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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you have sold or transferred** all your shares in Chiho-Tiande Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

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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)**

**EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS  
AND  
CONNECTED TRANSACTIONS IN RELATION TO  
THE AGREEMENTS BY CERTAIN BONDHOLDERS  
TO EXTEND THE MATURITY DATE OF THE CONVERTIBLE BONDS  
AND  
CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE OF CONVERTIBLE BONDS BY  
USUM INVESTMENT GROUP HONG KONG LIMITED  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out on pages 11 to 38 of this circular. A letter from the Independent Board Committee is set out on pages 39 to 40 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 61 of this circular.

The notice convening the extraordinary general meeting (“EGM”) of Chiho-Tiande Group Limited to be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Monday, 27 April 2015 at 11:00 a.m. is set out on pages 84 to 88 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.

11 April 2015

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## DEFINITIONS

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

“Affiliates”	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, “ <b>control</b> ” 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 “ <b>controlled by</b> ” and “ <b>under common control with</b> ” shall be construed accordingly;
“Announcements”	the announcements of the Company dated 5 March 2015, 10 March 2015, 18 March 2015, 26 March 2015, 1 April 2015 and 9 April 2015 in relation to, among other things, the Extension and the CB Purchase 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;
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business;
“BVI”	British Virgin Islands;

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## DEFINITIONS

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“CB Purchase Agreement”	the conditional sale and purchase agreement dated 9 April 2015 entered into between Sims as seller and USUMHK as purchaser pursuant to which Sims has conditionally agreed to sell, and USUMHK has conditionally agreed to purchase, the Sims Bonds;
“CB Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of USUMHK and parties acting in concert with it to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by USUMHK and parties acting in concert with it which would otherwise arise as a result of USUMHK fully exercising the conversion rights attaching to the Sims Bonds;
“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);
“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;
“Convertible Bonds”	the 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 constituted by the Deed Poll, issued by the Company on 1 March 2012 and convertible into Shares at any time during the Conversion Period, and with the benefit of and subject to the terms and conditions of the Deed Poll and the Extension upon approval being obtained from the Shareholders or the Independent Shareholders (as the case may be) at the EGM;

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## DEFINITIONS

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“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 10th Business Day prior to the Extended Maturity Date and if such date is not a Stock Exchange Business Day, the Stock Exchange Business Day immediately preceding that date;
“Conversion Price”	HK\$6.00, subject to adjustments and being the price at which each Conversion Share will be issued upon the exercise of the conversion rights attaching to the Convertible Bonds;
“Conversion Share(s)”	new Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds;
“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 dated 1 March 2012 constituting the Convertible Bonds;
“Delco”	Delco Participation B.V., a company incorporated in the Netherlands and a Substantial Shareholder holding approximately 10.97% of the existing issued share capital of the Company as at the Latest Practicable Date;
“Delco CB Extension”	the Extension of those Convertible Bonds held by Delco on the terms and conditions of the Delco Undertaking and the grant of the Delco Specific Mandate;
“Delco Specific Mandate”	a specific mandate to allot, issue or otherwise deal in Shares to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds held by Delco;

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## DEFINITIONS

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“Delco Supplemental Undertaking”	the supplemental undertaking dated 18 March 2015 entered into by the Company and Delco to amend and supplement the Delco Undertaking;
“Delco Undertaking”	the letter of undertaking dated 3 March 2015 given by the Company in favour of Delco in relation to the Extension of the Convertible Bonds held by Delco, as amended by the Delco Supplemental Undertaking;
“Directors”	the directors of the Company;
“Disinterested Shareholders”	Shareholders other than HWH and its associates;
“EGM”	the extraordinary general meeting of the Company to be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Monday, 27 April 2015 at 11:00 a.m. for (a) the Shareholders to consider and, if thought fit, approve the Sims CB Extension; (b) the Disinterested Shareholders to consider and, if thought fit, approve the Greenwoods CB Extension; and (c) the Independent Shareholders to consider and, if thought fit, approve the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension;
“Enlarged Issued Share Capital”	the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares;
“Extended Maturity Date”	1 March 2017;
“Extension”	the extension of the Maturity Date of the Convertible Bonds from 1 March 2015 to the Extended Maturity Date;
“First Subscription Agreement”	the subscription agreement dated 21 March 2015 entered into between the Company as issuer and USUMHK as subscriber, pursuant to which the Company has conditionally agreed to allot and issue and USUMHK has conditionally agreed to subscribe for the First Subscription Shares at the subscription price of HK\$9.01 per Share;
“First Subscription Shares”	203.9 million new Shares to be subscribed for by USUMHK and to be issued by the Company;

