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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)

**CONNECTED TRANSACTION RELATING TO
THE ISSUE BY THE COMPANY OF
THREE-YEAR 4% COUPON CONVERTIBLE BONDS
IN THE AGGREGATE PRINCIPAL AMOUNT OF HK\$815,800,000
WITH DETACHABLE THREE-YEAR WARRANTS TO SUBSCRIBE FOR
SHARES IN AN AGGREGATE AMOUNT OF HK\$75,830,646
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Sole Financial Adviser to the Company

Daiwa
Capital Markets

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders


GUANGDONG SECURITIES LIMITED

A letter from the Board is set out on pages 10 to 37 of this circular. A letter from the Independent Board Committee is set out on pages 38 and 39 of this circular. A letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 56 of this circular.

The notice convening the extraordinary general meeting (“EGM”) of Chiho-Tiande Group Limited to be held at Room 1412, 14th Floor, Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 27 February 2012 at 10:00 a.m. is set out on pages 81 to 83 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong, of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

9 February 2012

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DEFINITIONS

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

“Affiliate(s)”	in respect of a particular company, any company or other entity which is its holding company or subsidiary, or any subsidiary of its holding company, or which directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such company. For the purposes of the foregoing, “ control ” means the power, directly or indirectly, to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise, and “ controlled by ” and “ under common control with ” shall be construed accordingly;
“Announcement”	the announcement of the Company dated 17 January 2012 in relation to, among other things, the Subscription Agreement;
“Approved Financial Adviser”	a licensed corporation licensed to carry out Type 6 regulated activity under the SFO selected by the Directors;
“Approved Merchant Bank”	a merchant bank or other reputable financial institution in Hong Kong selected by the Directors;
“Auditors”	the auditors of the Company from time to time;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Associated Corporation(s)”	has the meaning ascribed to it in Part XV of the SFO;
“Board”	the board of Directors;
“Bondholder(s)”	holder(s) of the Convertible Bonds;

DEFINITIONS

“Bonds Conversion Period”	the period during which the conversion rights attaching to the Convertible Bonds may be exercised by the Bondholders, being the period commencing on the first Business Day immediately following the second anniversary of the date of issue of the Convertible Bonds (which must be a Stock Exchange Business Day and if not, the Stock Exchange Business Day immediately following) up to and including the date falling on the 10 th Business Day prior to the Maturity Date and if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date;
“Bonds Conversion Share(s)”	new Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds;
“Bonds Conversion Price”	HK\$6.00, subject to adjustments and being the price at which each Bonds Conversion Share will be issued upon the exercise of the conversion rights attaching to the Convertible Bonds;
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business;
“BVI”	British Virgin Islands;
“Company”	Chiho-Tiande Group Limited, a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 976);
“Completion”	completion of the Share Sale and Purchase Agreement;
“Completion Date”	17 January 2012, being the date when Completion took place;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“controlled corporation(s)”	has the meaning ascribed to it in Part XV of the SFO;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;

DEFINITIONS

“Convertible Bonds”	the three-year 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 constituted by the Deed Poll, to be issued by the Company and convertible into Shares at any time during the Bonds Conversion Period, and with the benefit of and subject to the terms and conditions of the Deed Poll;
“Conversion Shares”	collectively, the Bonds Conversion Shares and the Warrant Conversion Shares;
“Covenantors”	collectively, HWH, Delco and Sims;
“Current Market Price”	has the meaning as defined in paragraph (ii) immediately after sub-paragraph 1.1(k) in Appendix II of this circular;
“Deed Poll”	the deed poll constituting the Convertible Bonds to be executed by the Company;
“Delco”	Delco Participation B.V., a company incorporated in the Netherlands and a Substantial Shareholder holding approximately 32.11% of the existing issued share capital of the Company immediately before Completion;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at Room 1412, 14 th Floor, Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 27 February 2012 at 10:00 a.m. for the purpose of considering and if, thought fit, approving the EGM Matters;
“EGM Matters”	the matters to be put forward to the Shareholders for consideration and, if thought fit, approval at the EGM which include the Subscription Agreement and all transactions contemplated thereunder (including the allotment and issue of the Conversion Shares) and the grant of the Specific Mandate;
“Enlarged Issued Share Capital”	the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares;
“Expiry Date”	the third anniversary of the date of issue of the Warrants subject to extension as set out in the Warrant Instrument;

DEFINITIONS

“Further Option Shares”	20,837,095 Shares (subject to adjustments (if any) pursuant to the Share Sale and Purchase Agreement);
“Further Option Triggering Event”	the failure on or before 30 April 2012 (or such later date as may be agreed to be the Long Stop Date for the purpose of the Subscription Agreement) of the Independent Shareholders to approve the Subscription Agreement in accordance with the requirements of the Listing Rules;
“Green Elite”	Green Elite Limited, a company incorporated in the BVI and a Shareholder holding approximately 5.76% of the existing issued share capital of the Company before Completion;
“Group”	the Company and its subsidiaries;
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“HWH”	HWH Holdings Limited, a company incorporated in the BVI, a Substantial Shareholder holding approximately 36.04% of the existing issued share capital of the Company immediately before Completion and is wholly-owned by Mr. Fang;
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors;
“Independent Shareholders”	all Shareholders other than HWH, Delco and Sims and their respective associates;
“Latest Practicable Date”	3 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;

DEFINITIONS

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	30 April 2012 or such later date as may be agreed between the Subscribers and the Company for the purpose of the Subscription Agreement;
“Master Supply Agreement”	the supply agreement entered into between the Company and Sims Asia on 16 January 2012 in relation to the supply of the Products by the Sims Asia Group to the Group;
“Material Adverse Change”	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on (a) the ability of the Company to perform its obligations under the Subscription Agreement; or (b) the business, assets and liabilities, condition (financial or otherwise), results of operations or prospects of the Company or the Group as a whole;
“Maturity Date”	the third anniversary of the date of issue of the Convertible Bonds subject to extension as set out in the Deed Poll;
“Memorandum of Undertakings”	the memorandum of undertakings dated 17 January 2012 entered into between HWH, Delco, Sims, Mr. van Ooijen, Mr. de Leeuw, Mr. Fang and Sims Asia to regulate their relationships in relation to the Company;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“Mr. de Leeuw”	Mr. Herman Maurits de Leeuw, one of the controlling shareholders of Delco;
“Mr. Fang”	Mr. Fang Ankong, the Chairman of the Company and an executive Director;
“Mr. van Ooijen”	Mr. Stephanus Maria van Ooijen, an executive Director and one of the controlling shareholders of Delco;
“Non-Shares Securities”	Securities other than Shares;

DEFINITIONS

“Option”	the call option granted in respect of the Option Shares by Delco to Sims on the terms and subject to the conditions set out in the Share Sale and Purchase Agreement and if there occurs a Further Option Triggering Event, the expression Option shall mean the call option granted in respect of the Option Shares and the Further Option Shares;
“Option Grant”	the grant of the Option by Delco in favour of Sims under the Share Sale and Purchase Agreement;
“Option Shares”	20,837,095 Shares or if there occurs a Further Option Triggering Event, 41,674,190 Shares (subject to adjustments, if any, pursuant to the Share Sale and Purchase Agreement);
“percentage ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
“Permitted Transferee”	an Affiliate of a Covenantor. For this purpose, Delco and its Affiliates shall be considered Affiliates of HWH and vice-versa;
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 23 June 2010;
“PRC”	the People’s Republic of China, excluding for the purpose of this circular, Hong Kong, Taiwan and the Macau Special Administrative Region;
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 23 June 2010;
“Products”	the products which may from time to time be supplied by the relevant members of the Sims Asia Group to the Group pursuant to the terms and conditions of the Master Supply Agreement;
“Relevant Period”	has the meaning ascribed to it in paragraph (f) of the section headed “ 7. Memorandum of Undertakings ” in the “ Letter from the Board ” of this circular;
“Resolution”	the resolution to approve the Transactions by the Independent Shareholders at the EGM;
“RMB”	Renminbi, the lawful currency of the PRC;

DEFINITIONS

“Sale Shares”	an aggregate of 166,696,754 Shares sold by Delco and HWH to Sims pursuant to the Share Sale and Purchase Agreement;
“Securities”	Shares, Convertible Bonds, Warrants and any securities interests at any time deriving from such Shares, Convertible Bonds and Warrants by way of consolidation, subdivision and capital distribution;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Share Sale”	the sale of the Sale Shares by HWH and Delco to Sims as contemplated under the Share Sale and Purchase Agreement;
“Share Sale and Purchase Agreement”	the sale and purchase agreement dated 17 January 2012 entered into between Sims, HWH, Delco, Mr. van Ooijen, Mr. de Leeuw and Mr. Fang pursuant to which, amongst others, HWH and Delco agreed to sell and Sims agreed to purchase 166,696,754 Shares;
“Shareholders”	holders of the Shares;
“Sims”	Sims Metal Management Dragon Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SMM;
“Sims Asia”	Sims Metal Management Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SMM;
“Sims Asia Group”	Sims Asia and its subsidiaries and associates;
“SMM”	Sims Metal Management Limited, a company incorporated in Australia and the holding company of Sims and Sims Asia;
“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Independent Shareholders to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights and/or subscription rights attaching to the Convertible Bonds and the Warrants;

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Stock Exchange Business Day”	any day (other than a Saturday or Sunday) on which the Stock Exchange is open for business;
“Subscribers”	collectively, HWH, Delco and Sims;
“Subscription”	the subscription for the Convertible Bonds and the Warrants by the Subscribers on the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the conditional subscription agreement dated 17 January 2012 entered into between the Company as the issuer, HWH, Delco and Sims as subscribers in respect of the issue of the Convertible Bonds and the Warrants;
“Subscription Completion”	completion of the Subscription Agreement;
“subsidiary”	has the meaning ascribed to it in section 2(4) of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong);
“Substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Transactions”	the issue and allotment of the Convertible Bonds and the Warrants to the Subscribers on the terms of the Subscription Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Warrant(s)”	the warrant(s) constituted by the Warrant Instrument, to be issued by the Company to each of the Subscribers to subscribe, at any time during the Warrant Subscription Period, for fully paid Shares in the aggregate amount of HK\$75,830,646 at the initial Warrant Subscription Price of HK\$6.00 per Share (subject to adjustments);
“Warrant Conversion Share(s)”	the Share(s) to be issued by the Company on exercise of the Warrant Conversion Rights;
“Warrant Instrument”	the deed poll constituting the Warrants to be executed by the Company;

DEFINITIONS

“Warrant Subscription Period”	the period during which the Warrant Subscription Rights may be exercised by the Warrantholders, being the period commencing on the first Business Day immediately following the second anniversary of the date of issue of the Warrants (which must be a Stock Exchange Business Day and if not, the Stock Exchange Business Day immediately following) up to and including the date immediately preceding the Expiry Date and if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date;
“Warrant Subscription Price”	the sum payable in respect of each Warrant Conversion Share to which the Warrantholder will be entitled upon exercise of the Warrant Subscription Rights, being the initial sum of HK\$6.00, as adjusted from time to time in accordance with the terms of the Warrant Instrument;
“Warrant Subscription Rights”	the rights attached to the Warrants to convert such Warrants into the Warrant Conversion Shares;
“Warrantholders”	holder(s) of the Warrants; and
“%”	per cent.

LETTER FROM THE BOARD


CHIHO -
TIANDE 齐合天地
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)

Executive Directors:

Mr. Fang Ankong
(Chairman and Chief Executive Officer)
Mr. Stephanus Maria van Ooijen
(Vice President)
Mr. Gu Liyong
(Vice President)

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Non-executive Director:

Mr. Michael Charles Lion

Principal Place of

Business in Hong Kong:

Room 1410, 14th Floor,
Shun Tak Centre West Tower
168-200 Connaught Road Central
Hong Kong

Independent Non-executive Directors:

Ms. Zhang Jingdong
Dr. Loke Yu
Mr. Li Xikui

9 February 2012

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION RELATING TO
THE ISSUE BY THE COMPANY OF
THREE-YEAR 4% COUPON CONVERTIBLE BONDS
IN THE AGGREGATE PRINCIPAL AMOUNT OF HK\$815,800,000
WITH DETACHABLE THREE-YEAR WARRANTS TO SUBSCRIBE FOR
SHARES IN AN AGGREGATE AMOUNT OF HK\$75,830,646
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription Agreement.

LETTER FROM THE BOARD

As set out in the Announcement, on 17 January 2012, Mr. Fang, the Chairman of the Group, through HWH, together with Delco, executed the Share Sale and Purchase Agreement to sell 16% of the issued share capital of the Company as at the Completion Date to Sims, a Hong Kong incorporated subsidiary of SMM, the world's largest listed metal recycler with ordinary shares listed on the Australian Securities Exchange (ASX: SGM) and American Depositary Receipts listed on the New York Stock Exchange (NYSE: SMS). Pursuant to the Share Sale and Purchase Agreement, Delco has also granted the Option to Sims to acquire a further 2% of the issued share capital of the Company as at the Completion Date. In addition, on 17 January 2012, the Company entered into the conditional Subscription Agreement with HWH, Delco and Sims. Subject to approval by the Independent Shareholders, Sims will subscribe for a portion of the total amount of the Convertible Bonds with the detachable Warrants. Assuming that the Company has sufficient public float to enable the full conversion of the Convertible Bonds and the Warrants, upon the full exercise of the Option and full conversion of the Convertible Bonds and the Warrants, Sims is expected to hold not more than approximately 20% of the fully diluted issued share capital of the Company. In order to support the continuing growth of the Group and subject to the approval of the Independent Shareholders, HWH and Delco will re-invest into the Company approximately two-thirds of the sale proceeds received from the Share Sale by way of subscribing for part of the Convertible Bonds with the detachable Warrants on the same terms as Sims.

Prior to the signing of the Share Sale and Purchase Agreement, HWH acquired 10,418,548 Shares from Delco, representing approximately 1% of the issued share capital of the Company as at the date of the Announcement at a consideration of HK\$4.50 per Share.

The purpose of this circular is to provide you with, *inter alia*, further information in respect of the Transactions and other information prescribed by the Listing Rules. This circular also contains a letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transactions and a notice of the EGM.

