implement and give effect to the Pre-IPO Share Option Scheme;
 - (v) the rules of the Post-IPO Share Option Scheme were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted thereunder and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Post-IPO Share Option Scheme;
- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of, the Global Offering, the Capitalisation Issue, a rights issue, the exercise of any subscription rights granted or to be granted under the Share Option Schemes, any scrip dividend scheme or similar arrangement, any adjustment of rights to subscribe for Shares under options or warrants or a special authority granted by our Shareholders, with an aggregate nominal value of not more 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options granted or to be granted under the Share Option Schemes);
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase our own Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options granted or to be granted under the Share Option Schemes);
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options granted or to be granted under the Share Option Schemes); and

- (f) our new Articles of Association were approved and adopted upon the Listing.

Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting, (the "Relevant Period").

4. Corporate Reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of our Shares on the Stock Exchange. As a result, our Company became the holding company of our Group. A diagram showing our Group's structure after Reorganisation as of the date of this prospectus is set forth under the section headed "History and Development and Reorganisation" in this prospectus.

As part of the Reorganisation, the following events took place:

- (a) On 11 March 2008, Hefast acquired 1 share of HK\$1 in CT HK from BSV for a consideration of HK\$1.
- (b) On 2 April 2008, CT International was incorporated in the BVI with an initial authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and 1 share of US\$1 each was allotted and issued to each of HWH and Delco Participation respectively on 6 June 2008.
- (c) On 15 May 2008, our Company was incorporated in the Cayman Islands with an initial authorised share capital of HK\$50,000 divided into 5,000,000 Shares. HWH acquired 1 nil-paid Share in our share capital from the subscriber, Codan Trust Company (Cayman) Limited and 1 nil-paid Share was allotted and issued to Delco Participation upon incorporation.
- (d) On 16 July 2008, CT Investments was incorporated in Hong Kong with an initial authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, and 10,000 shares of HK\$1 each was allotted and issued to CT International on the same date.
- (e) On 27 August 2008, Hefast increased its share capital from HK\$10,000 to HK\$100,000 and CT International subscribed for 90,000 new shares of HK\$1 each in Hefast.
- (f) On 29 August 2008, CT International acquired an aggregate of 10,000 shares of HK\$1 each in Hefast from Mr. Fang and Delco Asia in consideration for cash consideration of HK\$1 paid by CT International to each of Mr. Fang and Delco Asia respectively. Upon the acquisition referred to in this paragraph, Hefast became a wholly-owned subsidiary of CT International.

- (g) On 29 August 2008, CT International acquired the entire issued share capital of CT HK from Hefast for cash consideration of HK\$1 paid by CT International to Hefast. Upon the acquisition referred to in this paragraph, CT HK became a wholly-owned subsidiary of CT International.
- (h) On 27 August 2008, our Company acquired the entire issued share capital of CT International from HWH and Delco Participation, in consideration and exchange for which our Company (i) allotted and issued, credited as fully paid an aggregate of 98 Shares, as to 49 Shares to each of HWH and Delco Participation; (ii) credited as fully paid the 2 nil-paid Shares held by them.
- (i) On 28 August 2008, each of HWH and Delco Participation transferred 4 Shares to New Asset for an aggregate consideration of US\$12,550,000, funded by a promissory note in the same amount issued by New Asset to HWH, 50% of which was to satisfy the half share of the consideration payable to HWH and the remaining 50% of which New Asset directed HWH to pay in cash to settle the half share of the consideration payable to Delco Participation.
- (j) On 12 October 2008 and pursuant to the directions of the beneficiaries of the FDG Trust dated 12 October 2008, New Asset transferred 8 Shares to each of HWH and Delco Participation in equal proportion in consideration of the cancellation of the promissory note of US\$12,550,000 issued by New Asset to HWH.
- (k) On 8 March 2010, each of HWH and Delco Participation transferred 4 Shares, being a total of 8 Shares, to Green Elite for a total consideration of HK\$0.08.
- (l) With effect from 1 January 2010, CT International acquired 40 shares in the issued share capital of Delco Europe from SVO and HPL, being the entire of Delco Europe's issued share capital, for a total consideration of EUR100.

5. Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) *CT International*

CT International was incorporated in the BVI on 2 April 2008 with an authorised share capital of US\$50,000, divided into 50,000 Shares of US\$1 each. A total of 2 shares were issued on 6 June 2008 as to 1 share of US\$1 each to HWH and Delco Participation for a cash consideration of US\$1 each.

On 27 August 2008, our Company acquired the entire issued share capital of CT International from HWH and Delco Participation, in consideration and exchange for which our Company (i) allotted and issued, credited as fully paid an aggregate of 98 Shares, as to 49 Shares to each of HWH and Delco Participation; (ii) credited as fully paid the 2 nil-paid Shares held by them.

(b) *CT Investments*

CT Investments was incorporated in Hong Kong on 16 July 2008 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, all the 10,000 shares of which were issued on 16 July 2008 to CT International for a cash consideration of HK\$10,000.

(c) *CT HK*

On 11 March 2008, Hefast acquired 1 share of HK\$1 each in CT HK (representing the entire issued share capital of CT HK) from BSV for a cash consideration of HK\$1.

On 29 August 2008, Hefast transferred the 1 share in CT HK to CT International for a cash consideration of HK\$1.

(d) *CT HK (Copper)*

CT HK (Copper) was incorporated in Hong Kong on 15 June 2009 with an authorised share capital of HK\$10,000, divided into 10,000 shares of HK\$1 each, 10,000 shares of which have been issued on 15 June 2009 to CT Investments (as to 5,100 shares), and on 16 June 2009 to RQD (Hong Kong) Investment Company Limited (as to 4,000 shares) and Kwongwik Investments Limited (as to 900 shares).

On 29 December 2009, RQD (Hong Kong) Investment Company Limited and Kwongwik Investments Limited transferred their shareholdings in CT HK (Copper) to CT Investments for a cash consideration of HK\$4,000 and HK\$900 respectively and CT HK (Copper) is currently a dormant company.

(e) *Hefast*

On 27 August 2008, the share capital of Hefast was increased from HK\$10,000 to HK\$100,000 and 90,000 new shares of HK\$1 each were allotted and issued to CT International for a cash consideration of HK\$90,000. On 29 August 2008, each of Delco Asia and Mr. Fang transferred 5,000 shares in Hefast respectively to CT International for a nominal consideration of HK\$1 each.

(f) *CT Metals*

On 23 October 2008, the registered capital of CT Metals was increased from US\$12,682,000 to US\$22,682,000. The total investment was increased from US\$15,600,000 to US\$25,600,000.

(g) *CT Metals (Ningbo)*

On 28 September 2008, CT Metals (Ningbo) was established as a wholly foreign-owned enterprise of CT Investments in Ningbo, China with a registered capital of US\$3,000,000 and total investment of US\$5,000,000. As at 26 June 2009, CT Investments has contributed US\$459,941.30, which is 15.33% of the registered capital for this company and is required to pay the balance of the registered capital within two years from 28 September 2008, being the date of issuance of its business licence.