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## DEFINITIONS

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“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension;
“Greenwoods”	Greenwoods China Alpha Master Fund, a Bondholder;
“Greenwoods CB Extension”	the Extension of those Convertible Bonds held by Greenwoods on the terms and conditions of the Greenwoods Undertaking and the grant of the Greenwoods Specific Mandate;
“Greenwoods Specific Mandate”	a specific mandate to allot, issue or otherwise deal in Shares to be sought from the Disinterested Shareholders at the EGM to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds held by Greenwoods;
“Greenwoods Undertaking”	the letter of undertaking dated 4 March 2015 given by the Company in favour of Greenwoods in relation to the Extension of the Convertible Bonds held by Greenwoods;
“Group”	the Company and its subsidiaries;
“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 30.37% of the existing issued share capital of the Company as at the Latest Practicable Date and is wholly-owned by Mr. Fang;
“HWH CB Extension”	the Extension of those Convertible Bonds held by HWH on the terms and conditions of the HWH Undertaking and the grant of the HWH Specific Mandate;

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## DEFINITIONS

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“HWH Specific Mandate”	a specific mandate to allot, issue or otherwise deal in Shares to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds held by HWH;
“HWH Undertaking”	the letter of undertaking dated 4 March 2015 given by the Company in favour of HWH in relation to the Extension of the Convertible Bonds held by HWH;
“HWH-Delco SPA”	the sale and purchase agreement dated 23 January 2015 entered into between HWH as purchaser and Delco as seller in respect of the sale by Delco to HWH of 115,197,991 Shares, as disclosed in the Company’s announcement dated 2 February 2015;
“HWH-Greenwoods Call Option”	the call option granted by Greenwoods in favour of HWH under the HWH-Greenwoods SPA to require Greenwoods to sell to HWH the Convertible Bonds held by Greenwoods;
“HWH-Greenwoods SPA”	the sale and purchase agreement dated 16 January 2013 entered into between HWH as seller, Greenwoods as purchaser and Mr. Fang as warrantor in respect of the sale by HWH to Greenwoods of the Convertible Bonds in the principal amount of HK\$120,000,000;
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors;
“Independent Shareholders”	(i) in respect of the Sims CB Transfer, Shareholders other than USUMHK and its associates if and so long as they become and remain as Shareholders; (ii) in respect of the Delco CB Extension, Shareholders other than Delco and its associates; and (iii) in respect of the HWH CB Extension, Shareholders other than HWH and its associates;
“Latest Practicable Date”	9 April 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“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;



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## DEFINITIONS

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“Loncin Group”	Loncin Group Co., Ltd.* (隆鑫集團有限公司), a limited liability company incorporated in the PRC;
“Loncin Holdings”	Loncin Holdings Co., Ltd. (隆鑫控股有限公司), a limited liability company incorporated in the PRC;
“Maturity Date”	1 March 2015, being the third anniversary of the date of issue of the Convertible Bonds;
“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, a former executive Director (who resigned on 12 March 2015) and one of the controlling shareholders of Delco;
“Non-Shares Securities”	Securities other than Shares;
“Permitted Transferee”	an Affiliate of a Covenantor. For this purpose, Delco and its Affiliates shall be considered Affiliates of HWH and vice-versa;
“Placing EGM”	an extraordinary general meeting of the Company to be convened and held for the independent Shareholders (i.e. Shareholders other than USUMHK and parties acting in concert with it and any other Shareholders (including Mr. Fang who was involved in the negotiation in his capacity as an executive Director, and parties acting in concert with him (including HWH, Delco and Mr. van Ooijen)) who are interested in or involved in the Whitewash Transactions and/or the CB Whitewash Waiver) to consider and, if thought fit, approve the Whitewash Transactions and the CB Whitewash Waiver;