2. THE SHARE SALE AND GRANT OF OPTION

On 17 January 2012, Sims entered into the Share Sale and Purchase Agreement with, amongst others, Delco and HWH pursuant to which, Delco and HWH agreed to sell an aggregate of 166,696,754 Shares, representing an aggregate of 16% of the existing issued share capital of the Company, to Sims at the total consideration of HK\$750,135,393 and Delco granted the Option to Sims to purchase an additional 20,837,095 Shares (which would be increased by the number of the Further Option Shares should there occur the Further Option Triggering Event) at HK\$6.00 per Option Share (subject to any adjustments) on the

LETTER FROM THE BOARD

terms of and subject to the conditions set out in the Share Sale and Purchase Agreement. The principal terms of the Share Sale and Purchase Agreement are set out below:

- Date:** 17 January 2012
- Parties:**
1. Sims as purchaser;
 2. Delco as seller;
 3. HWH as seller;
 4. Mr. van Ooijen as warrantor and guarantor;
 5. Mr. de Leeuw as warrantor and guarantor;
and
 6. Mr. Fang as warrantor and guarantor.
- Number of Sale Shares:** 104,185,471 Shares and 62,511,283 Shares agreed to be sold by Delco and HWH, respectively, representing an aggregate of 166,696,754 Shares
- Consideration for the Share Sale:** HK\$750,135,393, representing HK\$4.50 per Sale Share.
- Completion:** Completion took place on the date of signing of the Share Sale and Purchase Agreement.
- Grant of the Option:** Delco has irrevocably granted to Sims the Option to purchase 20,837,095 Option Shares (representing approximately 2% of the issued share capital of the Company as at the Completion Date) (which would be increased by the number of the Further Option Shares should there occur the Further Option Triggering Event) on the terms and subject to the conditions set out in the Share Sale and Purchase Agreement.
- Exercise price of the Option:** HK\$6.00 per Option Share, which represents:
- (i) a premium of approximately 51.90% over the closing price of HK\$3.95 per Share as stated in the daily quotations sheet of the Stock Exchange on 17 January 2012, being the date of grant;

LETTER FROM THE BOARD

- (ii) a premium of approximately 53.45% over the average closing price of HK\$3.91 per Share as stated in the daily quotations sheet of the Stock Exchange for the five consecutive Stock Exchange Business Days up to and including 17 January 2012;
- (iii) a premium of approximately 48.88% over the average closing price of HK\$4.03 per Share as stated in the daily quotations sheet of the Stock Exchange for the 30 consecutive Stock Exchange Business Days up to and including 17 January 2012; and
- (iv) a premium of approximately 36.36% over the closing price of HK\$4.40 per Share as stated in the daily quotations sheet of the Stock Exchange on the Latest Practicable Date.

Total number of the Option Shares and the Further Option Shares:

20,837,095 Option Shares, which would be increased to 41,674,190 Shares by the addition of the 20,837,095 Further Option Shares should there occur the Further Option Triggering Event, subject to adjustments upon the occurrence of any one or more of the following events in relation to the Shares:

- (i) a sub-division, consolidation or reclassification of the Shares;
- (ii) a distribution by the Company to the Shareholders of additional Shares or other share capital or securities or securities, rights or warrants granting the right to a distribution of Shares or to purchase, subscribe or receive Shares or any other shares or securities or assets (other than the payment of a cash dividend);
- (iii) the reclassification of, or a change in, the Shares; or
- (iv) any event in respect of the Shares analogous to any of the foregoing events or otherwise having a diluting or concentrating effect on the value of the Shares.

Exercise period of the Option:

The period commencing on the Completion Date and expiring on the date being the third anniversary of that date (both dates inclusive).

LETTER FROM THE BOARD

3. THE SUBSCRIPTION AND THE ISSUE OF THE CONVERTIBLE BONDS AND THE WARRANTS

In conjunction with the Share Sale and in order to support the continuing growth of the Group, on 17 January 2012, the Company entered into the conditional Subscription Agreement with HWH, Delco and Sims pursuant to which the Company will issue to Delco, HWH and Sims three-year 4% coupon Convertible Bonds in the aggregate principal amount of HK\$815,800,000 with the detachable Warrants in registered form to subscribe for an aggregate of 12,638,441 Shares for an aggregate principal amount of HK\$75,830,646 at the initial exercise price of HK\$6.00 per Share. HWH and Delco will re-invest into the Company approximately two-thirds of the sale proceeds received from the Share Sale by way of subscribing for a portion of the total amount of the Convertible Bonds. HWH and Delco have also agreed to assign their Warrants to Sims upon issue of the Warrants without any additional consideration, so as to enable Sims to hold not more than approximately 20% of the fully diluted issued share capital of the Company immediately after the exercise of the Option and the conversion in full of the Convertible Bonds and the Warrants, assuming that the Company will have sufficient public float to enable the full conversion of the Convertible Bonds and the Warrants.

Assuming full conversion of the Convertible Bonds at the initial Bonds Conversion Price of HK\$6.00, the Convertible Bonds will be convertible into an aggregate of up to 135,966,667 Shares, representing approximately 13.1% of the issued share capital of the Company as at the Latest Practicable Date and approximately 11.4% of the Enlarged Issued Share Capital.

In addition, assuming full exercise of the Warrants at the initial Warrant Subscription Price, the Warrants will be convertible into an aggregate of up to 12,638,441 Shares, representing approximately 1.2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 1.1% of the Enlarged Issued Share Capital.

The principal terms of the Subscription Agreement are set out below:

4. THE SUBSCRIPTION AGREEMENT

- Date:** 17 January 2012
- Parties:**
1. The Company;
 2. HWH;
 3. Delco; and
 4. Sims.
- Issuer:** The Company

LETTER FROM THE BOARD

Subscribers and the principal amount of the Convertible Bonds to be subscribed and the Warrants to be issued:	Name of Subscribers	Principal amount of the Convertible Bonds to be subscribed (HK\$)	Principal amount of the Warrants to be issued (HK\$)
	HWH	187,600,000	17,434,536
	Delco	312,600,000	29,057,556
	Sims	<u>315,600,000</u>	<u>29,338,554</u>
	Total:	<u>815,800,000</u>	<u>75,830,646</u>

Assuming full conversion of the Convertible Bonds at the initial Bonds Conversion Price of HK\$6.00, the Convertible Bonds subscribed by Sims, Delco and HWH will be convertible into approximately up to 52,600,000 Shares, 52,100,000 Shares and 31,266,667 Shares respectively, representing approximately 5.0%, 5.0% and 3.0% respectively of the issued share capital of the Company as at the Latest Practicable Date and approximately 4.4%, 4.4% and 2.6% respectively of the Enlarged Issued Share Capital.

Conditions Precedent:

Subscription Completion is conditional upon:

- (i) the Listing Committee having granted listing of, and permission to deal in, the Bonds Conversion Shares and the Warrants Conversion Shares;
- (ii) the passing by the Independent Shareholders by way of poll of ordinary resolutions to, *inter alia*, approve (if required under the Listing Rules) the issue of the Convertible Bonds and the Warrants to the Subscribers subject to the terms of the Deed Poll and the Warrant Instrument, respectively, and authorise the Board to allot and issue the Bonds Conversion Shares and the Warrant Conversion Shares which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bonds and the Warrants respectively;

LETTER FROM THE BOARD

- (iii) none of the warranties under the Subscription Agreement having become untrue, inaccurate or misleading in any material respect at any time before the date of the Subscription Agreement would otherwise become unconditional and no fact or circumstances having arisen and no fact or circumstances having arisen and nothing having been done or omitted to be done which would render any of such warranties untrue, in accurate in any material respect if it was repeated as at Subscription Completion;
- (iv) up to and including the date of Subscription Completion, there being no Material Adverse Change;
- (v) the Share Sale and the Option Grant having been completed; and
- (vi) the Deed Poll and the Warrant Instrument having been executed by the Company on or before Subscription Completion.

If the above conditions precedent are not fulfilled and/or not waived (in respect of the conditions precedent set out in (iii) and (iv) above only) by the Subscribers on or before the Long Stop Date, the Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations hereunder, save for any liability arising out of any antecedent breaches.

Completion:

Subscription Completion shall take place on the third Business Day following the date on which the Subscribers are notified by the Company (supported by reasonably satisfactory evidence) that all the conditions precedent (save only for those that, and to the extent that the same, can be fulfilled only upon the Subscription Completion) have been fulfilled or waived or such other date as the parties shall agree.

LETTER FROM THE BOARD

5. THE DEED POLL

The terms and conditions of the Convertible Bonds as constituted by the Deed Poll were determined after arms' length negotiations between the Company and the Subscribers. The principal terms of the Deed Poll are set out below:

- Bonds Conversion Price:** The initial Bonds Conversion Price is HK\$6.00 per Bonds Conversion Share (subject to adjustments), which represents:
- (i) a premium of approximately 51.90% over the closing price of HK\$3.95 per Share as quoted on the Stock Exchange on 17 January 2012, being the date of execution of the Subscription Agreement;
 - (ii) a premium of approximately 53.45% over the average closing price of HK\$3.91 per Share as quoted on the Stock Exchange for the last five consecutive Stock Exchange Business Days up to and including 17 January 2012;
 - (iii) a premium of approximately 48.88% over the average closing price of HK\$4.03 per Share as stated in the daily quotations sheet of the Stock Exchange for the 30 consecutive Stock Exchange Business Days up to and including 17 January 2012;
 - (iv) a premium of approximately 167.86% over the net asset value per Share of HK\$2.24, which is calculated based on the unaudited net asset value of the Company of approximately HK\$2,300.58 million as at 30 June 2011 as disclosed in the interim report of the Company for the six months ended 30 June 2011 divided by its weighted average number of Shares of 1,029,090,752 Shares; and
 - (v) a premium of approximately 36.36% over the closing price of HK\$4.40 per Share as stated in the daily quotations sheet of the Stock Exchange on the Latest Practicable Date.

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The Bonds Conversion Price has been determined by the Company after taking into consideration of (i) the Company's equity placement tranche completed in April 2011 and the subsequent market correction; (ii) the arm's length negotiations with Sims and (iii) the volume-weighted average price of the Shares during the year ended 31 December 2011. The Directors consider that the Bonds Conversion Price is fair and reasonable.

The Bonds Conversion Price and the aggregated number of Bonds Conversion Shares to be issued and allotted upon the exercise of the Convertible Bonds are subject to adjustments based on the prescribed formulae as set out in the Deed Poll upon occurrence of any of the following adjustment events which give rise to changes in the share capital of the Company:

- (i) consolidation, sub-division or reclassification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distributions in cash or specie or subsequent issue of securities in the Company;
- (iv) issue of Shares by way of rights or issue by way of rights any options to subscribe for Shares at less than 95% of the Current Market Price;
- (v) rights issues of any securities other than Shares or options, warrants or other rights to subscribe for Shares;
- (vi) issues at less than 95% of the Current Market Price for cash;
- (vii) issues at less than 95% of the Current Market Price as consideration shares;
- (viii) other issues at less than 95% of the Current Market Price;

LETTER FROM THE BOARD

- (ix) modification of rights of conversion at less than 95% of the Current Market Price;
- (x) other offers to Shareholders; and
- (xi) one or more events not referred to in (i) to (x) above which the Company determines, upon prior consultation with the Bondholders, that an adjustment should be made.

The Directors take the view that the above adjustments are normal anti-dilution adjustments. Details of the above adjustment mechanisms are set out in Appendix II.

Assuming full conversion of the Convertible Bonds at the initial Bonds Conversion Price, the Convertible Bonds will be convertible into an aggregate of up to 135,966,667 Bonds Conversion Shares, representing approximately 13.1% of the issued share capital of the Company as at the Latest Practicable Date and approximately 11.4% of the Enlarged Issued Share Capital.

Maturity Date:

The third anniversary of the date of issue of the Convertible Bonds, subject to extension as detailed below.

The Maturity Date shall be extended to the fifth anniversary of the date of issue of the Convertible Bonds (or such later date as the Company and the Bondholders may agree) (the “**Extended Maturity Date**”) if any of the Bondholders is not able to exercise any conversion rights in accordance with the conditions set out under the Deed Poll on or before the Maturity Date solely because of the minimum public float restriction under the Listing Rules.

LETTER FROM THE BOARD

In the event that the Maturity Date is so extended and any of the Bondholders is unable to exercise its conversion rights in full in accordance with the conditions on or before the Extended Maturity Date solely because of the minimum public float restriction under the Listing Rules, the outstanding principal amount of the Convertible Bonds shall, unless previously purchased or converted for Bonds Conversion Shares, be automatically redeemed at the outstanding principal amount of the Convertible Bonds in accordance with the terms of the conditions set out under the Deed Poll on the Extended Maturity Date.

Interest:

The Convertible Bonds shall bear interest from and including the date on which the Convertible Bonds are issued at the rate of 4% per annum of the outstanding principal amount of the Convertible Bonds.

Status:

The Convertible Bonds constitute unsecured and unsubordinated obligations of the Company and will rank *pari passu* among each of the Convertible Bonds and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Company except for obligations accorded preference by mandatory provision of applicable law.

Voting:

The Bondholders will not be entitled to vote at any general meetings of the Company by reason only of their being holders of the Convertible Bonds.

Transferability:

Any transfer of the Convertible Bonds must be in the principal amount of the Convertible Bonds of HK\$100,000 or any higher integral multiples.

Conversion Rights:

The Bondholders have the right to convert the Convertible Bonds in whole or in part of the principal amount of the Convertible Bonds at any time during the Bonds Conversion Period in amounts of not less than HK\$100,000 or any higher integral multiples thereof on each conversion, subject to the conditions set out in the Deed Poll.

LETTER FROM THE BOARD

Bonds Conversion Period:	The conversion rights attaching to the Convertible Bonds may be exercised, at the option of the Bondholders, at any time on and after the first Business Day immediately following the second anniversary of the date of issue of the Convertible Bonds up to and including the date falling on the 10 th Business Day prior to the Maturity Date, or if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date.
Ranking of the Bonds Conversion Shares:	The Bonds Conversion Shares issued upon conversion of the Convertible Bonds will rank <i>pari passu</i> in all respects with the Shares then in issue.
Redemption:	No redemption of the Convertible Bonds prior to the Maturity Date is allowed, except that any Bondholder is entitled to the repayment of the then outstanding principal amount of the Convertible Bonds together with any accrued and unpaid interest when the Company commits an event of default under the terms and conditions of the Convertible Bonds.
Redemption Price:	100% of the outstanding principal amount of the Convertible Bonds.
Minimum public float:	The Bondholders shall not have the right to convert the whole or part of the principal amount of the Convertible Bonds to the extent that immediately after such conversion, there will not be sufficient public float of Shares as required under the Listing Rules. In the case where the Company does not have sufficient public float as required under the Listing Rules to issue all the Conversion Shares, each Bondholder shall only be entitled to convert such number of Shares which ensures minimum public float on a pro-rata basis, based on the then outstanding principal amount of the Convertible Bonds held by the relevant Bondholder proportional to the then total outstanding principal amount of the Convertible Bond.