(h) *CT Copper (Ningbo)*

On 5 August 2009, CT Copper (Ningbo) was established as a wholly foreign-owned enterprise of CT HK (Copper) in Ningbo, China with a registered capital of US\$ 2,000,000. CT Copper (Ningbo) was deregistered on 9 June 2010.

(i) *Delco Europe*

Delco Europe was incorporated in the Netherlands on 18 January 1985 and held in equal shares by SVO and HPL, respectively.

With effect from 1 January 2010, CT International acquired 40 shares in the issued share capital of Delco Europe from SVO and HPL, being the entire of Delco Europe's issued share capital, for a total consideration of EUR100.

Save as set out above and in the sections headed "History and Development and Reorganisation" and "4. Corporate Reorganisation" in this Appendix VI, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Own Securities

This section includes the information required by the Stock Exchange to be included in this prospectus concerning repurchases of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities that are listed on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' Approval*

The Listing Rules provide that all repurchases of securities (which must be fully paid-up in the case of shares) by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutional documents of company, the Listing Rules and any applicable laws. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as in effect from time to time. Subject to the foregoing, any repurchases may be made out of funds legally permitted to be used in this connection, including profits of a company or out of the proceeds of a new issue of shares made for that purpose or out of the company's share premium account or, if so authorised by its articles of association and subject to the provisions of any applicable laws, out of its share capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the company's share premium account.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors believe that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our working capital position and/or our gearing position as compared with our position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements and/or gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(iii) *Status of Repurchased Securities*

The listing of all repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly, although the authorised share capital of the company will not be reduced.

(iv) *Connected Persons*

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

(b) *Reasons for Repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net asset value per Share and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

The exercise in full of the current repurchase mandate, on the basis of 1,000,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue and assuming no exercise of the Over-allotment Option and any options granted or to be granted under the Share Option Schemes, would result in up to 100,000,000 Shares being repurchased by us during the Relevant Period.

(d) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) has any present intention to sell any Shares to us or any of our subsidiaries if the repurchase mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Our Directors do not at present intend to exercise their authority so as to trigger such mandatory offer. Save as aforesaid, the Directors are not aware of any consequences which may arise if the repurchase mandate is exercised.

No connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell, or has undertaken not to sell, his Shares to us if the repurchase mandate is exercised.

7. Qualifications, permits and licenses

The qualifications, permits and licenses we have obtained that are crucial to our business operation are set out below:

Qualifications/Certificates	Company Names	Date of Issue	Expiry Date	Issuing Authorities
"List of selected enterprises for recycling of imported hardware and electrical appliance scrap, wire scrap and motor scrap (batch two) for 2006" (Notice No. 8 of 2006)	CT Metals	14 Feb 2006	Subject to annual examination	MEP
"List of selected enterprises for recycling of imported hardware and electrical appliance scrap, wire scrap and motor scrap (batch two) for 2007" (Notice No. 25 of 2007)	CT Metals	20 Mar 2007	Subject to annual examination	MEP
"List of selected enterprises for recycling of imported hardware and electrical appliance scrap, wire scrap and motor scrap (batch two) for 2008" (Notice No. 87 of 2007)	CT Metals	21 Dec 2007	Subject to annual examination	MEP
"List of selected enterprises for recycling of imported hardware and electrical appliance scrap, wire scrap and motor scrap for 2009" (Notice No. 40 of 2009)	CT Metals and CT Metals (Ningbo)	3 Aug 2009	Subject to annual examination	MEP
"List of selected enterprises for recycling of imported hardware and electrical appliance scrap, wire scrap and motor scrap for 2010" (Notice No. 9 of 2010)	CT Metals and CT Metals (Ningbo)	28 Jan 2010	Subject to annual examination	MEP
Qualifications/Certificates	Company	Date of Issue	Expiry Date	Issuing Authorities
"Consignee Registration Licence" (B33070433)	CT Metals	1 Sept 2007	31 Aug 2012	AQSIQ
"Consignee Registration Licence" (B33070435)	CT Foundry	1 Sept 2007	31 Aug 2012	AQSIQ
"Consignee Registration Licence" (B38080829)	CT Metals (Ningbo)	1 Dec 2008	30 Nov 2013	AQSIQ
"Licence of Registration for Overseas Suppliers of Imported Scrap Materials" (A344080357)	CT HK	8 Dec 2008	7 Dec 2011	AQSIQ
"Licence of Registration for Overseas Suppliers of Imported Scrap Materials" (A528042660)	Delco Europe	1 Jan 2008	31 Dec 2010	AQSIQ

Automatic Licensing Import Licence for 2010

Category	Approval No.	Importing Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
Aluminium scrap	SEPAZ2010008981	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008982	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008983	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008984	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008985	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008986	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008987	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008988	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008989	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008991	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008992	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008993	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008994	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008995	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008996	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008997	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008998	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008999	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010025581	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025582	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025583	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025584	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025585	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025586	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025587	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025588	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025589	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025591	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025592	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025593	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025594	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025595	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP

Category	Approval No.	Importing Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAZ2010025596	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025597	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025598	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025599	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025601	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025602	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025603	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025604	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025605	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025606	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025607	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025608	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025609	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025611	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025612	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025613	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025614	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025615	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025616	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025617	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025618	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025619	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025621	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025622	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025623	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025624	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025625	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025626	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025627	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025628	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025629	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010008961	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Importing Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAZ2010008962	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008963	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008964	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008965	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008966	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008967	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008968	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008969	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008971	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008972	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008973	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008974	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008975	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008976	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008977	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008978	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008979	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009001	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009002	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
Copper scrap	SEPAZ2010009003	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009004	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009005	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009006	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Importing Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAZ2010009007	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009008	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009009	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009011	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009012	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009013	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009014	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009015	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009016	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009017	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009018	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010009019	CT Metals	Taizhou	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010025531	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025532	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025533	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025534	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025535	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025536	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025537	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025538	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025539	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025541	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025542	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025543	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025544	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025545	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025546	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025547	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025548	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025549	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025551	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025552	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025553	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP

Category	Approval No.	Importing Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAZ2010025554	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025555	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025556	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025557	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025558	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025559	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025561	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025562	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025563	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025564	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025565	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025566	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025567	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025568	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025569	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025571	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025572	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025573	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025574	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025575	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025576	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025577	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025578	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010025579	CT Metals	Taizhou	600	8 Feb 2010	31 Dec 2010	MEP
	SEPAZ2010008941	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008942	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008943	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008944	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008945	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008946	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Importing Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAZ2010008947	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008948	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008949	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008951	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008952	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008953	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008954	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008955	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008956	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008957	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008958	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010008959	CT Metals (Ningbo)	Ningbo	600	1 Jan 2010	31 Dec 2010	MEP
	SEPAZ2010034501	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
Steel scrap	SEPAZ2010034502	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034503	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034504	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034505	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034506	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034507	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034508	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034509	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034511	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034512	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034513	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034514	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034515	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034516	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034517	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP

Category	Approval No.	Importing Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAZ2010034518	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034519	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034521	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034522	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034523	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034524	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034525	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034526	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034527	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034528	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034529	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034531	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034532	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034533	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034534	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034535	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034536	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034537	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034538	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034539	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034541	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034542	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034543	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034544	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034545	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034546	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034547	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034548	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034549	CT Metals	Taizhou	800	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034551	CT Metals	Taizhou	750	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034552	CT Metals	Taizhou	750	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034553	CT Metals	Taizhou	750	21 Apr 2010	31 Dec 2010	MEP
	SEPAZ2010034554	CT Metals	Taizhou	750	21 Apr 2010	31 Dec 2010	MEP