\* *for identification purposes only*

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## DEFINITIONS

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“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;
“Relevant Period”	has the meaning ascribed to it in paragraph (e) of the section headed “ <b>4. Memorandum of Undertakings</b> ” in the “ <b>Letter from the Board</b> ” of this circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Subscription Agreement”	the subscription agreement dated 21 March 2015, as amended and restated by a supplemental agreement dated 27 March 2015, entered into between the Company and USUMHK pursuant to which the Company has conditionally agreed to issue and allot and USUMHK has conditionally agreed to subscribe for the Second Subscription Shares in the aggregate amount of HK\$2,279.53 million at the subscription price of HK\$9.01 per Share (subject to adjustments);
“Second Subscription Shares”	253 million new Shares to be subscribed for by USUMHK and to be issued by the Company;
“Securities”	Shares, Convertible Bonds and any securities interests at any time deriving from such Shares and Convertible Bonds by way of consolidation, subdivision and capital distribution;
“SFC”	Securities and Futures Commission;
“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;
“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;

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## DEFINITIONS

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“Sims Asia”	Sims Metal Management Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SMM;
“Sims Bonds”	the Convertible Bonds in the aggregate principal amount of HK\$315,600,000 held by Sims;
“Sims CB Extension”	the Extension of the Sims Bonds on the terms and conditions of the Sims Undertaking and the grant of the Sims Specific Mandate;
“Sims CB Transfer”	the sale by Sims and purchase by USUMHK of the Sims Bonds on the terms and conditions of the CB Purchase Agreement and if the context requires, the acquisition by USUMHK of the Sims Bonds;
“Sims Specific Mandate”	a specific mandate to allot, issue or otherwise deal in Shares to be sought from the Shareholders at the EGM to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Sims Bonds;
“Sims Undertaking”	the letter of undertaking dated 4 March 2015 given by the Company in favour of Sims in relation to the Extension of the Sims Bonds together with the letter agreement dated 8 April 2015 between the Company and Sims;
“SMM”	Sims Metal Management Limited, a company incorporated in Australia and the holding company of Sims and Sims Asia;
“Specific Mandates”	collectively, the Delco Specific Mandate, the Greenwoods Specific Mandate, the HWH Specific Mandate and the Sims Specific Mandate;
“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;
“Substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as amended from time to time;

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## DEFINITIONS

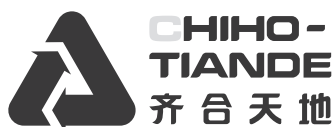
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“Undertakings”	collectively, the Sims Undertaking, the Greenwoods Undertaking, the Delco Undertaking and the HWH Undertaking;
“USUM”	USUM Investment Group Limited, a limited liability company incorporated in the PRC;
“USUMHK”	USUM Investment Group Hong Kong Limited, a company incorporated in Hong Kong with limited liability;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Whitewash Transactions”	the entering into of the Second Subscription Agreement and the transactions contemplated thereunder, the grant of the specific mandate to the Board for the allotment and issue of the Second Subscription Shares pursuant to the Second Subscription Agreement and the Whitewash Waiver;
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of USUMHK and parties acting in concert with it to make a mandatory general offer for all of the securities of the Company not already owned or agreed to be acquired by USUMHK and parties acting in concert with it which would otherwise arise as a result of the subscription by USUMHK for the Second Subscription Shares under the Second Subscription Agreement; and
“%”	per cent.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Fang Ankong (*Chairman and Chief Executive Officer*)

Mr. Gu Liyong (*Vice President*)

*Independent Non-executive Directors:*

Dr. Loke Yu

Ms. Zhang Jingdong

Mr. Zhu Dajian

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal Place of*

*Business in Hong Kong:*

48 Wang Lok Street

Yuen Long Industrial Estate

Hong Kong

11 April 2015

*To the Shareholders*

Dear Sir or Madam,

**EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS  
AND  
CONNECTED TRANSACTIONS IN RELATION TO  
THE AGREEMENTS BY CERTAIN BONDHOLDERS  
TO EXTEND THE MATURITY DATE OF THE CONVERTIBLE BONDS  
AND  
CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE OF CONVERTIBLE BONDS BY  
USUM INVESTMENT GROUP HONG KONG LIMITED  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the Announcements in relation to, among other things, the Extension.