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Pre-emptive rights:

In the case where the Company issues Shares (the “**Additional Shares**”) to all or substantially all Shareholders as a class by way of rights, or to all or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares (the “**New Securities**”, together with the Additional Shares, the “**Additional Securities**”) after the issue of the Convertible Bonds, in each case at or above the Bonds Conversion Price, the Company shall grant the Bondholders the right (but not the obligation) to purchase or subscribe for (at the same price, at the same time and under the same terms as the Additional Securities are issued to or placed with other investors) such number, rounded up to the nearest whole number, of the Additional Securities as, when aggregate with the Shares (on an as converted basis) held by the Bondholder, will result in the percentage shareholding (on an as converted and fully diluted basis) held by the Bondholder immediately after the issue of the Additional Securities being the same as that immediately before the issue of any Additional Securities.

6. THE WARRANT INSTRUMENT

The terms and conditions of the Warrant as constituted by the Warrant Instrument were determined after arms’ length negotiations between the Company and the Subscribers. The principal terms of the Warrant Instrument are set out below:

Warrant Subscription Price:

HK\$6.00 per Warrant Conversion Shares (subject to adjustments), which represents:

- (i) a premium of approximately 51.90% over the closing price of HK\$3.95 per Share as quoted on the Stock Exchange on 17 January 2012, being the date of execution of the Subscription Agreement;
- (ii) a premium of approximately 53.45% over the average closing price of HK\$3.91 per Share as quoted on the Stock Exchange for the last five consecutive Stock Exchange Business Days up to and including 17 January 2012;

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- (iii) a premium of approximately 48.88% over the average closing price of HK\$4.03 per Share as stated in the daily quotations sheet of the Stock Exchange for the 30 consecutive Stock Exchange Business Days up to and including 17 January 2012;
- (iv) a premium of approximately 167.86% over the net asset value per Share of HK\$2.24, which is calculated based on the unaudited net asset value of the Company of approximately HK\$2,300.58 million as at 30 June 2011 as disclosed in the interim report of the Company for the six months ended 30 June 2011 divided by its weighted average number of Shares of 1,029,090,752 Shares; and
- (v) a premium of approximately 36.36% over the closing price of HK\$4.40 per Share as stated in the daily quotations sheet of the Stock Exchange on the Latest Practicable Date.

The Warrant Subscription Price has been determined by the Company after taking into consideration of (i) the Company's equity placement tranche completed in April 2011 and the subsequent market correction; (ii) the arm's length negotiations with Sims and (iii) the volume-weighted average price of the Shares during the year ended 31 December 2011. The Directors consider that the Warrant Subscription Price is fair and reasonable.

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The Warrant Subscription Price is subject to adjustments based on the prescribed formulae as set out in the Warrant Instrument upon occurrence of any of the following adjustment events which give rise to changes in the share capital of the Company:

- (i) consolidation, sub-division or reclassification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distributions in cash or specie or subsequent issue of securities in the Company;
- (iv) issue of Shares by way of rights or issue by way of rights any options to subscribe for Shares at less than 95% of the Current Market Price;
- (v) rights issues of any securities other than Shares or options, warrants or other rights to subscribe for Shares;
- (vi) issues at less than 95% of the Current Market Price for cash;
- (vii) issues at less than 95% of the Current Market Price as consideration shares;
- (viii) other issues at less than 95% of the Current Market Price;
- (ix) modification of rights of conversion at less than 95% of the Current Market Price;
- (x) other offers to Shareholders; and
- (xi) one or more events not referred to in (i) to (x) above which the Company determines, upon prior consultation with the Bondholders, that an adjustment should be made.

The Directors take the view that the above adjustments are normal anti-dilution adjustments. Details of the above adjustment mechanisms are set out in Appendix II.

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Assuming full conversion of the Warrants at the initial Warrant Subscription Price, the Warrants will be convertible into an aggregate of up to 12,638,441 Warrant Conversion Shares, representing approximately 1.2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 1.1% of the Enlarged Issued Share Capital.

Warrant Subscription Period:

The period commencing on the first Business Day immediately following the second anniversary of the date of issue of the Warrants (which must be a Stock Exchange Business Day and if not, the Stock Exchange Business Day immediately following) up to and including the date immediately preceding the Expiry Date (if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date).

The Expiry Date is the third anniversary of the date of issue of the Warrants, which shall be extended to the date falling on the fifth anniversary of the date of issue of the Warrants (if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date) (or such later date as the Company and the Warrantheolders may agree) if any of the Warrantheolders are unable to exercise any Warrant Subscription Rights on or before the Expiry Date solely by the reason that the Company does not have sufficient public float of Shares as required under the Listing Rules.

After the expiry of the Warrant Subscription Period, any Warrant Subscription Rights which have not been exercised shall lapse and the Warrants shall cease to be valid for any purpose.

Warrant Subscription Rights:

Each Warrant carries the right to subscribe for one new Warrant Conversion Share at the Warrant Subscription Price.

**Ranking of the Warrant
Conversion Shares:**

The Warrant Conversion Shares issued upon exercise of the subscription rights attaching to the Warrants will in all respects rank *pari passu* with the Shares in issue on the relevant registration date of the Warrants as if the Warrant Conversion Shares had been issued on such date.

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Transferability:

The Warrants Subscription Rights shall be transferable in whole amounts or integral multiples of the Warrants Subscription Price (or such other sum as the Directors shall from time to time determine) by instrument of transfer in any usual or common form or in any other form as may be approved by the Directors.

Minimum public float:

The Warrantholders shall not have the right to exercise the Warrants Subscription Rights to the extent that immediately after such exercise, there will not be sufficient public float of Shares as required under the Listing Rules. In the case where the Company does not have sufficient public float as required under the Listing Rules to issue all the Warrant Conversion Shares, unless otherwise agreed between the Warrantholders, each Warrantholder shall only be entitled to exercise the Warrants Subscription Rights to the extent so as to convert such number of Shares which ensures minimum public float on a pro-rata basis, based on the aggregate amount stated on the face of the Warrants held by the relevant Warrantholder proportional to the then total outstanding amount of the Warrants.

Pre-emptive rights:

In the case where the Company issues Shares (the “**Additional Shares**”) to all or substantially all Shareholders as a class by way of rights, or to all or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares (the “**New Securities**”, together with the Additional Shares, the “**Additional Securities**”) after the issue of the Warrants, in each case at or above the Warrant Subscription Price, the Company shall grant the Warrantholders the right (but not the obligation) to purchase or subscribe for (at the same price, at the same time and under the same terms as the Additional Securities are issued to or placed with other investors) such number, rounded up to the nearest whole number, of the Additional Securities as, when aggregate with the Shares (on an as converted basis) held by the Warrantholder, will result in the percentage shareholding (on an as converted and fully diluted basis) held by the Warrantholder immediately after the issue of the Additional Securities being the same as that immediately before the issue of any Additional Securities.

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Rights of the Warrantholders on the liquidation of the Company

If any effective resolution is passed during the Warrant Subscription Period for the voluntary winding-up of the Company, then if such winding-up be for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by a special resolution of the Warrantholders, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon every Warrantholder shall be entitled, not later than two Business Days prior to the proposed Shareholders' meeting referred to above, to exercise the Warrant Subscription Rights represented by such Warrants, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting allot such number of Shares to the Warrantholders which fall to be issued pursuant to the exercise of the Warrant Subscription Rights represented by such Warrant. The Company shall give notice to the Warrantholders of the passing of such resolution within 7 days of the passing thereof.

Subject to the foregoing, if the Company is wound up, all Warrant Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse.

7. THE MEMORANDUM OF UNDERTAKINGS

On 17 January 2012, the Covenantors, Mr. van Ooijen, Mr. de Leeuw, Mr. Fang and Sims Asia entered into the Memorandum of Undertakings, the principal terms of which are set out below:

- (a) Subject to the issue of the Warrants being approved by the Independent Shareholders, each of HWH and Delco agrees to unconditionally, irrevocably and absolutely assign to Sims its rights, title, interests and benefit in and to the Warrants without any additional consideration, such assignment to take effect from the date of issue of the Warrants.

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- (b) Each of the Covenantors agrees that before any of them or any of their respective Affiliates disposes of any interests in any Securities (other than to a Permitted Transferee), it shall give the other Covenantors no less than five Business Days' written notice of its intention to do so, provided that such notification requirement will not apply to any on-market sale whereby (i) the maximum number of Shares sold in any given day is not more than 20% of the average daily trading volume of the Company in the last five trading days immediately before such sale; and (ii) the maximum number of Shares which it and its Affiliates may sell in any rolling 6 months period shall not exceed 1% of the aggregate number of Shares in issue from time to time.
- (c) Sims undertakes to HWH and Delco that, for so long as the Concert Parties (which refers to parties acting in concert, as such expression is used in the Hong Kong Code on Takeovers and Mergers and, for this purpose, shall include HWH, Delco, Mr. Fang, Mr. van Ooijen, Mr. de Leeuw and their respective Affiliates) hold directly or indirectly not less than 30% of the issued voting share capital of the Company, it shall not acquire any further Securities such that the aggregate interest in Shares held by Sims and its Affiliates shall exceed 20% of the total issued share capital of the Company.
- (d) Each of the Covenantors agrees to vote in favour of any placing of Shares by the Company to create headroom for the conversion of the Non-Share Securities while, at the same time, maintaining the necessary minimum public float requirements under the Listing Rules.
- (e) In the event that the Company has not taken sufficient steps to create headroom for Sims to convert its Non-Share Securities before the expiration of the Bond and the Warrants, HWH and Delco shall dispose of (or procure its Affiliates to dispose of) such number of Shares to the public so as to enable Sims to convert its Non-Share Securities into Shares by the last conversion dates permitted by the terms of the Convertible Bonds and the Warrants respectively.
- (f) The Covenantors agree that if Sims converts all or any of the Convertible Bonds of which it is the registered holder then, unless otherwise agreed by Sims (which agreement shall not be unreasonably withheld or delayed), each of the other Covenantors shall within the Relevant Period (as defined below) convert an equivalent portion of the Convertible Bonds of which they are each the registered holder, provided that if Sims converts the said Convertible Bonds on more than one occasion, the provisions set out in this paragraph (f) shall apply on each and every occasion. For the purpose of this paragraph (f), "**Relevant Period**" means the shorter of (a) the period of 6 months from the date of the relevant conversion of the Convertible Bonds by Sims; and (b) the period from the date of the relevant conversion of the Convertible Bonds by Sims to the Maturity Date in respect of these Convertible Bonds which remain unexercised by Sims, provided that if there is insufficient public float headroom for the conversion by the other Covenantors under the Memorandum of Undertakings, the conversion shall be further delayed to the first opportunity when the public float headroom is created.

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- (g) Each Covenantor undertakes to the other Covenantors that it shall not convert (and shall procure its Affiliates not to convert) any Non-Share Securities held by it or its Affiliates (as the case may be) so as to reduce the public float of the Company at any given time to less than the minimum prescribed by the Listing Rules.
- (h) Each of HWH and Delco undertakes with Sims that for so long as Sims and its Affiliates continue to hold not less than an aggregate interest in Shares representing 10% of the total issued share capital of the Company, HWH and Delco shall vote (and shall procure their respective Affiliates to vote) in favour of the appointment of a Director nominated by Sims to the Board provided that such director is suitable as a director of a Hong Kong listed company in compliance with the Listing Rules.

8. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE ISSUE OF THE CONVERTIBLE BONDS AND THE WARRANTS

Notwithstanding that the Group is the largest mixed metal scrap importer and processor in China, the Group is constantly searching for opportunities to further grow and expand within China and worldwide. The Board firmly believes that in view of SMM's global reach and customer network, advanced technologies and solutions in the metals and electronics recycling industry together with its strong global resources with approximately 260 facilities worldwide, the proposed strategic collaboration with SMM will significantly add value and expertise which complements that of the Group, and will considerably enhance the Group's current position for future expansion. The Group further believes that having SMM as a significant minority shareholder of the Group is a strong recognition of the Group's competitiveness and achievements and will significantly enhance the overall reputation and strategic growth of the Group within the metal recycling industry. In addition, management believes that Sims' investments in the Company will further reinforce the existing relationship between Sims and the Group and opens up new opportunities in the PRC. The Company also hopes to benefit from Sims' global management/technical expertise.

As strategic investor, Sims has requested a meaningful interest in the Company. Following arm's length negotiation with Sims, it was eventually agreed that Sims would be entitled to up to 20% of the Company on an as converted, fully-diluted basis. This percentage shareholding is arrived at, being the maximum percentage shareholding the controlling shareholders would be prepared to divest and the minimum percentage shareholding that Sims would be prepared to accept, while at the same time maintaining the public float. The transaction is structured as part sale of old Shares by the controlling shareholders of the Company, and the subscription by them (as well as Sims) for the Convertible Bonds in order to ensure that public float is maintained at all times.

The Company believes that the Convertible Bonds represent a financial assistance given by the controlling shareholders of the Company and Sims for the benefit of the Company. The interest rate of 4% per annum is considered to be in the low side of the Company's unsecured borrowing cost from financial institutions and/or banks. The Bonds Conversion Price represents a significant premium of approximately 51.90% over the closing price of HK\$3.95 per Share as quoted on the Stock Exchange on the date of the

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Subscription Agreement. The Company does not believe that it will be able to borrow at a cheaper rate than the Convertible Bonds, nor under current market conditions, sell bonds or other securities to third parties at a better price.

As explained in the section headed “Use of Proceeds” of this “Letter from the Board”, the Company has plans to set up facilities both in Yuen Long, Hong Kong and Yantai, PRC, with the total investment amount of HK\$1,477,444,000 over a period of two to seven years. In addition, the nature of the Group’s business is heavily dependent upon sufficient working capital to secure raw materials for processing and expansion needs.

9. USE OF PROCEEDS

The net proceeds (after deducting estimated expenses) from the issue of the Convertible Bonds and the full exercise of the Warrants is approximately HK\$886,600,000. It is intended that the net proceeds will be applied towards the general working capital needs and business expansion of the Group, including but not limited to the Group’s investment in the development of integrated processing facilities in Yuen Long, Hong Kong and Yantai, PRC.

In respect of the Yuen Long project, the Group took possession of the site on 1 December 2011 and is in the process of renovating the existing building and facilities. It is expected that the renovation will be completed in the next six months. The Group is also planning to set up new processing facilities in the site. In this connection, the Group is now conducting a selection process to engage relevant professionals and contractors to facilitate the process. It is expected that such process will take approximately 24 to 36 months. The Group will invest (i) approximately HK\$149 million in the land and infrastructure; (ii) approximately HK\$555.6 million in the plant and machinery; and (iii) approximately HK\$150 million as the working capital.

In relation to the Yantai project, the Group took possession of a portion of the site in 2011 and expects to take possession of the remaining portion of the site in 2013. It is expected that production on the Yantai site will commence in the second half of 2012. The Group will invest (i) approximately RMB 110 million (approximately HK\$135.6 million) in the land and infrastructure; (ii) approximately RMB 40 million (approximately HK\$49.3 million) in the plant and machinery; and (iii) approximately RMB 500 million (approximately HK\$616.3 million) as the working capital.