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Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
Hardware and electrical appliance scrap mainly for recycling steel & iron	SEPAX2010015701	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015702	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015703	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015704	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015705	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015706	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015707	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015708	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015709	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015711	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015712	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015713	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015714	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015715	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015716	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015717	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015718	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015719	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015721	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015722	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015723	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015724	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015725	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015726	CT Metals	Taizhou	1,250	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019331	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019332	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019333	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019334	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019335	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
Motor scrap mainly for recycling copper	SEPAX2010019336	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019337	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019338	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019339	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019341	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019342	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019343	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019344	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019345	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019346	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019347	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019348	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019349	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019351	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019352	CT Metals (Ningbo)	Ningbo	800	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015731	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015732	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015733	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015734	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015735	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015736	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015737	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015738	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015739	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015741	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010015742	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015743	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015744	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015745	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015746	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015747	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015748	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015749	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015751	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015752	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015753	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015754	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015755	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015756	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015757	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015758	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015759	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015761	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015762	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015763	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015764	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015765	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015766	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015767	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015768	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015769	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015771	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015772	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015773	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015774	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015775	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015776	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010015777	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015778	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015779	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015781	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015782	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015783	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015784	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015785	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015786	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015787	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015788	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015789	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015791	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015792	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015793	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015794	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015795	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015796	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015797	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015798	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015799	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015801	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015802	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015803	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015804	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015805	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015806	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015807	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015808	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015809	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015811	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015812	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010015813	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015814	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015815	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015816	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015817	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015818	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015819	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015821	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015822	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015823	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015824	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015825	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015826	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015827	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015828	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015829	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015831	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015832	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015833	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015834	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015835	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015836	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015837	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015838	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015839	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015841	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015842	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015843	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015844	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015845	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015846	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015847	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010015848	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015849	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015851	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015852	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015853	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015854	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015855	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015856	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015857	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015858	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015859	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015861	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015862	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015863	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015864	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015865	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015866	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015867	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015868	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015869	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015871	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015872	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015873	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015874	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015875	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015876	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015877	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015878	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015879	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015881	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015882	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015883	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010015884	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015885	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015886	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015887	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015888	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015889	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015891	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015892	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015893	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015894	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015895	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015896	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015897	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015898	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015899	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015901	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015902	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015903	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015904	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015905	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015906	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015907	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015908	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015909	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015911	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015912	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015913	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015914	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015915	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015916	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015917	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015918	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010015919	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015921	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015922	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015923	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015924	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015925	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015926	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015927	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015928	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015929	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015931	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015932	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015933	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015934	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015935	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015936	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015937	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015938	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015939	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015941	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015942	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015943	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015944	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015945	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015946	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015947	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015948	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015949	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015951	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015952	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015953	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015954	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010015955	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015956	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015957	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015958	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015959	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015961	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015962	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015963	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015964	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015965	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015966	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015967	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015968	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015969	CT Metals	Taizhou	1,501	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015971	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015972	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015973	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015974	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015975	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015976	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015977	CT Metals	Taizhou	1,520	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015978	CT Metals	Taizhou	1,496	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015981	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015982	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015983	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015984	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015985	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015986	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015987	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015988	CT Metals	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019271	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010019272	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019273	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019274	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019275	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019276	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019277	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019278	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019279	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019281	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019282	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019283	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019284	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019285	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019286	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019287	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019288	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019289	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019291	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019292	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019293	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019294	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019295	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010019296	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019297	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019298	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019299	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019301	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019302	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019303	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019304	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019305	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019306	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019307	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019308	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019309	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019311	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019312	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019313	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019314	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019315	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019316	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019317	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019318	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019319	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
Wire scrap mainly for recycling aluminium	SEPAX2010019321	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019322	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019323	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019324	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019325	CT Metals (Ningbo)	Ningbo	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015991	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015992	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015993	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015994	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015995	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015996	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015997	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015998	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010015999	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016001	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016002	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016003	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016004	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016005	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016006	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016007	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016008	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016009	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016011	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016012	CT Metals	Taizhou	1,000	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016021	CT Metals	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016022	CT Metals	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016023	CT Metals	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010016024	CT Metals	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP

Category	Approval No.	Import Unit	Port	Quantity (tonnes)	Issuance Date	Expiry Date	Issuing Authorities
	SEPAX2010019361	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019362	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019363	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019364	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019365	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019366	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019367	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP
	SEPAX2010019368	CT Metals (Ningbo)	Ningbo	500	7 Jan 2010	31 Dec 2010	MEP

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

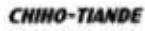
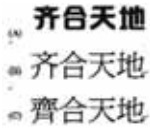
The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) an instrument of transfer and bought and sold notes all dated 27 August 2008 entered into between Mr. Fang as transferor and CT International as transferee pursuant to which CT International acquired 5,000 shares of HK\$1 each in Hefast from Mr. Fang for cash consideration of HK\$1;
- (b) an instrument of transfer and bought and sold notes all dated 27 August 2008 entered into between Delco Asia as transferor and CT International as transferee pursuant to which CT International acquired 5,000 shares of HK\$1 each in Hefast from Delco Asia for cash consideration of HK\$1;
- (c) an instrument of transfer and bought and sold notes all dated 27 August 2008 entered into between Hefast as transferor and CT International as transferee pursuant to which CT International acquired 1 share of HK\$1 each in CT HK from Hefast for cash consideration of HK\$1;
- (d) an instrument of transfer and bought and sold notes all dated 29 December 2009 entered into between RQD (Hong Kong) Investment Company Limited as transferor and CT Investments as transferee pursuant to which CT Investments acquired 4,000 shares of HK\$1 each in CT HK (Copper) from RQD (Hong Kong) Investment Company Limited for cash consideration of HK\$4,000;
- (e) an instrument of transfer and bought and sold notes all dated 29 December 2009 entered into between Kwongwik Investments Limited as transferor and CT Investments as transferee pursuant to which CT Investments acquired 900 shares of HK\$1 each in CT HK (Copper) from Kwongwik Investments Limited for cash consideration of HK\$900;

- (f) a sale and purchase agreement dated 27 August 2008 between (i) HWH and Delco Participation as vendors and together with Mr. Fang, Mr. van Ooijen and Mr. de Leeuw as warrantors and (ii) our Company as purchaser in respect of the entire issued share capital of CT International in consideration and exchange for which our Company allotted and issued, credited as fully paid, an aggregate of 98 Shares, as to 49 Shares to HWH and 49 Shares to Delco Participation and paying up each 1 nil-paid Share held by HWH and Delco Participation;
- (g) a sale and purchase agreement dated 26 February 2010 between (i) HPL and SVO as vendors and (ii) CT International as purchaser in respect of the entire issued share capital of Delco Europe for cash consideration of EUR100;
- (h) a deed of indemnity dated 24 June 2010 given by Delco Participation, HPL, HWH, Stichting HPL, SVO and Green Elite in favour of our Company (and any of our subsidiaries) pursuant to which each of Delco Participation, HPL, HWH, Stichting HPL, SVO and Green Elite has agreed to indemnify our Group against, among others, certain estate duty and tax liabilities;
- (i) a deed of non-competition undertakings dated 24 June 2010 executed by Delco Participation, HPL, HWH, Stichting HPL, SVO, Green Elite, Mr. Fang, Mr. de Leeuw and Mr. van Ooijen in favour of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus;
- (j) the shareholders loan assignment and capitalisation agreement dated 24 June 2010 made between Mr. Fang, Delco Asia and our Company pursuant to which (a) an aggregate of HK\$223.7 million shareholders’ loan due and payable from members of our Group was assigned to our Company; and (b) our Company agreed to allot and issue an aggregate of 749,999,900 new Shares credited as fully paid at par by way of capitalisation of the assigned shareholders’ loan; and
- (k) the Hong Kong Underwriting Agreement.