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## LETTER FROM THE BOARD

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As set out in the Announcements:

- (a) on 3 and 4 March 2015, the Company agreed with all the four Bondholders to extend the maturity date of the Convertible Bonds for a further two years from the Maturity Date of 1 March 2015 to the Extended Maturity Date of 1 March 2017 on the terms and conditions of the Undertakings given by the Company;
- (b) on 18 March 2015, the Company entered into the Delco Supplemental Undertaking with Delco to amend and supplement the Delco Undertaking; and
- (c) on 9 April 2015, Sims entered into the CB Purchase Agreement with USUMHK pursuant to which Sims has conditionally agreed to sell, and USUMHK has conditionally agreed to purchase, the Sims Bonds.

The purpose of this circular is to provide you with, *inter alia*, further information in respect of the Extension, the Undertakings and the Sims CB Transfer and other information prescribed by the Listing Rules. This circular also contains a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension and a notice of the EGM.

## 2. THE EXTENSION AND THE UNDERTAKINGS

Reference is made to the announcement of the Company dated 17 January 2012 and the circular of the Company dated 9 February 2012 in relation to, among others, the issue of the Convertible Bonds.

Under the terms of the Convertible Bonds, the Convertible Bonds would mature on the third anniversary of the date of issue of the Convertible Bonds (i.e. 1 March 2015), subject to automatic extension to the fifth anniversary of the date of issue of the Convertible Bonds (i.e. 1 March 2017 – the Extended Maturity Date) if any of the Bondholders is not able to exercise any conversion rights on or before the original Maturity Date solely because of the minimum public float requirement under the Listing Rules.

On 16 February 2015, Sims which holds Convertible Bonds in the aggregate amount of HK\$315,600,000, and then Shareholder of approximately 15.88% of the issued share capital of the Company, completed the disposal of its Shares to third parties. The disposal created sufficient public float for the conversion of the Convertible Bonds and therefore, automatic extension of the Convertible Bonds would not apply.

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## LETTER FROM THE BOARD

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As of 1 March 2015, the Bondholders were as follows:

Name of Bondholder	Principal Amount	Number of Conversion Shares falling to be issued upon exercise of the conversion right
HWH ( <i>Note 1</i> )	HK\$67,600,000	11,266,667
Delco ( <i>Note 1</i> )	HK\$312,600,000	52,100,000
Sims	HK\$315,600,000	52,600,000
Greenwoods ( <i>Note 2</i> )	HK\$120,000,000	20,000,000

*Notes:*

- HWH and Delco were respectively holders of 30.37% and 10.97% of the total issued share capital of the Company, and were therefore connected persons of the Company as at the Latest Practicable Date. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Sims and Greenwoods and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons except that they are Bondholders and some of them are parties to the Memorandum of Undertakings.
- Pursuant to the HWH-Greenwoods SPA, HWH has sold and Greenwoods has acquired part of HWH's Convertible Bonds in the aggregate principal amount of HK\$120,000,000 (the "Sale Bonds") at the consideration of HK\$120,000,000, subject to the HWH-Greenwoods Call Option granted by Greenwoods in favour of HWH to require Greenwoods to sell to HWH all or part of the Sale Bonds at 110% of the principal amount of the Sale Bonds. Completion of the HWH-Greenwoods SPA took place on 16 January 2013.

None of the Bondholders has exercised the conversion rights since the issue of the Convertible Bonds and up to the Maturity Date. All the interest accrued for each of the Bondholders as at the Maturity Date has been fully paid. The aggregate amount of unpaid interest accrued for each of the Bondholders as at the Latest Practicable Date is as follows:–

Name of Bondholder	Accrued and unpaid interest as at Latest Practicable Date (HK\$)
HWH	296,000
Delco	1,370,000
Sims	1,383,000
Greenwoods	526,000

The conversion rights attached to the Convertible Bonds have lapsed immediately after the Maturity Date up to, and will revive from, the date when the Extension is approved by the relevant Shareholders.