Save as disclosed above, the Company has not currently identified any other investment opportunities or acquisition targets but will continue to look for any suitable and appropriate investment opportunities and acquisition targets as and when they arise.

10. APPLICATION FOR LISTING

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Bonds Conversion Shares and the Warrant Conversion Shares which may fall to be allotted and issued upon exercise of the conversion right and/or subscription rights attaching to the Convertible Bonds and the Warrants. No listing of the Convertible Bonds or the Warrants will be sought on the Stock Exchange or any other stock exchange.

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11. FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

During the twelve months immediately preceding the date of the Subscription Agreement, the Company has undertaken the following fund raising activity:

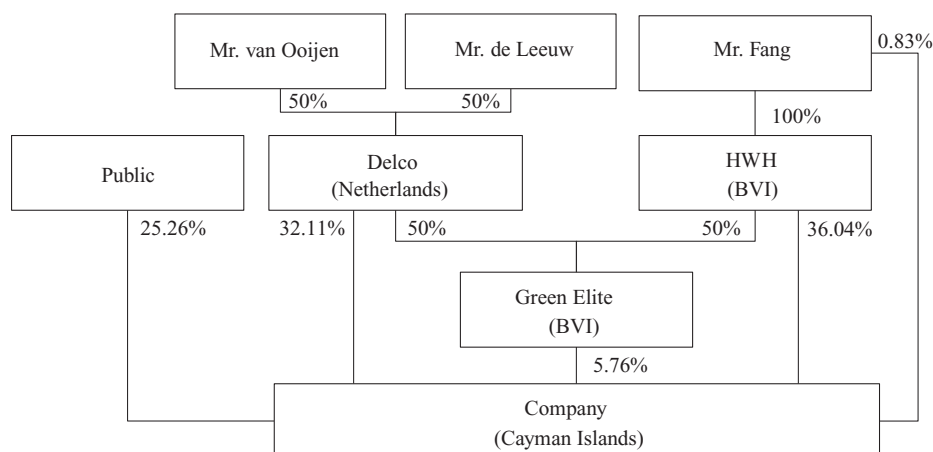
Announcement Date	Event	Net proceeds raised	Basis for the issue and allotment of new Shares	Intended use of proceeds	Actual use of proceeds up to the Latest Practicable Date
15 April 2011	Placing by HWH and Delco of an aggregate of 60,000,000 Shares followed by subscription of 60,000,000 Shares	Approximately HK\$385.7 million	General mandate pursuant to the written resolutions of all Shareholders passed on 23 June 2010	To further enhance the working capital base of the Group to undertake new business opportunities	The net proceeds of HK\$385.7 million has been applied in full as the working capital of the Group

Save as disclosed above, the Company has not undertaken any other fund raising activities during the twelve months immediately preceding the date of the Subscription Agreement.

12. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

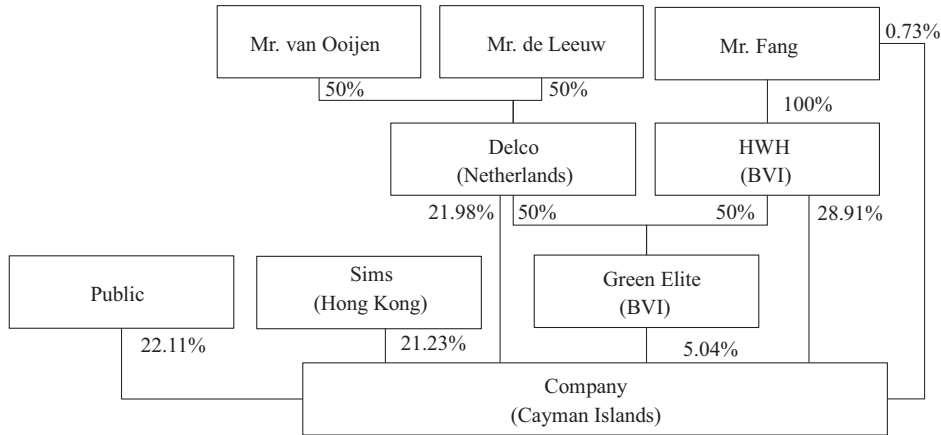
The following diagrams show the effect of the transactions contemplated under the Share Sale and Purchase Agreement and the Subscription Agreement on the shareholding structure of the Company:

Simplified existing shareholding structure of the Company prior to Completion



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Simplified shareholding structure of the Company immediately after Completion and upon the exercise of the Option and full conversion of the Convertible Bonds and the Warrants, assuming that other than the Option Shares to be acquired by Sims from Delco upon the exercise of the Option and the Conversion Shares to be issued to the Subscribers upon the conversion in full of the Convertible Bonds and the Warrants, there is no change in the shareholding structure of the Company from the Latest Practicable Date up to the time immediately after the exercise of the Option and the conversion in full of the Convertible Bonds and the Warrants



Note: The above shareholding structure is for illustration purposes only and may not be achievable because pursuant to the terms of the Deed Poll and the Warrant Instrument, none of the Bondholders and the Warrantheolders may exercise their conversion rights and subscription rights, respectively, if the Company would not be able to comply with the minimum public shareholding requirement under the Listing Rules immediately after such conversion or subscription.

As at the Latest Practicable Date, the Company had 1,041,854,706 Shares in issue.

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Assuming the Convertible Bonds and the Warrants are subscribed in full and that there will be no change in the shareholding structure of the Company from the Latest Practicable Date to (i) immediately after the exercise of the Option by Sims; (ii) immediately after the conversion in full of the Convertible Bonds; and (iii) immediately after the conversion in full of the Convertible Bonds and the Warrants, the effect on the shareholding structure of the Company upon conversion in full of the Convertible Bonds and the Warrants are as follows:

Shareholders	As at the Latest Practicable Date		Assuming conversion in full of the Option, the Convertible Bonds and the Warrants	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
HWH (<i>Note 1</i>)	312,923,265	30.04	344,189,932	28.91
Mr. Fang	8,626,000	0.83	8,626,000	0.73
Delco	230,395,981	22.11	261,658,886	21.98
Sims	166,696,754	16.00	252,772,290	21.23
Green Elite (<i>Note 2</i>)	60,000,000	5.76	60,000,000	5.04
Public Shareholders	263,212,706	25.26	263,212,706	22.11
	1,041,854,706	100.00	1,190,459,814	100.00

Notes:

1. Mr. Fang is deemed to be interested in the Shares held by HWH as HWH is wholly-owned by Mr. Fang.
2. Green Elite is beneficially owned as to 50% by HWH and as to 50% by Delco respectively.

13. SPECIFIC MANDATE

The Company will seek the grant of a Specific Mandate to allot, issue and otherwise deal in additional Shares to satisfy the allotment and issue of the Conversion Shares upon exercise of conversion rights and/or subscription rights attaching to the Convertible Bonds and the Warrants at the EGM.

14. INFORMATION ABOUT THE GROUP, HWH, DELCO AND SIMS

The Group principally engages in 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, aluminum scrap and iron scrap as well as a growing business in scrap metal collection.

HWH is an investment holding company. HWH is wholly-owned by Mr. Fang, the Chairman of the Company and an executive Director.

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Delco is an investment holding company. Delco is indirectly 50%-owned by Mr. van Ooijen, an executive Director, and 50%-owned by a foundation for the sole benefit of Mr. de Leeuw.

Sims is an indirect wholly-owned subsidiary of SMM, the world's largest listed metal recycler with ordinary shares listed on the Australian Securities Exchange (ASX: SGM) and American Depositary Receipts listed on the New York Stock Exchange (NYSE: SMS). The principal business of SMM and its subsidiaries and its associates is metals and electronics recycling.

15. THE MASTER SUPPLY AGREEMENT

Sims Asia is an existing business partner of the Group as the Group has been purchasing Products from the Sims Asia Group for a considerable period of time. Immediately prior to the execution of the Share Sale and Purchase Agreement, on 16 January 2012, the Company entered into the Master Supply Agreement with Sims Asia to document their existing business relationships relating to the purchase by the Group of Products from the Sims Asia Group. The term of the Master Supply Agreement will expire on 31 December 2012. Pursuant to the Master Supply Agreement, the total value of the Products to be supplied by the Sims Asia Group to the Group during the term shall not exceed US\$400 million (approximately HK\$3,120 million) and the purchase and sale of the contemplated products shall be on normal commercial terms, at arms-length consistent with prior practice between the parties.

As Sims Asia is an associate of Sims and therefore a connected person of the Company upon Completion, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules upon renewal of the Master Supply Agreement.

16. IMPLICATIONS UNDER THE LISTING RULES

Immediately after Completion:

- (a) HWH and Delco were interested in 312,923,265 Shares and 230,395,981 Shares respectively, representing approximately 30.04% and 22.11% respectively of the issued share capital of the Company as at the date of the Subscription Agreement. Green Elite, a 50-50 joint venture between Delco and HWH, was interested in 60,000,000 Shares, representing 5.76% of the issued share capital of the Company as at the date of the Subscription Agreement. HWH and Delco were therefore Substantial Shareholders and connected persons of the Company as at the date of the Subscription Agreement; and
- (b) Sims was interested in 166,696,754 Shares, representing approximately 16% of the existing issued share capital of the Company as at the date of the Subscription Agreement. Sims had therefore become a Substantial Shareholder and a connected person of the Company immediately after Completion and as at the date of the Subscription Agreement.

LETTER FROM THE BOARD

Accordingly, the execution of the Subscription Agreement and the transactions contemplated thereunder constitute connected transactions for the Company and are subject to the reporting and announcement requirements of the Listing Rules and the approval by the Independent Shareholders at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in relation to the Transactions. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

17. EGM

The EGM will be held at Room 1412, 14th Floor, Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 27 February 2012 at 10:00 a.m. for the purpose of considering and if, thought fit, approving the EGM Matters. The notice convening the EGM is set out on pages 81 to 83 of this circular. At the EGM, the Resolution will be proposed to confirm, ratify and approve the Transactions by the Independent Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not prevent you from attending and voting at the EGM or any adjournment thereof should you so wish.

Under the Listing Rules, any connected person of the Company with a material interest in the Transactions, and any other Shareholders and their respective associates with a material interest in the Transactions, shall abstain from voting on the Resolution.

The following Shareholders (the "**Abstaining Shareholders**") will abstain from voting on the Resolution at the EGM:

- (a) HWH and Mr. Fang (who were together interested in 321,549,265 Shares, representing approximately 30.86% of all Shares in issue as at the Latest Practicable Date);
- (b) Delco (who was interested in 230,395,981 Shares, representing approximately 22.11% of all Shares in issue as at the Latest Practicable Date);
- (c) Green Elite (who was interested in 60,000,000 Shares, representing approximately 5.76% of all Shares in issue as at the Latest Practicable Date); and

LETTER FROM THE BOARD

- (d) Sims (who was interested in 166,696,754 Shares, representing approximately 16.00% of all Shares in issue as at the Latest Practicable Date).

As far as the Directors are aware, having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) the Abstaining Shareholders controlled or were entitled to exercise control over the voting rights in respect of their respective Shares;
- (ii) save for the arrangements contemplated under the Memorandum of Undertakings as set out in the section headed “**7. Memorandum of Undertakings**” above, there were no voting trusts or other agreements or arrangements or understandings (other than an outright sale) entered into by or binding upon the Abstaining Shareholders; and there were no obligations or entitlements of the Abstaining Shareholders, whereby such persons have or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and
- (iii) there were no discrepancies between the beneficial shareholding interests in the Company of the Abstaining Shareholders and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

In compliance with the Listing Rules, the Resolution will be voted on by way of poll at the EGM. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

18. RECOMMENDATIONS

The Directors (excluding (i) Mr. Fang and Mr. van Ooijen, each of whom has a material interest in the Transactions and had therefore abstained from voting on the resolution of the Board to approve the Transactions; (ii) Mr. Michael Charles Lion, who joined the Board after the Board had passed the resolution to approve the Transactions; and (iii) all the independent non-executive Directors whose view is set out below) takes the view that the Transactions are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having taken into account the recommendation and advice from Guangdong Securities and other factors in relation to the Transactions (as contained in the letter from Guangdong Securities set out on pages 40 to 56 of this circular), the Independent Board Committee is of the view that the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the Resolution at the EGM.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee set out on pages 38 and 39 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from Guangdong Securities set out on pages 40 to 56 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

19. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Chiho-Tiande Group Limited
Fang Ankong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE


CHIHO -
TIANDE 齐合天地
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)

Independent Board Committee:

Dr. Loke Yu (*Chairman*)

Mr. Li Xikui

Ms. Zhang Jingdong

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

9 February 2012

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION RELATING TO
THE ISSUE BY THE COMPANY OF
THREE-YEAR 4% COUPON CONVERTIBLE BONDS
IN THE AGGREGATE PRINCIPAL AMOUNT OF HK\$815,800,000
WITH DETACHABLE THREE-YEAR WARRANTS TO SUBSCRIBE FOR
SHARES IN AN AGGREGATE AMOUNT OF HK\$75,830,646**

We refer to the circular of which this letter forms a part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Guangdong Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the recommendation and advice of Guangdong Securities, in our opinion, the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the Resolution at the EGM.

Yours faithfully,
**The Independent Board Committee
of Chiho-Tiande Group Limited**
Dr. Loke Yu (*Chairman*)
Mr. Li Xikui
Ms. Zhang Jingdong

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement for the purpose of inclusion in this circular.



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

9 February 2012

*To: The independent board committee and the independent shareholders
of Chiho-Tiande Group Limited*

Dear Sirs,

**THE ISSUE BY THE COMPANY OF
THREE-YEAR 4% COUPON CONVERTIBLE BONDS
IN THE AGGREGATE PRINCIPAL AMOUNT OF HK\$815,800,000
WITH DETACHABLE THREE-YEAR WARRANTS
TO SUBSCRIBE FOR SHARES IN AN AGGREGATE
AMOUNT OF HK\$75,830,646**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 February 2012 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 January 2012, Mr. Fang, the Chairman of the Group, through HWH together with Delco, have executed the Share Sale and Purchase Agreement to sell 16% of the existing issued share capital of the Company to Sims, a Hong Kong subsidiary of SMM, a metal recycler with ordinary shares listed on the Australian Securities Exchange (ASX: SGM) and American Depositary Receipts listed on the New York Stock Exchange (NYSE: SMS). Delco has also granted the Option to Sims to acquire a further 2% of the existing issued share capital of the Company. In addition, Sims will subscribe for part of the Convertible Bonds with the detachable Warrants in accordance with the terms and conditions of the Subscription Agreement dated 17 January 2012.