2. Intellectual Property

As at the Latest Practicable Date, we were the registered proprietor for the following trademarks:

Trademark	Owner	Registration Number	Class	Duration	Place of Registration
	CT Foundry	5265932	6	21 April 2009 to 20 April 2019	PRC
	CT Foundry	5265933	6	21 April 2009 to 20 April 2019	PRC
	Company	301199656	6, 40	11 September 2008 to 10 September 2018	Hong Kong
	Company	301199665	6, 40	11 September 2008 to 10 September 2018	Hong Kong
	Company	301199674AA 301199674AB	6, 40	11 September 2008 to 10 September 2018	Hong Kong
	Company	301199683	6, 40	11 September 2008 to 10 September 2018	Hong Kong

As at the Latest Practicable Date, we had registered the following domain names:

Domain name	Registrant	Registration Date	Expiry Date
chiho-tiande.cn	CT Metals	24 May 2005	24 May 2011
chiho-tiande.com.cn	CT Metals	24 May 2005	24 May 2011
chiho-tiande.com	CT Foundry	19 December 2006	19 December 2011
chiho-tiande.net	CT Foundry	23 December 2004	23 December 2010
chiho-tiande.hk	CT Foundry	4 September 2009	4 September 2010

None of the information contained in these websites shall form part of this prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

Immediately following the completion of the Global Offering and the Capitalisation Issue and assuming no exercise of the Over-allotment Option or options granted or to be granted under the Share Option Schemes, the interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long Positions in Shares

Name of Director	Nature of Interest	Number of Shares	Share Option Scheme	Approximate percentage of issued Shares immediately after the Global Offering and the Capitalisation Issue
				Number of Shares subject to options granted under the Pre-IPO
Mr. Fang	Corporate ^(Note 1)	375,000,000	–	37.50
	Personal	–	3,500,000	0.35
Mr. van Ooijen	Corporate ^(Note 2)	375,000,000	–	37.50
	Personal	–	1,000,000	0.10
Mr. Gu	Personal	–	425,000	0.43

Notes:

- 345,000,000 of these Shares are held by HWH directly and 30,000,000 of these Shares are held by HWH indirectly through Green Elite. HWH is wholly-owned by Mr. Fang. Under the SFO, Mr. Fang is deemed to be interested in all of the Shares held by HWH.
- 345,000,000 of these Shares are held by Delco Participation directly and 30,000,000 of these Shares are held by Delco Participation indirectly through Green Elite. Delco Participation is owned as to 50% by SVO (which is wholly-owned by Mr. van Ooijen) and 50% by HPL (which is wholly-owned by Stichting HPL, a foundation for the sole benefit of Mr. de Leeuw). Under the SFO, each of SVO, HPL, Stichting HPL, Mr. van Ooijen and Mr. de Leeuw is deemed to be interested in all of the Shares held by Delco Participation.

2. Substantial Shareholders

So far as the Directors are aware, the following persons (other than a Director or chief executive of our Company) will, immediately following the completion of the Global Offering and the Capitalisation Issue and assuming no exercise of the Over-allotment Option or options granted or to be granted under the Share Option Schemes, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of Interest	Number of Shares	Share Option Scheme	Capitalisation Issue (Note 4)	Approximate percentage of issued Shares immediately after the Global Offering and the
					Number of Shares subject to options granted under the Pre- IPO
HWH	Corporate (Note 1)	375,000,000	–	37.50	
Mr. Fang	Corporate (Note 2)	375,000,000	–	37.50	
	Personal	–	3,500,000	0.35	
Delco Participation	Corporate (Note 3)	375,000,000	–	37.50	
SVO	Corporate (Note 3)	375,000,000	–	37.50	
HPL	Corporate (Note 3)	375,000,000	–	37.50	
Stichting HPL	Corporate (Note 3)	375,000,000	–	37.50	
Mr. van Ooijen	Corporate (Note 3)	375,000,000	–	37.50	
	Personal	–	1,000,000	0.10	
Mr. de Leeuw	Corporate (Note 2)	375,000,000	–	37.50	

Notes:

- 345,000,000 of these Shares are held by HWH directly and 30,000,000 of these Shares are held by HWH indirectly through Green Elite.
- 345,000,000 of these Shares are held by HWH directly and 30,000,000 of these Shares are held by HWH indirectly through Green Elite. HWH is wholly-owned by Mr. Fang. Mr. Fang is also the director of HWH. Under the SFO, Mr. Fang is deemed to be interested in all of the Shares held by HWH.
- 345,000,000 of these Shares are held by Delco Participation directly and 30,000,000 of these Shares are held by Delco Participation indirectly through Green Elite. Delco Participation is owned as to 50% by SVO (which is wholly-owned by Mr. van Ooijen) and 50% by HPL (which is wholly-owned by Stichting HPL, a foundation for the sole benefit of Mr. de Leeuw). Mr. van Ooijen is also the director of SVO. Under the SFO, each of SVO, HPL, Stichting HPL, Mr. van Ooijen and Mr. de Leeuw is deemed to be interested in all of the Shares held by Delco Participation.

4. As required under the SFO, the relevant percentages are calculated by reference only to the number of Shares in issue as at the Listing Date and we have assumed that no Shares are issued pursuant to (i) the Over-allotment Option and (ii) the exercise of options granted or to be granted under the Share Option Schemes. Consequently, this is based on 1,000,000,000 Shares, being the number of Shares which will be in issue on the Listing Date assuming that the Shares pursuant to the Global Offering and the Capitalisation Issue have been issued.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue and assuming no exercise of the Over-allotment Option or options granted or to be granted under the Share Option Schemes, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group and are therefore regarded as substantial Shareholder of our Company under the Listing Rules.

3. Particulars of Service Contracts

- (a) Each of Mr. Fang, Mr. van Ooijen and Mr. Gu, being the executive Directors, has entered into a service contract with our Company for an initial term of 3 years commencing on the Listing Date which may only be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

The annual salaries, which can be paid by our Company in HKD or an equivalent amount in US\$ or RMB, of the executive Directors under their service contracts with our Company are as follows:

Name of Executive Director	Annual Salary (HK\$)
Mr. Fang	1,200,000
Mr. van Ooijen	1,080,000
Mr. Gu	960,000

After each completed year of service, such executive Directors' salaries under the service contracts (all of which are conditional on the listing of the Shares on the Stock Exchange) shall be reviewed by the Board (except that no review shall be made by the Board for the first year after commencement of the appointment). Such executive Directors will also be entitled to a discretionary bonus provided that the total amount of bonus together with the total salary and benefits to be paid to all such executive Directors in each year ending December 31 shall not exceed 5% of the audited consolidated net profit after taxation but before extraordinary items of our Group for the relevant year (and before deducting such discretionary bonus, salary and benefits).