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## LETTER FROM THE BOARD

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Having negotiated with the Bondholders, the Bondholders agreed to the Extension subject to the Undertakings given by the Company. The terms and conditions of the Undertakings were arrived at after an arm's length negotiation between the Company and each of the Bondholders:

(a) **The Sims Undertaking**

**Date:** 4 March 2015

**Undertaking given by the Company:** Sims agreed to the Extension on the condition that the Company shall use its best endeavours to procure independent third party(ies) (i.e. parties who are independent of the Company and Sims and their respective beneficial owners) to purchase the Sims Bonds by no later than 29 June 2015, failing which the Company would purchase the Sims Bonds on or before 30 June 2015 at their face value together with all unpaid interest accrued thereon (the foregoing shall be hereinafter referred to as the "**Company's Obligation to Procure Independent Buyer**").

In anticipation of the CB Purchase Agreement, on 8 April 2015, the Company and Sims entered into a letter agreement whereby, among other things, the Company agreed with and confirmed to Sims that:

- (a) the entry by Sims into any agreement or commitment for the transfer of the Sims Bonds to USUMHK (or its affiliate), or the negotiations in connection therewith, shall in each case be without prejudice to the Company's obligations under the Sims Undertaking, including the Company's Obligation to Procure Independent Buyer, and failing that, the Company's irrevocable and unconditional undertaking to purchase, on or before 30 June 2015, the Sims Bonds in accordance with the terms and conditions attached thereto at a price equivalent to 100% of the principal amount of the Sims Bonds together with all unpaid interest accrued thereon at the time of such purchase; and



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## LETTER FROM THE BOARD

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(b) in the event that the proposed transfer of the Sims Bonds to USUMHK (or its affiliates) does not take place or complete for any reason whatsoever (other than due to the default on the part of Sims), the Company irrevocably and unconditionally undertakes to purchase the Sims Bonds on or before 30 June 2015 at the price described in the Sims Undertaking and in accordance with the terms and conditions attached to the Sims Bonds, save except where:

(i) Sims has, on or before 29 June 2015, transferred the Sims Bonds to any other party(ies) (whether or not procured by the Company); or

(ii) Sims has, on or before 30 June 2015, converted the Sims Bonds into Shares pursuant to the terms of the Sims Bonds,

(paragraphs (i) and (ii) above shall not be construed as imposing any obligation on Sims to find or accept alternative buyers for the Sims Bonds, or to exercise its conversion rights under the Deed Poll).

The Company further waives its rights under the Deed Poll (a) to require that the transferee of the Sims Bonds (whether it be USUMHK or any other entity) will not be a connected person of the Company prior to registering such transfer; and (b) to be indemnified by Sims (or the transferee, whether it be USUMHK or any other entity) of any costs and expenses which the Company may incur in obtaining any approval of the Stock Exchange in connection with a transfer of the Sims Bonds to the Company's connected person(s).

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## LETTER FROM THE BOARD

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The outstanding principal amount of the Sims Bonds shall bear interest at the rate of 4% per annum. In the event that the Extension is not approved by the Stock Exchange and/or the relevant Shareholders, (i) the Sims Bonds shall for all intent and purposes be deemed to have matured on 1 March 2015; (ii) all outstanding amount of the Sims Bonds (i.e. the principal amount of the Sims Bonds together with all unpaid interest accrued thereon at the rate of 4% per annum and calculated in accordance with the terms of the Sims Bonds) will become immediately due and payable by the Company to Sims; and (iii) Sims expressly reserves all its rights and remedies under the terms of the Sims Bonds.

**(b) The Greenwoods Undertaking**

**Date:** 4 March 2015

**Undertaking given by the Company:** Greenwoods agreed to the Extension on the condition that Greenwoods would have the right to require the Company to purchase in full Greenwoods' Convertible Bonds which then remained outstanding at its face value plus all unpaid interest accrued thereon on any of these dates: 1 September 2015, 1 March 2016 and 1 September 2016.

The outstanding principal amount of Greenwoods' Convertible Bonds shall bear interest at the rate of 4% per annum. In the event that the Extension is not approved by the relevant Shareholders, the Extension will not occur and such interest will accrue at the same rate from 1 March 2015 up to the date of repayment by the Company.