On the other hand, in order to support the continuing growth of the Group, HWH and Delco will re-invest into the Company approximately two-thirds of the sale proceeds received from the Share Sale by way of subscribing for part of the Convertible Bonds with the detachable Warrants on the same terms as Sims pursuant to the Subscription Agreement. Under the Memorandum of Undertakings, HWH and Delco have further agreed to assign

LETTER FROM GUANGDONG SECURITIES

their Warrants to Sims upon issue of the same without any additional consideration, so as to enable Sims to hold not more than approximately 20% of the fully diluted issued share capital of the Company immediately after the exercise of the Option and the conversion in full of the Convertible Bonds and the Warrants, assuming that the Company will have sufficient public float to enable the full conversion of the Convertible Bonds and the Warrants.

The Convertible Bonds in the aggregate principal amount of HK\$815,800,000 carry an annual interest rate of 4% and will mature in three years; whereas the detachable Warrants in registered form is of an aggregate principal amount of HK\$75,830,646. Both of the Bonds Conversion Price and the Warrant Subscription Price is HK\$6.00 per Conversion Share (the “**Price**”) and would allow the Subscribers to subscribe for a total of 148,605,108 Conversion Shares upon full conversion of the Convertible Bonds as well as the Warrants.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM to allot, issue and otherwise deal in additional Shares to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds and the Warrant Subscription Rights.

Moreover, according to the Board Letter, the Subscription Agreement and the transactions contemplated thereunder constitute connected transactions for the Company and are therefore subject to the reporting, announcement and Independent Shareholders’ approval requirements of the Listing Rules. Sims, Delco, HWH, Green Elite and their respective associates are required to abstain from voting for the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising Mr. Loke Yu, Mr. Li Xikui and Ms. Zhang Jingdong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful

LETTER FROM GUANGDONG SECURITIES

considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, HWH, Delco, Sims and/or their respective subsidiaries and associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the Subscription

Business overview of the Group

As extracted from the Board Letter, the Group principally engages in 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 as well as a growing business in scrap metal collection.

LETTER FROM GUANGDONG SECURITIES

Set out below are the financial information of the Group for the six months ended 30 June 2011 and each of the two years ended 31 December 2010 as extracted from the Company's interim report for the six months ended 30 June 2011 (the "2011 Interim Report") and its annual report for the year ended 31 December 2010 (the "2010 Annual Report") respectively:

	For the six months ended 30 June 2011 (unaudited) HK\$'000	For the year ended 31 December 2010 (audited) HK\$'000	For the year ended 31 December 2009 (audited) HK\$'000	% change from 2009 to 2010 %
Revenue	4,524,547	5,931,589	2,339,243	153.6
Gross profit	452,723	569,944	554,437	2.8
			<i>(Note)</i>	
Profit for the period/year	305,348	352,556	419,654	(16.0)
Total comprehensive income for the period/year	329,111	386,510	423,135	(8.7)
			As at 30 June 2011 (unaudited) HK\$'000	As at 31 December 2010 (audited) HK\$'000
Net asset value		2,300,583	1,646,681	
Bank balances and cash		248,967	251,335	
Bank borrowings		(2,522,804)	(1,496,672)	

Note: The gross profit included a reversal of allowance for inventories of approximately HK\$308.6 million.

From the above table, we noted that the total revenue of the Group for the year ended 31 December 2010 increased substantially by approximately 153.6% from approximately HK\$2,339.2 million to approximately HK\$5,931.6 million. As referred to in the 2010 Annual Report, such promising performance of the Group reflected the continuous strong demand of the Company's recycled products during the same year under review.

The Group continued to record strong growth in revenue and overall profitability for the six months ended 30 June 2011 as compared to the corresponding period in 2010. Nevertheless, as announced by the Company on 13 January 2012, the Group expected to make a loss in the fourth quarter of 2011 due to a significant drop in the global commodity prices in the last quarter of 2011 and "mark-to-market" basis for provision for inventories and revaluation for financial instruments held by the Group. As a result, the Company anticipates that it will record a significant decrease in net profit for the year ended 31 December 2011 as compared to the previous year.

LETTER FROM GUANGDONG SECURITIES

As for the assets and liabilities position of the Group, despite the expansion of the Group's net asset value from 31 December 2010 to 30 June 2011, the bank balances and cash of the Group reduced while its bank borrowings increased substantially between the same said dates under review.

As indicated in the 2011 Interim Report, the Group continues to increase purchase of raw materials, to further enhance the existing procurement network and to develop the current capabilities of its existing facilities. In addition, the management of the Group continues to actively look for potential opportunities including opportunities for merger and acquisition to enhance the development of the Group.

Reasons for the Subscription and the proposed use of proceeds

As extracted from the Board Letter, notwithstanding that the Group is the largest mixed metal scrap importer and processor in the PRC, the Group is constantly searching for opportunities to further grow and expand within the PRC and worldwide. The Board believes that in view of SMM's global reach and customer network, advanced technologies and solutions in the metals and electronics recycling industry together with its strong global resources with around 260 facilities worldwide, the proposed strategic collaboration with SMM will significantly add value and expertise which complements that of the Group, and will considerably enhance the Group's current position for future expansion. The Board further believes that having SMM as a significant minority shareholder of the Group is a strong recognition of the Group's competitiveness and achievements and will significantly enhance the overall reputation and strategic growth of the Group within the metal recycling industry. In addition, the management of the Company is of the opinion that SMM's investments in the Company will reinforce the existing relationship between SMM and the Group and opens up new opportunities in the PRC. The Company also hopes to benefit from SMM's global management/technical expertise.

As also extracted from the Board Letter, SMM is the world's largest listed metal recycler with ordinary shares listed on the Australian Securities Exchange (ASX: SGM) and American Depositary Receipts listed on the New York Stock Exchange (NYSE: SMS). The principal business of SMM and its subsidiaries and associates is metals and electronics recycling. Based on our independent research, we noted from the websites of the New York Stock Exchange and SMM that SMM's geographic areas of operations comprise North America, Australasia, Europe, India, Singapore, Hong Kong and South Africa. For the financial year ended 30 June 2011, SMM recorded revenue of approximately Australian dollar ("A\$") 8,852.9 million and profit of approximately A\$192.1 million. The total assets and total equity of SMM were approximately A\$4,179.8 million and A\$2,920.5 million respectively as at 30 June 2011. Given the strong background of SMM, we concur with the Directors that the proposed strategic collaboration between the Group and SMM through the Subscription by Sims would facilitate and be beneficial to the future development of the Group.

LETTER FROM GUANGDONG SECURITIES

From the Board Letter, we understand that as strategic investor, SMM has requested a meaningful interest in the Company. Following arm's length negotiations with SMM, it was eventually agreed that SMM would be entitled to up to 20% of the Company on an as converted, fully-diluted basis. This percentage shareholding was arrived at, being the maximum percentage shareholding that HWH and Delco would be prepared to divest and the minimum percentage shareholding that SMM would be prepared to accept, while at the same time maintaining the public float. The transaction was structured as part sale of existing Shares by the controlling shareholders of the Company (i.e. HWH and Delco), and the subscription by them (as well as by Sims) for the Convertible Bonds in order to ensure that the public float of the Company is maintained at all times.

The Company believes that the Convertible Bonds represent a financial assistance given by the controlling shareholders of the Company (i.e. HWH and Delco) and Sims for the benefit of the Company. The interest rate of 4% per annum is considered to be in the low side of the Company's unsecured borrowing cost from financial institutions and/or banks. The Bonds Conversion Price represents a significant premium of approximately 51.90% over the closing price HK\$3.95 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement (the "**Agreement Date**"). The Company does not believe that it will be able to borrow at a cheaper rate than the Convertible Bonds, nor under current market conditions, sell bonds or other securities to third parties at a better price.

As explained under the section headed "Use of proceeds" of the Board Letter, the Company has plans to set up facilities both in Yuen Long, Hong Kong and Yantai, the PRC, with total investment amount of HK\$1,477,444,000 over a period of two to seven years. Furthermore, the nature of the Group's business is heavily dependent upon sufficient working capital to secure raw materials for processing and expansion needs.

The net proceeds (after deducting the estimated expenses) from the issue of the Convertible Bonds and the full exercise of the Warrants is approximately HK\$886,600,000. It is intended that the net proceeds will be applied towards the general working capital needs and business expansion of the Group, including but not limited to the Group's investment in the development of integrated processing facilities in Yuen Long and Yantai as just mentioned (the "**Development Plans**") (for details of the expected time frame and funding requirement of the Development Plans, please refer to the section headed "Use of proceeds" of the Board Letter). We noted that the Company has announced the Development Plans on 9 September 2011 and 11 August 2011 respectively and we have studied the said announcements. For the purpose of understanding the Development Plans in further depth, we have also obtained the relevant internal documents/proposals from the Company and discussed with the Directors in relation to the latest development and changes (if any) of the Development Plans. As advised by the Directors, the proposed application of the net proceeds is in alignment with the Group's overall future development strategy.

LETTER FROM GUANGDONG SECURITIES

With the above reasons for the Subscription and the proposed use of proceeds from the Subscription being the case, we concur with the Directors that the reasons for the Subscription are justifiable and the Subscription is in the interests of the Company and the Shareholders as a whole.

(2) **Principal terms of the Subscription Agreement, the Deed Poll and the Warrant Instrument**

The Subscription Agreement

The table below summarises the major terms of the Subscription Agreement as extracted from the Board Letter:

Date: 17 January 2012

Parties: (i) the Company;

(ii) HWH;

(iii) Delco; and

(iv) Sims.

Issuer: The Company

Subscribers and the principal amounts of the Convertible Bonds to be subscribed and the Warrants to be issued	Name of Subscribers	Principal amount of the Convertible Bonds to be subscribed HK\$	Principal amount of the Warrants to be issued HK\$
	HWH	187,600,000	17,434,536
	Delco	312,600,000	29,057,556
	Sims	315,600,000	29,338,554
		<u>815,800,000</u>	<u>75,830,646</u>

LETTER FROM GUANGDONG SECURITIES

The Deed Poll

The table below summarises the major terms of the Deed Poll as extracted from the Board Letter:

Bonds Conversion Price:	HK\$6.00 per Bonds Conversion Share. The Bonds Conversion Price and the aggregate number of the Bonds Conversion Shares to be issued and allotted upon exercise of the Convertible Bonds are subject to adjustments based on the prescribed formulae as set out in the Deed Poll being summarised under the section headed “The Deed Poll” of the Board Letter.
Maturity Date:	The third anniversary of the date of issue of the Convertible Bonds, subject to extension up to its fifth anniversary as detailed under the section headed “The Deed Poll” of the Board Letter.
Interest:	The Convertible Bonds shall bear interest from and including the date on which the Convertible Bonds are issued at the rate of 4% per annum of the outstanding principal amount of the Convertible Bonds.
Bonds Conversion Period:	The conversion rights attaching to the Convertible Bonds may be exercised, at the option of the Bondholders, at any time on and after the first Business Day immediately following the second anniversary of the date of issue of the Convertible Bonds up to and including the date falling on the 10th Business Day prior to the Maturity Date, or if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date.
Redemption:	No redemption of the Convertible Bonds prior to the Maturity Date is allowed, except that any Bondholder is entitled to the repayment of the then outstanding principal amount of the Convertible Bonds together with any accrued and unpaid interest when the Company commits an event of default under the terms and conditions of the Convertible Bonds.
Redemption price:	100% of the outstanding principal amount of the Convertible Bonds.

LETTER FROM GUANGDONG SECURITIES

Minimum public float: The Bondholders shall not have the right to convert the whole or part of the principal amount of the Convertible Bonds to the extent that immediately after such conversion, there will not be sufficient public float of Shares as required under the Listing Rules. In the case where the Company does not have sufficient public float as required under the Listing Rules to issue all the Conversion Shares, each Bondholder shall only be entitled to convert such number of Shares which ensures minimum public float on a pro-rata basis, based on the then outstanding principal amount of the Convertible Bonds held by the relevant Bondholder proportional to the then total outstanding principal amount of the Convertible Bonds.

The Warrant Instrument

The table below summarises the major terms of the Warrant Instrument as extracted from the Board Letter:

Warrant Subscription Price: HK\$6.00 per Warrant Conversion Share. The Warrant Subscription Price and the aggregate number of the Warrant Conversion Shares to be issued and allotted upon exercise of the Warrant Subscription Rights are subject to adjustments based on the prescribed formulae as set out in the Warrant Instrument being summarised under the section headed “The Warrant Instrument” of the Board Letter.

Warrant Subscription Period: The period commencing on the first Business Day immediately following the second anniversary of the date of issue of the Warrants (which must be a Stock Exchange Business Day and if not, the Stock Exchange Business Day immediately following) up to and including the date immediately preceding the Expiry Date (if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding this date), being the third anniversary of the date of issue of the Warrants.

LETTER FROM GUANGDONG SECURITIES

The Expiry Date shall be extended to the date falling on the fifth anniversary of the date of its issue in situation as detailed under the section headed “The Warrant Instrument” of the Board Letter.

Minimum public float:

The Warrantheolders shall not have the right to exercise the Warrant Subscription Rights to the extent that immediately after such exercise, there will not be sufficient public float of Shares as required under the Listing Rules. In the case where the Company does not have sufficient public float as required under the Listing Rules to issue all the Warrant Conversion Shares, unless otherwise agreed between the Warrantheolders, each Warrantheolder shall only be entitled to exercise the Warrant Subscription Rights to the extent so as to convert such number of Shares which ensures minimum public float on a pro-rata basis, based on the aggregate amount stated on the face of the Warrants held by the relevant Warrantheolder proportional to the then total outstanding amount of the Warrants.

As confirmed by the Directors, the terms and conditions of each of the Subscription Agreement, the Deed Poll and the Warrant Instrument were agreed after arm’s length negotiations among the Company, HWH, Delco and Sims.

The Price

The Price of HK\$6.00 per Bonds Conversion Share/Warrant Conversion Share represents:

- (i) a premium of approximately 36.36% over the closing price of HK\$4.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 51.90% over the closing price of HK\$3.95 per Share as quoted on the Stock Exchange on 17 January 2012, being the Agreement Date;
- (iii) a premium of approximately 53.45% over the average of the closing prices of approximately HK\$3.91 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares up to and including the Agreement Date; and

LETTER FROM GUANGDONG SECURITIES

- (iv) a premium of approximately 167.86% over the net asset value per Share of HK\$2.24, which is calculated based on the unaudited net asset value of the Company of approximately HK\$2,300.6 million as at 30 June 2011 as disclosed in the 2011 Interim Report divided by its weighted average number of Shares of 1,029,090,752 Shares.

The Directors confirmed that the Price has been determined by the Company after taking into consideration of (i) the Company's equity placement tranche completed in April 2011 and the subsequent market correction; (ii) the arm's length negotiations with Sims; and (iii) the volume-weighted average price of the Shares during the year ended 31 December 2011.