- (b) Mr. Ybema has been appointed as a non-executive Director for a term of 3 years commencing on the Listing Date which may be terminated by either party giving to the other not less than three months' prior notice in writing, with the following Director's fee, which can be paid by our Company in HKD or an equivalent amount in US\$ or RMB:

Name of Non-Executive Director	Annual Salary (HK\$)
Mr. Ybema	150,000

Such non-executive Director's fee is conditional on the Listing of the Shares on the Stock Exchange.

- (c) Each of Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Li Xikui has been appointed as an independent non-executive Director for a term of 3 years commencing on the Listing Date which may be terminated by either party giving to the other not less than three months' prior notice in writing, with the following Director's fees, which can be paid by our Company in HKD or an equivalent amount in US\$ or RMB:

Name of Independent Non-Executive Director	Annual Salary (HK\$)
Dr. Loke Yu	150,000
Ms. Zhang Jingdong	150,000
Mr. Li Xikui	150,000

Such independent non-executive Directors' fees are also conditional on the listing of the Shares on the Stock Exchange.

- (d) Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any other member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. Directors' Remuneration

- (a) Our Company's policies concerning remuneration of executive Directors are (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to our Company; and (ii) non-cash benefits may be provided to the Directors under their remuneration package.
- (b) For each of the three years ended 31 December 2009, the aggregate of remuneration paid and benefits in kind granted to our Directors by our Company and its subsidiaries was HK\$371,000, HK\$309,000 and HK\$836,000 respectively.
- (c) Under the current arrangements presently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the financial year ending 31 December 2010, is expected to be approximately HK\$2,300,000, excluding the discretionary bonuses payable to our executive Directors.
- (d) Save as disclosed in this prospectus, no Director in the promotion of our Company has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or any of the parties listed in the section headed “Other Information – 7. Consents of Experts” in this Appendix VI has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group or are proposed to be acquired or disposed of by or leased to any member of our Group; and
- (b) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

6. Share Option Schemes

A. *Pre-IPO Share Option Scheme*

For the purpose of this sub-section A only, unless the context otherwise requires, the following words shall have the following meanings:

“Adoption Date”	23 June 2010, the date on which the Pre-IPO Share Option Scheme was conditionally adopted by written resolutions of all the Shareholders;
“Board”	the board of directors of our Company for the time being or a duly authorised committee thereof;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant whether or not the Offer is subject to Shareholders’ approval on the terms of the Pre-IPO Share Option Scheme, and in any event no later than the Listing Date;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the Pre-IPO Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
“Group”	our Company and our Subsidiaries;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares pursuant to the Pre-IPO Share Option Scheme and for the time being subsisting;

“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participants”	directors (including executive directors, non-executive directors and independent non-executive directors) and employees of our Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (d) below; and
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere.

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme conditionally adopted by the written resolutions of all the Shareholders passed on 23 June 2010:

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution that certain employees, executives, officers, directors of our Group and others who made or may have made to the growth of the Group. It aims to give the Participants an opportunity to acquire a personal stake in our Company and help motivate such Participants to optimise their performance and efficiency, and also to help retain the Participants whose contributions are important to the long-term growth and profitability of our Group.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme. Options granted under the Scheme do not carry any right to vote, or any right, dividend including those arising on liquidation of our Company.

Outstanding options

As at the date of this prospectus, our Company has conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Scheme. In consideration of HK\$1.00 from each grantee, options to subscribe for an aggregate of 12,140,000 Shares representing 1.21% of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised) at a Subscription Price equal to the Offer Price had been granted to 36 Participants under the Pre-IPO Share Option Scheme.

Out of the Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, options representing 4,925,000 Shares were granted to 3 of our Directors, options representing 3,450,000 Shares were granted to 8 members of our senior management and options representing 3,765,000 Shares were granted to 25 other employees and officers of our Company, subsidiaries and associated companies. No options under the Pre-IPO Share Option Scheme have been granted to any connected persons of our Group other than our Directors, Mr. Ding Guopei, Mr. Fang Anlin, Ms. Fang Aiping, Mr. Zhu Zhonghui, Mr. Yan Rongjiang, Mr. Fang Anyi, Mr Fang Anming, Mr. Jiang Guolin, who are relatives of Mr. Fang and Mr. Vincentius H. W. van Ooijen who is the brother of Mr. van Ooijen.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

Name of grantee	Residential Address	No. of shares subject to the option	% of issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (Note)
Fang Ankong	No.1 North Road, Taizhou Industrial Zone of Metal Recycling, Fenjiang, Luqiao, Taizhou, Zhejiang, PRC	3,500,000	0.350%
Gu Liyong	Flat D702 Courtyard, No.55 Zhen Ning Road, Shanghai, 200050 PRC	425,000	0.043%
Stephanus Maria, van Ooijen,	De Balbian Versterlaan 7, 2062 Ex Oisterwijk, The Netherlands	1,000,000	0.100%
	Sub-total (directors)	4,925,000	0.493%
Ding Guopei	No.87 Part 1, Huangshiyang Village, Fengjiang Street, Luqiao, Taizhou, Zhejiang, China	450,000	0.045%

Name of grantee	Residential Address	No. of shares subject to the option	% of issued share capital immediately after completion of the Global Offering and the Capitalisation Issue
			(Note)
Fang Anlin	No.373 Fengjiang Road, Fengjiang, Luqiao, Taizhou, Zhejiang, China	400,000	0.040%
Fang Aiping	No.87, Part 1, Huangshiyang Village, Fengjiang Street, Luqiao, Taizhou, Zhejiang, China	400,000	0.040%
Cai Haifeng	Unit 1, 3rd Tower, Jianshe Village, Jiaojiang, Taizhou, Zhejiang, China	350,000	0.035%
Xu Jialiang	Room 1302, A Building, No.158 Youdian Road, Luqiao, Taizhou, Zhejiang, China	350,000	0.035%
Zhu Zhonghui	Room 1303, Unit 2, B Building, Xingtai Square, Jiaojiang, Taizhou, Zhejiang, China	350,000	0.035%
Gan Jun	Room 102, No.97 Binghu Road, Songjiang District, Shanghai, China	350,000	0.035%
Chow Wan Hoi Paul	12D Block 27, Upper Baguio Villa, 555 Victoria Road, Hong Kong	800,000	0.080%
	Sub-total (senior management)	3,450,000	0.345%