In order to assess the fairness and reasonableness of the Price, we have performed a review on the historical closing price of the Shares as presented below.

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 3 January 2011 up to and including the Agreement Date (the "Review Period") are shown as follows:

Month	Highest closing price <i>HK\$</i>	Lowest closing price <i>HK\$</i>	Average daily closing price <i>HK\$</i>	No. of trading days in each month
2011				
January	5.90	4.78	5.17	21
February	6.98	5.94	6.46	18
March	7.42	6.72	7.06	23
April	7.55	5.97	7.02	18
May	6.22	5.99	6.12	20
June	6.20	5.51	5.98	21
July	6.36	6.05	6.20	20
August	6.10	4.17	4.98	23
September	4.95	3.93	4.40	20
October	4.41	3.78	4.15	20
November	4.60	4.17	4.37	22
December	4.30	3.93	4.08	20
2012				
January (up to and including the Agreement Date)	4.10	3.74	3.97	11

Source: the Stock Exchange website (www.hkex.com.hk)

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During the Review Period, the average daily closing price of the Shares ranged from approximately HK\$3.97 to HK\$7.06 per Share in each month (the “**Price Range**”). The Price is hence within the Price Range. We also noted that the closing price of the Shares reached the peak of HK\$7.55 per Share on 11 April 2011, which is the last trading day before the Company released an announcement regarding the placing and the subsequent subscription by HWH and Delco of the Shares, and it dropped persistently afterwards in general. The average daily closing price of the Shares in each month had also been below the Price since August 2011 during the Review Period.

Comparison with other issue and subscription of convertible notes/bonds

As part of our analysis, we have further identified those issue and subscription of convertible notes/bonds exercises which were announced by companies listed on the Stock Exchange from 1 October 2011 up to the Agreement Date (being the recent approximate 3-month period before the date of the Subscription Agreement to reflect the prevailing stock market condition) (the “**Comparables**”). To the best of our knowledge and as far as we are aware of, we found 14 transactions which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the recent common market practice of Hong Kong listed companies in issue and subscription of convertible notes/bonds exercises. Set out below is our relevant finding:

Date of announcement	Company name	Stock code	Term <i>Years</i>	Annual interest rate <i>%</i>	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to the release of announcements/ date of agreements in relation to the respective issue and subscription of convertible notes/bonds <i>%</i>
3 October 2011	Rising Development Holdings Limited	1004	3	5.00	6.38
6 October 2011	Asia Orient Holdings Limited	214	3	6.50	2.80
7 October 2011	China Environmental Energy Investment Limited	986	1	Nil	(22.54)

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Date of announcement	Company name	Stock code	Term <i>Years</i>	Annual interest rate <i>%</i>	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to the release of announcements/ date of agreements in relation to the respective issue and subscription of convertible notes/bonds <i>%</i>
18 October 2011	Amber Energy Limited	90	5	2.00	39.80
19 October 2011	Pacific Plywood Holdings Limited	767	1.5	2.00	(28.21)
7 November 2011	The United Laboratories International Holdings Limited	3933	5 <i>(Note 1)</i>	7.50	20.00
18 November 2011	New Focus Auto Tech Holdings Limited	360	4	Nil	31.18
28 November 2011	China XLX Fertiliser Limited	1866	5	4.50 <i>(Note 2)</i>	6.34
30 November 2011	Hilong Holding Limited	1623	3	3.50	67.83
6 December 2011	New Environmental Energy Holdings Limited	3989	3 <i>(Note 3)</i>	Nil	14.29
8 December 2011	Computech Holdings Limited	8081	3	Nil	(44.44)
13 December 2011	Interchina Holdings Company Limited	202	3	2.00	(18.42)
19 December 2011	Kai Yuan Holdings Limited	1215	2	3.50	(3.23)
22 December 2011	Culture Landmark Investment Limited	674	1	12.00	5.26
	Minimum			Nil	(44.44)
	Maximum			12.00	67.83
	Average			3.46	5.50
17 January 2012	The Company	976	3	4.00	51.90

Notes:

1. Will mature on 14 November 2016.

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2. China XLX Fertiliser Limited shall have the right to defer payment of the interest. In the event that China XLX Fertiliser Limited exercises the right to defer payment of the interest, the applicable cash pay rate (interest on the bonds from (and including) the date of issue of the bonds at the simple rate of 4.5% per annum payable in cash annually in arrear) at relevant time will increase by 2% per annum.
3. Will mature on 31 December 2014.

Source: website of the Stock Exchange (www.hkex.com.hk)

(a) The Bonds Conversion Price

We noted from the above table that the conversion prices of the Comparables ranged from a discount of approximately 44.44% to a premium of approximately 67.83% to/over the respective closing prices of their shares on the last trading day prior to the release of announcements/date of agreements in relation to the respective issue and subscription of convertible notes/bonds exercises. As such, the Bonds Conversion Price, which represents a premium of approximately 51.90% over the closing price of the Shares on the Agreement Date, falls within the said market range. We are thus of the opinion that the Bonds Conversion Price is in line with the recent market practice.

In view of also that as presented under the sub-section headed “The Price” of this letter, (i) the Price is within the Price Range; and (ii) the closing price of the Shares dropped persistently in general from 11 April 2011 onwards and the average daily closing price of the Shares in each month had been below the Price since August 2011 during the Review Period, we are of the view that the Bonds Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

(b) Annual interest rate

As presented by the above table, the Comparables carried an annual interest rate of 0% to 12% with an average of approximately 3.46%; whereas the Convertible Bonds bear interest of 4% per annum, which falls within the said market range and is below the interest rate of five of the Comparables. Besides that, as advised by the Directors, the effective interest rate of the Group’s bank borrowings ranged from around 2% to 7% for the year ended 31 December 2011 (subject to audit). Given the above, we consider that the interest rate of the Convertible Bonds is acceptable.

(c) The Maturity Date

As mentioned under the sub-section headed “The Deed Poll” of this letter, the Maturity Date of three years is subject to extension up to the fifth anniversary of the Convertible Bonds. We noted that such extension arrangement may not be common market practice but since the Maturity Date can only be extended if any of the Subscribers is unable to exercise any conversion rights in accordance with

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the conditions set out under the Deed Poll on or before the Maturity Date solely because of the minimum public float restriction under the Listing Rules, we are of the opinion that the extension of the Maturity Date is justifiable.

Major terms of the Warrant Instrument

Shareholders may refer to the foregoing sub-sections headed “The Bonds Conversion Price” and “The Maturity Date” respectively for our analyses in respect of the Warrant Subscription Price as well as the Expiry Date. In addition, in light of that (i) the possible exercise of the Warrant Subscription Rights would enlarge the capital base of the Company and raise additional funds for the Group for its business development in the future; and (ii) as confirmed by the Directors, the Warrants serve to promote the attractiveness of the Convertible Bonds to the Subscribers, we consider the terms of the Warrant Instrument to be fair and reasonable so far as the Independent Shareholders are concerned.

We have also reviewed the other major terms of the Subscription Agreement and are not aware of any terms which are unusual. We are therefore of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Dilution effect on the shareholding interests of the existing public Shareholders

The table below illustrates the possible shareholding structure of the Company (i) as at the Agreement Date; (ii) immediately after the conversion in full of the Convertible Bonds and the Warrants; and (iii) immediately after the conversion in full of the Option, the Convertible Bonds and the Warrants:

Shareholders	As at the Agreement Date		Assuming conversion in full of the Convertible Bonds and the Warrants (Note 3)		Assuming conversion in full of the Option, the Convertible Bonds and the Warrants (Note 3)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
HWH (Note 1)	312,923,265	30.04	344,189,932	28.91	344,189,932	28.91
Mr. Fang	8,626,000	0.83	8,626,000	0.73	8,626,000	0.73
Delco	230,395,981	22.11	282,495,981	23.73	261,658,886	21.98
Sims	166,696,754	16.00	231,935,195	19.48	252,772,290	21.23
Green Elite (Note 2)	60,000,000	5.76	60,000,000	5.04	60,000,000	5.04
Public Shareholders	<u>263,212,706</u>	<u>25.26</u>	<u>263,212,706</u>	<u>22.11</u>	<u>263,212,706</u>	<u>22.11</u>
Total	<u>1,041,854,706</u>	<u>100</u>	<u>1,190,459,814</u>	<u>100</u>	<u>1,190,459,814</u>	<u>100</u>

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Notes:

1. Mr. Fang is deemed to be interested in the Shares held by HWH as HWH is wholly-owned by Mr. Fang.
2. Green Elite is beneficially owned as to 50% by HWH and 50% by Delco.
3. The above shareholding structure is for illustrative purposes only and may not be achievable because pursuant to the terms of the Deed Poll and the Warrant Instrument, none of the Bondholders and the Warrantholders may exercise their conversion rights and subscription rights, respectively, if the Company would not be able to comply with the minimum public shareholding requirement under the Listing Rules immediately after such conversion or subscription.

As depicted by the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted by approximately 3.15 percent point after (i) the conversion in full of the Convertible Bonds and the Warrants; and (ii) the conversion in full of the Option, the Convertible Bonds and the Warrants. Taking into account the reasons for the Subscription and the terms of the Subscription Agreement, the Deed Poll and the Warrant Instrument being fair and reasonable, we are of the view that the aforementioned extent of minimal dilution to the shareholding interests of the existing public Shareholders is acceptable.

(4) Financial effects of the Subscription

Relating to the Convertible Bonds

(a) Effect on net assets and earnings

Based on the 2011 Interim Report, the audited consolidated net assets of the Group were approximately HK\$2,300.6 million as at 30 June 2011. We are advised by the Directors that the Convertible Bonds would be divided into a liability component and an equity component in the consolidated statement of financial position of the Group, the distribution of which could not yet been ascertained at this early stage and would only be determined upon the Subscription Completion.

Furthermore, since the interest rate of the Convertible Bonds is 4% per annum, earnings of the Group would be reduced by the interest expense associated with the outstanding Convertible Bonds before the Convertible Bonds are mature.

(b) Effect on gearing and liquidity

As extracted from the 2011 Interim Report, the Group's gearing level (being calculated as bank borrowing over total assets) was approximately 45.7% as at 30 June 2011. Since the relevant financial impact of the issue of the Convertible Bonds has not yet been ascertained, the impact of the issue of the Convertible Bonds on the gearing of the Group could not be estimated at this early stage. As

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also confirmed by the Directors, immediately upon the Subscription Completion, the Group's cash in hand would be increased by the amount of the net proceeds from the issue of the Convertible Bonds.

Relating to the Warrants

According to the Directors, the issue of the Warrants would not lead to any impact on the consolidated statement of financial position of the Group at the time when they are issued. Nonetheless, it is expected that the Group's net assets and gearing position would be improved upon the possible exercise of the Warrant Subscription Rights in the future. Furthermore, the cash in hand of the Group would also be increased by the amount of net proceeds from the exercise of the Warrant Subscription Rights.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Subscription Completion.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the exercise of the Option and upon full conversion of the Convertible Bonds and the Warrants are as follows:

(i) As at the Latest Practicable Date

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000</u>
<i>Issued and fully paid share capital or credited as fully paid</i>		<i>HK\$</i>
<u>1,041,854,706</u>	Shares	<u>10,418,547.06</u>

(ii) Immediately after the exercise of the Option and upon full conversion of the Convertible Bonds and the Warrants

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000</u>
<i>Issued and fully paid share capital or credited as fully paid</i>		<i>HK\$</i>
1,041,854,706	Shares	10,418,547.06
<u>148,605,108</u>	Conversion Shares to be issued upon full conversion of the Convertible Bonds and the Warrants	<u>1,486,051.08</u>
<u>1,190,459,814</u>	Shares	<u>11,904,598.14</u>

3. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of each of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its Associated Corporations which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

The Company*(i) Long positions in Shares and underlying Shares:*

Name of Director	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
Mr. Fang	Beneficial owner	8,626,000	20,000,000 <i>(Note 1)</i>	28,626,000	
	Interest in controlled corporations	372,923,265 <i>(Note 2)</i>	31,266,667 <i>(Note 2)</i>	404,189,932	
	Interest of the other parties to an agreement under section 317 of the SFO	397,092,735 <i>(Note 3)</i>	140,175,536 <i>(Note 3)</i>	537,268,271	
			Total:	<u>970,084,203</u>	93.11
Mr. van Ooijen	Beneficial owner	–	2,000,000 <i>(Note 4)</i>	2,000,000	
	Interest in controlled corporations	290,395,981 <i>(Note 5)</i>	52,100,000 <i>(Note 5)</i>	342,495,981	
	Interest of the other parties to an agreement under section 317 of the SFO	488,246,019 <i>(Note 6)</i>	137,342,203 <i>(Note 6)</i>	625,588,222	
			Total:	<u>970,084,203</u>	93.11

Name of Director	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
Mr. Gu Liyong	Beneficial owner	–	1,300,000 (Note 7)	1,300,000	0.12
Dr. Loke Yu	Beneficial owner	–	150,000 (Note 8)	150,000	0.01
Ms. Zhang Jingdong	Beneficial owner	–	150,000 (Note 9)	150,000	0.01
Mr. Li Xikui	Beneficial owner	–	150,000 (Note 10)	150,000	0.01

(ii) Short positions in Shares:

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage shareholding in the Company
Mr. Fang	Interest of the other parties to an agreement under section 317 of the SFO	20,837,095 (Note 11)	2.00
Mr. van Ooijen	Interest in controlled corporations	20,837,095 (Note 11)	2.00

(iii) Long positions in debentures of the Company:

Name of Director	Capacity/Nature of Interest	Principal amount of the debentures held (HK\$)
Mr. Fang	Interest in controlled corporations	187,600,000 (Note 12)
Mr. van Ooijen	Interest in controlled corporations	312,600,000 (Note 13)

Notes:

- (1) Mr. Fang was granted options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to subscribe for 20,000,000 Shares.
- (2) 312,923,265 Shares are held by HWH as beneficial owner and HWH is wholly-owned by Mr. Fang. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco. The 31,266,667 underlying Shares represent such number of underlying Shares which fall to be issued to HWH upon full conversion of the Convertible Bonds. Therefore, Mr. Fang is deemed to be interested in an aggregate of 404,189,932 Shares held by his controlled corporations.
- (3) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 397,092,735 Shares comprise (i) 230,395,981 Shares held by Delco as beneficial owner; and (ii) 166,696,754 Shares held by Sims as beneficial owner. The 140,175,536 underlying Shares comprise (i) 2,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 below; (ii) 52,100,000 underlying Shares held by Delco as beneficial owner which fall to be issued to Delco upon full conversion of the Convertible Bonds; (iii) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (iv) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; (v) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, Mr. Fang is deemed to be interested in an aggregate of 537,268,271 Shares held by the other parties to an agreement under section 317 of the SFO.
- (4) Mr. van Ooijen was granted options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to subscribe for 2,000,000 Shares.
- (5) 230,395,981 Shares are held by Delco as beneficial owner and Delco is indirectly 50%-owned by Mr. van Ooijen. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco. The 52,100,000 underlying Shares represent such number of underlying Shares which fall to be issued to Delco upon full conversion of the Convertible Bonds. Therefore, Mr. van Ooijen is deemed to be interested in an aggregate of 342,495,981 Shares held by his controlled corporations.
- (6) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 488,246,019 Shares comprise (i) 8,626,000 Shares held by Mr. Fang as beneficial owner; (ii) 312,923,265 Shares held by HWH as beneficial owner; and (iii) 166,696,754 Shares held by Sims as beneficial owner. The 137,342,203 underlying Shares comprise (i) 20,000,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 above; (ii) 31,266,667 underlying Shares held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; (iii) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (iv) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; (v) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, Mr. van Ooijen is deemed to be interested in an aggregate of 625,588,222 Shares held by the other parties to an agreement under section 317 of the SFO.
- (7) Mr. Gu Liyong was granted options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to subscribe for 1,300,000 Shares.
- (8) Dr. Loke Yu was granted options under the Post-IPO Share Option Scheme to subscribe for 150,000 Shares.