			% of issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (Note)
Name of grantee	Residential Address	No. of shares subject to the option	
Yan Rongjiang	No.36, Middle Part, Yanjia Village, Zeguo Tower, Wenling, Zhejiang, China	350,000	0.035%
Chen Jianmin	No.33, Qian Lane, Rouqiao Road, Dongcheng Street, Huangyan, Taizhou, Zhejiang, China	250,000	0.025%
Fang Anyi	No.344 Fengjiang Road, Fengjiang, Luqiao, Taizhou, Zhejiang, China	200,000	0.020%
Ding Guocheng	No.7, Part 1. Huangshiyang Village, Fengjiang Street, Luqiao, Taizhou, Zhejiang, China	200,000	0.020%
Fang Anming	No.281 Fengjiang Road, Luqiao, Taizhou, Zhejiang, China	200,000	0.020%
Jiang Guolin	No.96, Part B, Jiangjia Village, Zeguo Tower, Wenling, Zhejiang, China	125,000	0.013%
Zheng Huaping	Room 501, Unit 1, No.5th Building, Yunjian Village, Jiaojiang, Taizhou, Zhejiang, China	125,000	0.013%
Wu Xinchun	Room 403, No.28 Meilongsan Village, Xuhui District, Shanghai, China	125,000	0.013%

Name of grantee	Residential Address	No. of shares subject to the option	% of issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (Note)
Zhang Tao	Room 302, Unit 1, No.1 Building, Henghe Village, Jiaojiang, Taizhou, Zhejiang, China	125,000	0.013%
Fang Anbing	No.366 Fengjiang Road, Fengjiang, Luqiao, Taizhou, Zhejiang, China	120,000	0.012%
Xu Mingchi	No.390 Fengjiang Road, Fengjiang, Luqiao, Taizhou, Zhejiang, China	120,000	0.012%
Mou Hongfen	Room 301, No.26,10th Building, Juxiang Village, Dongcheng Street, Huangyan, Taizhou, Zhejiang, China	115,000	0.012%
Gao Jingwu	No.62 Butou Village, Baishuiyang Tower, Linhai, Taizhou, Zhejiang, China	105,000	0.011%
Ye Haiying	No.38 South Jiefang Road, Jiaojiang, Taizhou, Zhejiang, China	110,000	0.011%
Zhang Wenliang	No.189 Xingfeng Road, Fengjiang, Luqiao, Taizhou, Zhejiang, China	105,000	0.011%
Cui Yang	Room 402, 79 Changshun Road, Changning District, Shanghai, PRC	100,000	0.010%

Name of grantee	Residential Address	No. of shares subject to the option	% of issued share capital immediately after completion of the Global Offering and the Capitalisation Issue <i>(Note)</i>
Le Kerong	Room 503, No.7, Lane 685, Songhong Road, Changning District, Shanghai, China	80,000	0.008%
Chen Hongqi	No.1 of Dagao Group, Sanli Village, Jianshi Tower, Hubei	80,000	0.008%
Zhang Jianming	No.6 District 3, Shang Lu Qiao, Taizhou, Zhejiang, China	50,000	0.005%
Zhang Lei	Room 503, B Building, Huashan Village, Beilun, Ningbo, Zhejiang, China	50,000	0.005%
Chan Tungtung	Flat A, 22/F, 35 Braemar Hill Road, North Point, Hong Kong	350,000	0.035%
Choi Wengmui	Room 2114, Kwong Yat House, Kwong Tin Estate, Lam Tin, Kowloon, Hong Kong	150,000	0.015%
Kwan Yuetling Rossetti	Room 1602, Hing Lok House, Kwai Hing Estate, Kwai Hing, N.T.	80,000	0.008%
Yu Laifai	Flat H, 30/F, BLK10, Aldrich Garden, Shau Ki Wan, Hong Kong	50,000	0.005%

Name of grantee	Residential Address	No. of shares subject to the option	% of issued share capital immediately after completion of the Global Offering and the Capitalisation Issue <i>(Note)</i>
Vincentius H.W., van Ooijen	Jan Steenstraat 15, NL-5062 LP, Oisterwijk, The Netherlands	400,000	0.040%
	Sub-total (employees)	3,765,000	0.377%
Grand total		12,140,000	1.214%

Note: assuming that the Over-allotment Option is not exercised

Save and except as set out in the list above, no other options have been or will be granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme. The Pre-IPO Share Option Scheme is valid and effective until the Listing Date after which no further options will be offered or granted.

Our Directors have agreed and undertaken that each of them will not exercise any options if, as a result of such exercise, our Company will not be able to comply with the public float requirements under Rule 8.08(1) of the Listing Rules.

Assuming that the Over-allotment Option is not exercised, the shareholding structure of our Company before and after the exercise of all the options granted under the Pre-IPO Share Option Scheme in full will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue but before the exercise of the options granted under the Pre-IPO Share Option Scheme		Shareholding structure immediately after completion of the Global Offering and the Capitalisation issue and exercise of the options granted under the Pre-IPO Share Option Scheme in full	
	Shares	%	Shares	%
Existing Shareholders	750,000,000	75%	750,000,000	74.1004%
Grantees under the Pre-IPO Share Option Scheme			Directors: 4,925,000	0.4866%
			Senior Management and employees: 7,215,000	0.7129% ^(Note)
			Total: 12,140,000	
Other public Shareholders	250,000,000	25%	250,000,000	24.7001% ^(Note)
Total	<u>1,000,000,000</u>	<u>100%</u>	<u>1,012,140,000</u>	<u>100%</u>

Note: The Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme by the senior management and employees who are not associates of our Directors will be counted as part of the public float of our Company pursuant to Rule 8.14 of the Listing Rules. Accordingly, public Shareholders of our Company will hold 25.41% of the total issued Shares immediately after the completion of the Global Offering and the Capitalisation Issue and full exercise of the options granted under the Pre-IPO Share Option Scheme (assuming that the Over-allotment Option is not exercised).

In addition, assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2009, the earnings per Share attributable to equity holders for the year ended 31 December 2009 will be reduced by approximately 1.6%.

Summary of the major terms of the Pre-IPO Share Option Scheme

(a) Purpose

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the Participants (as defined in paragraph (b) below) have or may have made to the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at the Subscription Price to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of our Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who, in the sole opinion of the Board, have contributed or will contribute to the Group.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 12,140,000 Shares, representing approximately 1.2% of the issued shares upon completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued upon exercise of the Over-allotment Option and any share option which may be granted under the Share Option Schemes).

(d) Price of Shares

The Subscription Price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be equal to the Offer Price.

(e) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so.

(f) Time of exercise of option

The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

- (i) up to 30% of the total number of Option granted at any time during the period commencing from the date of the first anniversary of the Listing Date to the date of the second anniversary of the Listing Date (both days inclusive);
- (ii) up to 30% of the total number of Option granted at any time during the period commencing from the date immediately following the date of the second anniversary of the Listing Date to the date of the third anniversary of the Listing Date (both days inclusive); and
- (iii) up to 40% of the total number of Option granted, at any time during the period commencing from the date immediately following the date of the third anniversary of the Listing Date to the date of the fourth anniversary of the Listing Date (both days inclusive).

The exercise of an option granted under the Pre-IPO Share Option Scheme is not subject to any performance target being reached.

(g) Rights on ceasing to be an Participant

- (i) in the event of the Grantee ceasing to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as specified in paragraph n(6) below having arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within the period of 12 months following his death provided that where any of the events set out in paragraphs (h), (i), (j) and (k) below occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods respectively set out in such paragraphs;
- (ii) in the event of a Grantee who is an employee or a director of the Company or another member of the Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph n(6) below, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable;
- (iii) in the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation;

- (iv) in the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph n(6) below, his Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised the Option in whole or in part, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option;

(h) Rights on takeover

If a general offer by way of takeover or otherwise is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the.