- (9) Ms. Zhang Jingdong was granted options under the Post-IPO Share Option Scheme to subscribe for 150,000 Shares.
- (10) Mr. Li Xikui was granted options under the Post-IPO Share Option Scheme to subscribe for 150,000 Shares.
- (11) The short position in respect of 20,837,095 Shares represent the number of the Option Shares which Delco is obliged to deliver to Sims upon exercise of the Option by Sims. Mr. van Ooijen is deemed to have the same short position as Delco since Delco is indirectly 50%-owned by Mr. van Ooijen. Mr. Fang is also deemed to have the same short position as Delco since Mr. Fang and Delco are parties to an agreement under section 317 of the SFO referred to in Notes 3 and 6 above.
- (12) This represents the principal amount of the Convertible Bonds subscribed by HWH, by virtue of which HWH is deemed to be interested in 31,266,667 underlying Shares as referred to in Notes 2, 3 and 6 above. Mr. Fang is deemed to be interested in the same principal amount of the Convertible Bonds as HWH since HWH is wholly-owned by Mr. Fang.
- (13) This represents the principal amount of the Convertible Bonds subscribed by Delco, by virtue of which Delco is deemed to be interested in 52,100,000 underlying Shares as referred to in Notes 3, 5 and 6 above. Mr. van Ooijen is deemed to be interested in the same principal amount of the Convertible Bonds as Delco since Delco is indirectly 50%-owned by Mr. van Ooijen.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) (a) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or (b) were 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 the general meetings of any other member of the Group:

(i) Long positions in Shares and underlying Shares:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
HWH	Beneficial owner	312,923,265 (Note 1)	31,266,667 (Note 1)	344,189,932	
	Interest in controlled corporations	60,000,000 (Note 1)	–	60,000,000	
	Interest of the other parties to an agreement under section 317 of the SFO	405,718,735 (Note 2)	160,175,536 (Note 2)	565,894,271	
			Total:	<u>970,084,203</u>	93.11
Delco	Beneficial owner	230,395,981 (Note 3)	52,100,000 (Note 3)	282,495,981	
	Interest in controlled corporations	60,000,000 (Note 3)	–	60,000,000	
	Interest of the other parties to an agreement under section 317 of the SFO	488,246,019 (Note 4)	139,342,203 (Note 4)	627,588,222	
			Total:	<u>970,084,203</u>	93.11
Mr. de Leeuw	Interest in controlled corporations	290,395,981 (Notes 3 & 5)	52,100,000 (Notes 3 & 5)	342,495,981	
	Interest of the other parties to an agreement under section 317 of the SFO	488,246,019 (Notes 4 & 5)	139,342,203 (Notes 4 & 5)	627,588,222	
			Total:	<u>970,084,203</u>	93.11

APPENDIX I
GENERAL INFORMATION

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
SVO Company B.V. (“SVO”)	Interest in controlled corporations	778,642,000 <i>(Notes 3, 4 & 5)</i>	191,442,203 <i>(Notes 3, 4 & 5)</i>	970,084,203	93.11
H.P.L. Metals B.V. (“HPL”)	Interest in controlled corporations	778,642,000 <i>(Notes 3, 4 & 5)</i>	191,442,203 <i>(Notes 3, 4 & 5)</i>	970,084,203	93.11
Stichting Beheer Aandelen H.P.L. Metals (“Stichting HPL”)	Interest in controlled corporations	778,642,000 <i>(Notes 3, 4 & 5)</i>	191,442,203 <i>(Notes 3, 4 & 5)</i>	970,084,203	93.11
Green Elite	Beneficial owner	60,000,000	–	60,000,000	5.76
Sims	Beneficial owner	166,696,754 <i>(Note 6)</i>	86,075,536 <i>(Note 6)</i>	252,772,290	
	Interest of the other parties to an agreement under section 317 of the SFO	611,945,246 <i>(Note 7)</i>	105,366,667 <i>(Note 7)</i>	717,311,913	
			Total:	<u>970,084,203</u>	93.11
Sims Metal Management China Holdings Limited (“SMM China”)	Interest in controlled corporations	778,642,000 <i>(Notes 6, 7 & 8)</i>	191,442,203 <i>(Notes 6, 7 & 8)</i>	970,084,203	93.11
Sims Asia	Interest in controlled corporations	778,642,000 <i>(Notes 6, 7 & 8)</i>	191,442,203 <i>(Notes 6, 7 & 8)</i>	970,084,203	93.11
SMM	Interest in controlled corporations	778,642,000 <i>(Notes 6, 7 & 8)</i>	191,442,203 <i>(Notes 6, 7 & 8)</i>	970,084,203	93.11

(ii) Short positions in underlying Shares:

Name of Shareholder	Capacity/Nature of Interest	Number of underlying Shares interested	Approximate percentage shareholding in the Company
Delco	Beneficial owner	20,837,095 (Note 9)	2.00
HWH	Interest of the other parties to an agreement under section 317 of the SFO	20,837,095 (Note 9)	2.00
Mr. de Leeuw	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
SVO	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
HPL	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
Stichting HPL	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
Sims	Interest of the other parties to an agreement under section 317 of the SFO	20,837,095 (Note 9)	2.00
SMM China	Interest in controlled corporations	20,837,095 (Notes 8 & 9)	2.00
Sims Asia	Interest in controlled corporations	20,837,095 (Notes 8 & 9)	2.00
SMM	Interest in controlled corporations	20,837,095 (Notes 8 & 9)	2.00

(iii) Long positions in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group:

Name of the member of the Group	Name of shareholder(s)	Capacity/ Nature of Interest	Number of shares/ Amount of equity interest held	Approximate percentage shareholding /equity interest
Chiho-Tiande (HK) Metals Recycling Co. Limited	Capitol Ocean Limited	Beneficial owner	10,500,000 shares of HK\$1.00 each	30%
Chiho-Tiande (HK) Logistics Co. Limited	Kwok Kam Sun	Beneficial owner	2,400 shares of HK\$1.00 each	24%
	Chen Maicheng	Beneficial owner	2,400 shares of HK\$1.00 each	24%
天津齊合天地再生資源有限公司 (Tianjin Chiho-Tiande Metal Recycling Company Limited*)	王勤 (Wang Qin*)	Beneficial owner	–	10%
	張友四 (Zhang Yousi*)	Beneficial owner	–	39%
上海齊合天地再生資源有限公司 (Shanghai Chiho-Tiande Recycled Resources Ltd.*)	上海路永金屬有限公司 (Shanghai Luyong Metal Resources Co., Limited*)	Beneficial owner	–	49%

* For identification purposes only

Notes:

- (1) 312,923,265 Shares are held by HWH as beneficial owner. The 31,266,667 underlying Shares represent such number of underlying Shares which fall to be issued to HWH upon full conversion of the Convertible Bonds. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco and therefore HWH is deemed to be interested in the same number of Shares as held by Green Elite.
- (2) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 405,718,735 Shares comprise (i) 8,626,000 Shares held by Mr. Fang as beneficial owner; (ii) 230,395,981 Shares held by Delco as beneficial owner; and (iii) 166,696,754 Shares held by Sims as beneficial owner. The 160,175,536 underlying Shares comprise (i) 20,000,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 to the section "Directors' Disclosure of Interests" above; (ii) 2,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 to the section "Directors' Disclosure of Interests" above; (iii) 52,100,000 underlying Shares held by Delco as beneficial owner which fall to be issued to Delco upon full conversion of the Convertible Bonds; (iv) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (v) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; (vi) 12,638,441 underlying

Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, HWH is deemed to be interested in an aggregate of 565,894,271 Shares held by the other parties to an agreement under section 317 of the SFO.

- (3) 230,395,981 Shares are held by Delco as beneficial owner. The 52,100,000 underlying Shares represent such number of underlying Shares which fall to be issued to Delco upon full conversion of the Convertible Bonds. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco and therefore Delco is deemed to be interested in the same number of Shares as held by Green Elite.
- (4) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 488,246,019 Shares comprise (i) 8,626,000 Shares held by Mr. Fang as beneficial owner; (ii) 312,923,265 Shares held by HWH as beneficial owner; and (iii) 166,696,754 Shares held by Sims as beneficial owner. The 139,342,203 underlying Shares comprise (i) 20,000,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 to the section "Directors' Disclosure of Interests" above; (ii) 2,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 to the section "Directors' Disclosure of Interests" above; (iii) 31,266,667 underlying Shares held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; (iv) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (v) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; (vi) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, Mr. van Ooijen is deemed to be interested in an aggregate of 625,588,222 Shares held by the other parties to an agreement under section 317 of the SFO.
- (5) Delco is 50%-owned by each of SVO and HPL. SVO is wholly-owned by Mr. van Ooijen. HPL is wholly-owned by Stichting HPL, a foundation for the sole benefit of Mr. de Leeuw. Therefore, each of SVO, Mr. van Ooijen, Mr. de Leeuw, HPL and Stichting HPL is deemed to be interested in the long positions and short positions held by and through Delco.
- (6) 166,696,754 Shares are held by Sims as beneficial owner. The 86,075,536 underlying Shares comprise (i) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (ii) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; and (iii) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants.
- (7) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 611,945,246 Shares comprise (i) 8,626,000 Shares held by Mr. Fang as beneficial owner; (ii) 312,923,265 Shares held by HWH as beneficial owner; (iii) 230,395,981 Shares held by Delco as beneficial owner; and (iv) 60,000,000 Shares held by Green Elite as beneficial owner. The 105,366,667 underlying Shares comprise (i) 20,000,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 to the section "Directors' Disclosure of Interests" above; (ii) 2,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 to the section "Directors' Disclosure of Interests" above; (iii) 31,266,667 underlying Shares held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; and (iv) 52,100,000 underlying Shares held by Delco as beneficial owner which fall to be issued to Delco upon full conversion of the Convertible Bonds. Therefore, Sims is deemed to be interested in an aggregate of 717,311,913 Shares held by the other parties to an agreement under section 317 of the SFO.
- (8) Sims is a wholly-owned subsidiary of SMM China, which in turn is a wholly-owned subsidiary of Sims Asia. Sims Asia is a wholly-owned subsidiary of SMM. Therefore, each of SMM, SMM China and Sims Asia is deemed to be interested in the long positions and short positions held by and through Sims.

- (9) The short position in respect of 20,837,095 Shares represent the number of the Option Shares which Delco is obliged to deliver to Sims upon exercise of the Option by Sims.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no other person (who was not a Director or chief executive of the Company) (a) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or (b) was 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 the general meetings of any other member of the Group.

As at the Latest Practicable Date:

- (i) Mr. Fang was the sole director of HWH;
- (ii) Mr. Fang and Mr. Gu Liyong were directors of Green Elite;
- (iii) Mr. van Ooijen was the sole director of SVO; and
- (iv) Mr. Michael Charles Lion was a director of Sims, Sims Asia and SMM China.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company (or its subsidiary) which had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' INTEREST IN ASSETS OF THE GROUP, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group taken as a whole.

Since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, none of the Directors has or has had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation, other than statutory compensation.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered having interests in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
Guangdong Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

Guangdong Securities has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which have since 31 December 2010 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group.

9. NO MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 13 January 2012, as the Group made a loss in the fourth quarter of 2011 due to a significant drop in the global commodity price in the last quarter of 2011 and “mark-to-market” basis for provision for inventories and revaluation for financial instruments held by the Company, the Company expects to record a significant decrease in net profit for the financial year ended 31 December 2011 as compared with the previous year.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Company have been made up.

10. MISCELLANEOUS

- (a) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.
- (b) Amounts denominated in US\$ and RMB in this circular have been converted into HK\$ at the rates of US\$1 = HK\$7.8 and HK\$1 = RMB1.2325 for illustration purposes.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Share Sale and Purchase Agreement, the Subscription Agreement (to which the Deed Poll and the Warrant Instrument in such forms as agreed between the Company and the Subscribers are attached), the Memorandum of Undertakings and the letter from Guangdong Securities (the text of which is set out in the section of this circular headed “Letter from Guangdong Securities”) are available for inspection during normal business hours at any weekday (public holidays excepted) at the principal place of business of the Company in Hong Kong at Room 1410, 14th Floor, Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong up to and including the date of the EGM.

Set out below are the details of the adjustment mechanisms under the Deed Poll and the Warrant Instrument in relation to the events which give rise to the adjustments to the Bonds Conversion Price and the Warrant Subscription Price, respectively. Save as disclosed in paragraph 1.7 below, the adjustment mechanisms under the Deed Poll and the Warrant Instrument are identical.

1. Adjustments to the Bonds Conversion Price and the Warrant Subscription Price

1.1. The Bonds Conversion Price and the Warrant Subscription Price will be subject to adjustments as follows:

- (a) *Consolidation, Subdivision or Reclassification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration;
and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (b) *Capitalisation of Profits or Reserves:* If and whenever the Company shall issue any Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), other than Shares paid up out of profits or reserves (including as aforesaid) and issued in lieu (in whole or in part) of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which does not constitute a Capital Distribution (as defined in paragraph (i) immediately after sub-paragraph 1.1(k)), the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds

Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate nominal amount of issued Share immediately before such issue; and
- B is the aggregate nominal amount of issued Share immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares.

- (c) *Capital Distribution:* If and whenever the Company shall pay or make any Capital Distribution to the Shareholders (except where, and to the extent that, the Bonds Conversion Price and the Warrant Subscription Price fall to be adjusted under sub-paragraph 1.1(b) above), the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Stock Exchange Business Day preceding the date on which the Capital Distribution is publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by the Auditors or an Approved Financial Adviser or an Approved Merchant Bank, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

- (d) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95% of the Current Market Price (as defined in paragraph (ii) after sub-paragraph 1.1(k)) per Share on the last Stock Exchange Business Day preceding the date of announcement of the terms of such issue or

APPENDIX II **DETAILS OF THE ADJUSTMENT MECHANISMS
UNDER THE DEED POLL AND
THE WARRANT INSTRUMENT**

grant, the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights to subscribe for or purchase any Shares issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (e) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights, or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Stock Exchange Business Day preceding the date on which such issue or grant is publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by the Auditors or an Approved Financial Adviser or an Approved Merchant Bank, approved by an extraordinary

resolution of the Bondholders or a special resolution of the Warrantholders (as the case may be), of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Stock Exchange.

- (f) *Issues at less than Current Market Price for cash:* If and whenever the Company shall issue (otherwise than as mentioned in sub-paragraph 1.1(d)) wholly for cash any Shares (other than Shares issued on the exercise of the conversion rights attaching to the Convertible Bonds or on the exercise of the Warrant Subscription Rights or on the exercise of any other rights of conversion into, or conversion or subscription for, Shares) or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 95% of the Current Market Price per Share on the last Stock Exchange Business Day preceding the date of announcement of the terms of such issue, the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquires any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or issue of such options, warrants or other rights (as the case may be).

- (g) *Issues at less than Current Market Price as consideration shares:* If and whenever the Company shall issue Shares for the acquisition of asset at a Total Effective Consideration per Share (as defined in this sub-paragraph 1.1(g) below) which is less than 95% of the Current Market Price per Share at the date of the announcement of the terms of such issue, the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the Total Effective Consideration would purchase at such Current Market Price per Share; and
- C the number of Shares to be issued upon completion of such acquisition.

Such adjustment shall become effective on the date of such issue.

For the purpose of this sub-paragraph 1.1(g), “**Total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration per Share**” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid.

- (h) *Other Issues at less than Current Market Price:* If and whenever the Company or any of its subsidiaries or (at the direction or request of pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity shall issue wholly for cash any securities (other than the Convertible Bonds or the Warrants) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the Current Market Price per Share on the last Stock Exchange Business Day preceding the date of announcement of the terms of issue of such securities, the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such issue

by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the rights of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (i) *Modification of Rights of Conversion, etc. at less than Current Market Price:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph 1.1(h) (other than in accordance with the terms applicable to such securities) so that the consideration per Share is less than 95% of the Current Market Price per Share on the last Stock Exchange Business Day preceding the date of announcement of the proposals for such modification, the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the rights of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price; and

- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (j) *Other Offers to Shareholders:* If and whenever the Company or any of its subsidiaries or, (at the direction or request of pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity offers any securities in connection with which offer the Shareholders generally (meaning for these purposes the holders of at least 70% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Bonds Conversion Price and the Warrant Subscription Price fall to be adjusted under sub-paragraph 1.1(d) or 1.1(e)), the Bonds Conversion Price and the Warrant Subscription Price shall be adjusted by multiplying the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) in force immediately prior to such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Stock Exchange Business Day preceding the date on which such issue is publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by the Auditors or an Approved Financial Adviser or an Approved Merchant Bank, of the portion of the entitlement attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

- (k) *Other Adjustment determined by the Company:* If the Company determines that an adjustment should be made to the Bonds Conversion Price and/or the Warrant Subscription Price as a result of one or more events or circumstances not referred to in this paragraph 1.1, the Company shall, upon prior consultation with the Bondholders and/or the Warrantholders (as the case may be), at its own expense and acting in good faith, request the Auditors or an Approved Financial Adviser or an Approved Merchant Bank to determine as soon as practicable what adjustment (if any) to the Bonds Conversion Price and/or the Warrant Subscription Price is fair and reasonable to take account thereof, whether the adjustment would result in a reduction of the Bonds Conversion Price and/or the Warrant

Subscription Price and the date on which such adjustment should take effect. Upon such determination, an adjustment shall be made and shall take effect in accordance with such determination.

For the purpose of this paragraph 1.1:

- (i) “**Capital Distribution**” means (a) any dividend or distribution (whether of cash or assets in specie or other property by the Company or provided for in the accounts for any financial period (whenever paid or made and however described)) but excluding a distribution of assets in specie in lieu of, and to a value not exceeding, a cash dividend which would not have constituted a Capital Distribution under (b) below (and for these purposes, a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid up (other than Shares credited as fully paid) by way of capitalisation of reserves); and (b) any cash dividend or distribution of any kind charged or provided for in the accounts for any financial period (whenever paid or made and however described) unless:
 - (A) and to the extent that it does not, when taken together with all other distributions of assets in specie and all other such cash dividends and distribution previously made or paid in respect of all financial periods ending after 31 December 2011, exceed 50% of the aggregate of the consolidated profits (less the aggregate of any consolidated losses) attributable to Shareholders after deducting minority interests and preferential dividends (if any) and after extraordinary items (and for the avoidance of doubt after excluding any amount arising as a result of any reduction in share capital, share premium account or capital redemption reserve) for all financial periods ending after 31 December 2011 as calculated by reference to the audited consolidated profit and loss accounts for such financial period of the Company and its subsidiaries; or
 - (B) it comprises a purchase or redemption of share capital of the Company provided, in the case of purchases of Shares by the Company, that the average price per Share (before expenses) on any one day in respect of such purchases does not exceed by more than 5% of the Current Market Price of a Share either (1) on such date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Stock Exchange Business Day immediately preceding the date of such announcement.
- (ii) “**Current Market Price**” means in respect of a Share (or, in the application of the definition of “**Capital Distribution**” above, such other shares as are therein referred to, mutatis mutandis, provided that such shares are listed and traded on the Stock Exchange or any other stock exchange) on which the Shares are listed and traded at a particular date, the average of the daily closing prices (as derived from the Daily Quotation Sheet of the Stock Exchange, or if the Shares are listed

and traded on an alternative stock exchange, the equivalent sheet) for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Stock Exchange Business Days ending on the Stock Exchange Business Day immediately preceding such date; provided that if at any time during the said five Stock Exchange Business Days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares have been quoted cum-dividend then, where appropriate:

- (a) if the Shares to be issued or purchased do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and
- (b) if the Shares to be issued or purchased rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Share;

and provided further that if the Shares on each of the said five Stock Exchange Business Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but, where appropriate, the Shares to be issued or purchased do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

If, on any of the five consecutive Stock Exchange Business Days referred to above, no closing price is reported for the Shares, the closing price per Share on such Stock Exchange Business Day shall be deemed to be the same as that on the immediately preceding Stock Exchange Business Day.

1.2. For the purpose of any calculation of the consideration receivable pursuant to sub-paragraph 1.1(f), (h) or (i), the following provisions shall apply:

- (a) the aggregate consideration receivable for Shares issued for cash shall be the amount of such cash, provided that in no case shall any deduction be made for any commission or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;
- (b) (i) the aggregate consideration receivable for the Shares to be issued upon the conversion or exchange of any securities shall be deemed to be the consideration received or receivable by the Company for any such securities;

- (ii) the aggregate consideration receivable for the Shares to be issued upon the exercise of rights of subscription attached to any securities shall be deemed to be that part (which may be the whole) of the consideration received or receivable by the Company for such securities which is attributed by it to such rights of subscription or, if no part of such consideration is so attributed, the fair market value of such rights of subscription as at the date of the announcement of the terms of issue of such securities (as determined in good faith by the Auditors or an Approved Financial Adviser or an Approved Merchant Bank), plus in the case of each these sub-paragraphs 1.2(b)(i) and (ii); and
 - (iii) the consideration per Share receivable by the Company upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities shall be the aggregate consideration referred to in these sub-paragraphs 1.2(b)(i) and (ii) divided by the number of Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price.
- 1.3. The Bonds Conversion Price and the Warrant Subscription Price may not be reduced so that on conversion of the Convertible Bonds and/or exercise of the Warrants, the Conversion Shares shall be issued at a discount to their par value.
- 1.4. No adjustment will be made to the Bonds Conversion Price or the Warrant Subscription Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any subsidiary or any associated company of the Company pursuant to any share option scheme of the Company or any other grantees under such share option scheme.
- 1.5. No adjustment involving any increase in the Bonds Conversion Price or the Warrant Subscription Price will be made, except in the case of a consolidation of the Shares as referred to in paragraph 1.1(a).
- 1.6. If any doubt shall arise as to the appropriate adjustment to the Bonds Conversion Price or the Warrant Subscription Price, a certificate of the Auditors or an Approved Financial Adviser or an Approved Merchant Bank shall be conclusive and binding on all concerned save in the case of manifest or proven error.
- 1.7. (a) In respect of the Convertible Bonds, on any adjustment, the resultant Bonds Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Bonds Conversion Price where such adjustment (rounded down if applicable) would be less than 1% of the Bonds Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Bonds Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment.

- (b) In respect of the Warrants, on any adjustment, the resultant Warrant Subscription Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest HK\$0.001 so that any amount under HK\$0.0005 shall be rounded down and any amount of HK\$0.0005 or more shall be rounded up. No adjustment shall be made to the Warrant Subscription Price where such adjustment (rounded down if applicable) would be less than HK\$0.001 and any adjustment which would otherwise then be required shall not be carried forward.
- 1.8. If the date of conversion in relation to any Convertible Bonds or the date of subscription in relation to any Warrants shall be after the record date for any such issue, distribution or grant (as the case may be) as is mentioned in paragraph 1.1 above, but before the relevant adjustment becomes effective under the terms and conditions of the Deed Poll or the Warrant Instrument (as the case may be), the Company shall (conditional upon such adjustment becoming effective) procure that there shall be issued to the converting Bondholders or exercising Warrantholders (as the case may be) or in accordance with the instructions contained in the conversion notice relating to the Convertible Bonds or subscription notice relating to the Warrants (as the case may be) (subject to any applicable conversion control or other laws or other regulations) such additional number of Shares as, together with the Conversion Shares issued or to be issued on conversion of the relevant Convertible Bond or on the exercise of the Warrant Subscription Rights (as the case may be), is equal to the number of Conversion Shares which would have been required to be issued on conversion of the Convertible Bonds or exercise of the Warrant Subscription Rights (as the case may be) if the relevant adjustment to the Bonds Conversion Price and the Warrant Subscription Price had in fact been made and become effective immediately after the relevant record date.
- 1.9. Where more than one event which gives or may give rise to an adjustment to the Bonds Conversion Price or the Warrant Subscription Price (as the case may be) occurs within such a short period of time that in the opinion of the Auditors or an Approved Financial Adviser or an Approved Merchant Bank and the Company the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by the Auditors or an Approved Financial Adviser or an Approved Merchant Bank and the Company to be in their opinion appropriate in order to give such intended result.

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CHIHO -
TIANDE 齐合天地

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Chiho-Tiande Group Limited (the “**Company**”) will be held at Room 1412, 14th Floor, Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 27 February 2012 at 10:00 a.m. or any adjournment thereof for the purpose of considering, and if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (A) subject to the fulfillment or waiver of the conditions as set out in the conditional subscription agreement (the “**Subscription Agreement**”, a copy of which is produced to the Meeting marked “A” and initialled by the Chairman of the Meeting for the purpose of identification) dated 17 January 2012 and entered into between the Company, HWH Holdings Limited (“**HWH**”), Delco Participation B.V. (“**Delco**”) and Sims Metal Management Dragon Holdings Limited (“**Sims**”, together with HWH and Delco, the “**Subscribers**”) in respect of the issue by the Company and the subscription by the Subscribers of convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of HK\$815,800,000 with detachable warrants (the “**Warrants**”) to subscribe for shares (“**Shares**”) of HK\$0.01 each in the share capital of the Company in the aggregate amount of HK\$75,830,646, the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (B) the creation and the issue of the Convertible Bonds be and is hereby generally and unconditionally approved in all respects and any one or more of the directors (“**Directors**”) of the Company be and is/are hereby authorised to execute by way of deed poll the instrument (the “**Deed Poll**”, a copy of which is produced to the Meeting marked “B” and initialled by the Chairman of the Meeting for the purpose of identification) constituting the Convertible Bonds;
- (C) the creation and the issue of the Warrants be and is hereby generally and unconditionally approved in all respects and any one or more of the Directors be and is/are hereby authorised to execute by way of deed poll the instrument (the

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“**Warrant Instrument**”, a copy of which is produced to the Meeting marked “C” and initialled by the Chairman of the Meeting for the purpose of identification) constituting the Warrants;

- (D) the issue and allotment of new Shares (“**Bonds Conversion Shares**”) upon exercise of the conversion rights attaching to the Convertible Bonds be and is hereby approved and any one or more of the Directors be and is/are hereby authorised to allot and issue the Bonds Conversion Shares pursuant to and in accordance with the terms and conditions of the Deed Poll;
- (E) the issue and allotment of new Shares (“**Warrants Conversion Shares**”, together with the Bonds Conversion Shares, the “**Conversion Shares**”) upon exercise of the subscription rights attaching to the Warrants be and is hereby approved and any one or more of the Directors be and is/are hereby authorised to allot and issue the Warrant Conversion Shares pursuant to and in accordance with the terms and conditions of the Warrant Instrument; and
- (F) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to implement and/or give effect to the Subscription Agreement, including but not limited to the creation and the issue to the Subscribers of the Convertible Bonds and the Warrants, and the allotment and issue of the Conversion Shares upon exercise of the conversion rights and the subscription rights attaching to the Convertible Bonds and the Warrants, respectively, and any other matters contemplated thereunder.”

By order of the Board
Chiho-Tiande Group Limited
Fang Ankong
Chairman

Hong Kong, 9 February 2012

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Room 1410, 14th Floor,
Shun Tak Centre West Tower
168-200 Connaught Road Central
Hong Kong

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Notes:

- (1) A member entitled to attend and vote at the meeting 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 attend and vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
- (3) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy will be deemed to be revoked.
- (4) The Register of Members will be closed from Friday, 24 February 2012 to Monday, 27 February 2012, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shop 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 23 February 2012.
- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 9 February 2012 which contains information concerning the resolution to be proposed in this notice.
- (6) According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting of the Company must be taken by poll. Accordingly, the Chairman of the Meeting will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed ordinary resolution at the Meeting.

As at the date of this notice, the Board of Directors of the Company comprises:

<i>Executive Directors:</i>	Fang Ankong, Stephanus Maria van Ooijen, Gu Liyong
<i>Non-executive Director:</i>	Michael Charles Lion
<i>Independent non-executive Directors:</i>	Loke Yu, Li Xikui, Zhang Jingdong