(i) Rights on scheme of arrangement

If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent specified in such notice.

(j) Rights on voluntarily wind-up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

- (k) Rights on compromise or arrangement between our Company and its members or creditors

In the event of a compromise or arrangement between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement and the Grantee (or his legal personal representative) may at any time thereafter but before such time as shall be notified by the Company exercise the Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

- (l) Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum of association and articles of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

- (m) Effect of alterations to capital

In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (ii) the Subscription Price;

or any combination thereof, provided that:

- (a) any such adjustments give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and

- (b) notwithstanding paragraph (m)(a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, shall be made in accordance with the supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange on 5 September 2005, or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made pursuant to paragraphs (m)(a) and (m)(b) to the extent that a Share would be issued at less than its nominal value.

(n) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the date of expiry of the Option Period;
- (2) the expiry of any of the periods referred to in paragraph (f) above; or
- (3) the expiry of the period referred to in paragraph (h) above, provided that if any court of competent jurisdiction makes an order the effect of which is to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
- (4) subject to the scheme of arrangement (referred to in paragraph (i) above becoming effective, the expiry of the period for exercising the Option as referred to in paragraph (i) above;
- (5) the date of the commencement of the winding-up of the Company;
- (6) the date on which the Grantee (if an employee or director of the Company or another member of the Group) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of the Board or the board of directors of the relevant Subsidiary to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph n(6) below shall be conclusive and binding on the Grantee, and where appropriate, his legal representative(s);
- (7) the date on which the Grantee commits a breach of paragraph (e) above; and

- (8) subject to paragraph (g)(ii) above, the date the Grantee ceases to be a Participant for any other reason.

(o) Alteration of the Pre-IPO Share Option Scheme

Those specific provisions of the Pre-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Pre-IPO Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Pre-IPO Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Pre-IPO Scheme. The Pre-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(p) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(q) Duration and termination of the Pre-IPO Share Option Scheme

- (1) We by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Pre-IPO Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Pre-IPO Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the Pre-IPO Share Option Scheme.
- (2) The Pre-IPO Share Option Scheme shall be valid and effective until the Listing Date after which no further options shall be offered or granted but the provisions of the Pre-IPO Option Scheme shall remain in full force and effect in all other respects.

(r) Administration of the Board

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(s) Disclosure in annual and interim reports

We will disclose details of the Pre-IPO Share Option Scheme in our annual and interim reports during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

B. Post-IPO Share Option Scheme

For the purpose of this sub-section B only, unless the context otherwise requires, the following words shall have the following meanings:

“Adoption Date”	23 June 2010, the date on which the Post-IPO Share Option Scheme was conditionally adopted by written resolutions of all the Shareholders;
“Board”	the board of directors of our Company for the time being or a duly authorised committee thereof;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer, or the grant of an Option to a Participant whether or not the Offer is subject to Shareholders’ approval on the terms of the Post-IPO Share Option Scheme;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the Post-IPO Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
“Group”	our Company and our Subsidiaries;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares pursuant to the Post-IPO Share Option Scheme and for the time being subsisting;
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participants”	directors (including executive directors, non-executive directors and independent non-executive directors) and employees of our Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (d) below; and
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere.

The following is a summary of the principal terms of the Post-IPO Share Option Scheme approved by the written resolutions of all the Shareholders passed on 23 June 2010:

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to reward Participants who have contributed to our Group and to encourage Participants to work towards enhancing the value of our Company and the Shares for the benefit of our Company and the Shareholders as a whole.

(b) Who May Join

The Directors may, at their discretion, invite Participants to take up Options at a price calculated in accordance with paragraph (d) below. An Offer shall remain open for acceptance by the Participant concerned for 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Post-IPO Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Offer is deemed to be accepted when our Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to our Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is granted. Such terms may at the discretion of the Board, include among either things, (i) the minimum period for which an Option must be held before it can be exercised, and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part, and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(c) Grant of Options to Connected Persons or any of their Associates

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of our Company, or any of their respective associates under the Post-IPO Share Option Scheme or any other share option schemes of our Company or any of the Subsidiaries shall be subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). We shall send a circular to the Shareholders in accordance with the Listing Rules and all connected persons of our Company shall abstain from voting in favour of the resolution at such general meeting of the Shareholders.

(d) *Subscription Price*

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Shares.

(e) *Maximum Number of Shares*

- (i) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (not taking into account any Shares which may be allotted and issued under the Over-allotment Option) (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and (as the case may be) such other share option schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

We may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company under the limit as refreshed must not exceed 10% of the Shares in issue (including Shares which may be allotted and issued under the Over-allotment Option) as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

- (ii) Notwithstanding the foregoing, we may grant Options beyond the Scheme Mandate Limit to Participants if:
 - (1) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by us before such Shareholders' approval is sought; and
 - (2) we, in connection with the seeking of such separate Shareholders' approval, have first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

- (iii) Subject to paragraph (iv) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Post-IPO Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of our Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "Individual Limit").
- (iv) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. We must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.
- (v) At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 30% of the Shares in issue from time to time.

(f) *Time of Exercise of Option*

An Option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during the Option Period.

(g) *Rights are Personal to Grantees*

An Option is personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Option.

(h) *Rights on Termination of Employment by Dismissal*

- (i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option will lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment.

- (ii) If the Grantee who is an employee or a director of our Company or another member of our Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (h)(i) above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of his employment and shall on that day cease to be exercisable.

(i) *Rights on Death*

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (h)(i) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death.

(j) *Effect of Alterations to Share Capital*

In the event of an alteration in the capital structure of our Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (ii) the Subscription Price,

or any combination thereof, provided that:

- (a) any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled; and
- (b) notwithstanding paragraph (j)(a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the Supplemental Guidance on Listing Rule 17.03(3) issued by the Stock Exchange on 5 September 2005,

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial adviser or our auditors must confirm to the Directors in writing that the adjustments are in their opinion fair and reasonable.

(k) Rights on a General Offer by way of Takeover

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by us at any time within such period as shall be notified by us.

(l) Rights on a General Offer by way of Scheme of Arrangement

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and having been approved by the necessary number of Shareholders at the requisite meetings, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter, (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us.

(m) Rights on Winding-up

In the event a notice is given by us to the Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up our Company, we shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us, and we shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

(n) Rights on a Compromise or Arrangement

In the event a compromise or arrangement (other than a scheme of arrangement) between us and our members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice to all the Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us and we shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

(o) Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Articles of our Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which these Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which the Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

(p) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date. We may, by ordinary resolution in a general meeting or, such date as the board of Directors determines, terminate the Post-IPO Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(q) Alterations to the Post-IPO Share Option Scheme

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(r) Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall take effect subject to:

- (i) the passing of the resolution by the Shareholders to approve and adopt the Post-IPO Share Option Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;
- (ii) the Listing Committee granting approval of the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date (being 100,000,000 Shares)); and
- (iii) the commencement of trading of the Shares on the Main Board of the Stock Exchange.

(s) Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (h), (i), (k) to (n) above respectively;
- (iii) the expiry of the period referred to in paragraph (k) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the Offer;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (l) above;

- (v) the date of commencement of the winding-up of our Company;
- (vi) the date on which the Grantee ceases to be a Participant as referred to in paragraph (h)(i) above;
- (vii) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favor of any third party over or in relation to any Option; and
- (viii) subject to paragraph h(ii), the date the Grantee ceases to be a Participant for any other reason.

(t) *Termination of the Post-IPO Share Option Scheme*

We by ordinary resolution in general meeting or the Board may at anytime terminate the Post-IPO Share Option Scheme and in such event no further Options may be granted but in all other respects the Post-IPO Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Post-IPO Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Post-IPO Share Option Scheme.

(u) *Restriction on Grant of Option*

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers or in such other manner as prescribed by the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the board meeting of our Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for us to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or, not required under the Listing Rules),

and ending on the date of the results announcement, no Option may be granted.

(v) *Cancellation*

Any Options granted but not exercised may be cancelled if the Participant so agrees.

(w) *Options Granted under the Scheme*

Options granted under the Scheme do not carry any right to vote, or any right, dividend including those arising on liquidation of our Company.

(x) *Present Status of the Post-IPO Share Option Scheme*

As at the date of this prospectus, no Option has been granted or agreed to be granted pursuant to the Post-IPO Share Option Scheme.

D. OTHER INFORMATION**1. Tax Indemnity**

Delco Participation, HPL, HWH, Stichting HPL, SVO and Green Elite (the “Indemnifiers”) have executed a deed of indemnity in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the contract referred to in paragraph (h) of the subsection headed “Summary of material contracts” in this Appendix VI) to provide indemnities, on a joint and several basis, in connection with taxation resulting from estate duty, any income, profits, gains earned, accrued or received or transfers made on or before the date on which the Global Offering becomes unconditional.

The indemnities in the Deed of Indemnity shall not apply in, among others, the following circumstances:

- (a) where provision or reserve has been made for such taxation in the audited accounts of any of the member of our Group up to 31 December 2009;
- (b) where taxation falling on any of the member of our Group in respect of its current accounting periods or any accounting period commencing on or after 1 January 2010 and liability for such taxation would not have arisen but for any voluntary act of any member of the Group after the date the Global Offering has become unconditional (“**Effective Date**”) which the relevant member of the Group ought reasonably to have known would give rise to such liability but excluding any act:
 - (i) carried out pursuant to a legally binding obligation of any member of the Group entered into or incurred on or before the Effective Date outside the ordinary course of business of the Group; or
 - (ii) pursuant to an obligation imposed by any law, regulation or requirement having the force of law on or before the Effective Date; or
- (c) where the liability arises in the ordinary course of business of the Group after 31 December 2009 up to and including the Effective Date; or
- (d) where such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the date on which the Global Offering becomes unconditional or to the extent that such claim arises or is increased by an increase in rates of taxation after the date on which the Global Offering becomes unconditional with retrospective effect.

Where any provision or reserve made for taxation in the audited accounts of any of the member of our Group up to 31 December 2009 is finally established to be an over-provision or an excessive reserve, the excess may be applied to reduce the Indemnifiers liability in respect of taxation, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any other liability arising thereafter.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition.

3. Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as referred to in this prospectus (including any Shares which may fall to be issued pursuant to the Share Option Schemes and the exercise of the Over-allotment Option). All necessary arrangements have been made enabling such Shares to be admitted to CCASS.

4. Preliminary Expenses

Our preliminary expenses are estimated to be approximately HK\$113,000 and are payable by our Group.

5. Promoters

The promoters of our Company are Mr. Fang and Mr. van Ooijen. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to the promoters within two years preceding the date of this prospectus.

6. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CCBIC	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman	Cayman Islands legal advisers
CRU Strategies Limited	Independent industry consultant
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Professional property valuers
Morison Heng	Certified Public Accountants
Van den Boomen Advocaten B.V.	The Netherlands legal advisers
Zhong Lun Law Firm	PRC legal advisers

7. Consents of Experts

- (a) Each of CCBIC, Conyers Dill & Pearman, CRU Strategies Limited, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Morison Heng, Zhong Lun Law Firm and Van den Boomen Advocaten B.V. has given and has not withdrawn its respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.
- (b) As of the Latest Practicable Date, save in connection with the Underwriting Agreements, none of the experts named in the paragraph (a) above has any shareholding interest in our Group or the right (whether legally enforceable or not) to subscribe for or, to nominate persons to subscribe for securities in any member of our Group.

8. Compliance Adviser

Conditional on the listing of the Shares on the Stock Exchange, we will appoint CCB International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from the compliance adviser in the following circumstances in respect of the following matters:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated (including share issues and share repurchases);
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares.

In addition, the compliance adviser will also provide, among other things, the following services to us:

- (i) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (a) to (d) above;
- (ii) in relation to an application by us for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise us on our obligations and in particular the requirement to appoint an independent financial adviser; and
- (iii) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a Director and, to the extent the compliance adviser forms an opinion that the new appointee's understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

9. Binding Effect

This prospectus shall have the effect if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

10. Advisory Fees or Commissions Received

The Underwriters will receive an underwriting commission and advisory fee as referred to in the section headed “Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses” in this prospectus.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of any member of our Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders, management or deferred shares of any member of our Group have been issued or agreed to be issued; and
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group.
- (b) No member of our Group is presently listed on any stock exchange or traded on any trading system.
- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW, PINK** and **GREEN** Application Forms; (ii) the written consents referred to in the paragraph headed “Consents of Experts” in Appendix VI to this prospectus; and (iii) copies of each of the material contracts referred to in the section headed “Summary of Material Contracts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Room 1410, 14/F., Shun Tak Centre West Tower, 168-200 Connaught Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:-

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report signed by Deloitte Touche Tohmatsu and Morison Heng, the text of which is set out in Appendix I to this prospectus;
- (c) the consolidated audited financial statements of our Group for each of the three financial years ended 31 December 2009;
- (d) the letter received from Deloitte Touche Tohmatsu and Morison Heng on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters from Deloitte Touche Tohmatsu and Morison Heng relating to profit forecast, the texts of which is set out in Appendix III to this prospectus;
- (f) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by DTZ Debenham Tie Leung Limited, the texts of which is set out in Appendix IV to this prospectus;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law, the texts of which are set out in Appendix V to this prospectus;
- (h) the Cayman Islands Companies Law;
- (i) the material contracts referred to in the section headed “Summary of Material Contracts” in Appendix VI to this prospectus;
- (j) the service agreements and terms of appointment referred to in the section headed “Particulars of Service Contracts” in Appendix VI to this prospectus;
- (k) the rules of the Share Option Schemes;
- (l) the written consents referred to in the section headed “Consents of Experts” in Appendix VI to this prospectus;
- (m) the legal opinions prepared by Zhong Lun Law Firm in respect of the legality of business, corporate structure, reorganisation, property interest and taxation matters of our Group in the PRC;
- (n) the legal opinion prepared by Van den Boomen Advocaten B.V. in respect of Delco Europe and certain other Dutch entities; and
- (o) the legal opinions prepared by Stephenson Harwood in respect of the Hong Kong subsidiaries of our Group.