**(c) The HWH Undertaking**

**Date:** 4 March 2015

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## LETTER FROM THE BOARD

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**Undertaking given by the Company:** HWH agreed to the Extension on the condition that if approval of the Independent Shareholders is not obtained by 31 July 2015, the Extension will not occur and the Company will repay the principal amount of HWH's Convertible Bonds in seven separate quarterly instalments (the first six instalment payments will be of the same amount of HK\$9.65 million and the last instalment payment will cover the remaining amount of HK\$9.7 million) commencing 1 September 2015 together with all unpaid interest accrued on such instalment repayment at 4% per annum from 1 March 2015 up to such date of repayment.

**(d) The Delco Undertaking**

**Date:** 3 March 2015 and 18 March 2015

**Undertaking given by the Company:** Delco agreed to the Extension on the condition that:

- a. Notwithstanding the Extension, the Company will pay to Delco such amount as is equivalent to the principal amount of Delco's Convertible Bonds (as extended) plus all unpaid interest accrued thereon from 1 March 2015 up to such date of payment in seven separate quarterly instalments (the first six instalment payments will be of the same amount of HK\$44.5 million and the last instalment payment will cover the remaining amount of HK\$45.6 million) commencing 1 September 2015, in consideration of Delco giving up (i) its right of redemption on the Extended Maturity Date; (ii) its right to receive interest on the Convertible Bonds from 1 March 2015 (notwithstanding that interest will continue to accrue on the Convertible Bonds under the terms of the Deed Poll); and (iii) its right to convert the Convertible Bonds, and subject to the right of the Company to require Delco to sell, at 100% of the face value of the Convertible Bonds, to the Company or such parties as the Company shall introduce the Convertible Bonds at any time after 31 July 2015.

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## LETTER FROM THE BOARD

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- b. In the event that the HWH-Delco SPA is not completed in accordance with its terms, the full principal amount of the Delco's Convertible Bonds together with all unpaid interest accrued thereon from 1 March 2015 shall be paid by the Company no later than 31 July 2015.

While the condition set out in a. above is related to b., they are separate conditions and are not inter-conditional upon each other.

- c. In the event that the approval for the Extension by the Independent Shareholders is not obtained by 31 July 2015, the Extension will not occur and:

- (i) If completion of the HWH-Delco SPA has taken place in accordance with its terms by 31 July 2015, the Company will pay to Delco such amount as is equivalent to the principal amount of Delco's Convertible Bonds in seven separate quarterly instalments (the first six instalment payments will be of the same amount of HK\$44.5 million and the last instalment payment will cover the remaining amount of HK\$45.6 million) commencing 1 September 2015 together with all unpaid interests accrued on such instalment payment at 4% per annum from 1 March 2015 up to such date of payment; and
- (ii) If completion of the HWH-Delco SPA has not taken place in accordance with its terms, the Company shall, by no later than 31 July 2015, repay Delco the full principal amount of the Delco's Convertible Bonds together with all unpaid interests accrued thereon from 1 March 2015 at the interest rate of 4% per annum.

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## LETTER FROM THE BOARD

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### 3. PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The Convertible Bonds were constituted by the Deed Poll, the principal terms of which were set out in the Company's circular dated 9 February 2012. Save for the Extension, the terms and conditions of the Deed Poll remain unchanged. The principal terms of the Deed Poll, as amended by the Extension, are as follows:

- Conversion Price:** The initial Conversion Price (which is the same as the Conversion Price as at the Latest Practicable Date) is HK\$6.00 per Conversion Share (subject to adjustments), which represents:
- (i) a premium of approximately 13.64% over the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on 5 March 2015, being the date of the Announcement;
  - (ii) a premium of approximately 9.69% over the average closing price of HK\$5.47 per Share as quoted on the Stock Exchange for the last five consecutive Stock Exchange Business Days up to and including 5 March 2015;
  - (iii) a premium of approximately 32.45% over the average closing price of HK\$4.53 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 5 March 2015;
  - (iv) a premium of approximately 883.61% over the net asset value per Share of HK\$0.61, which is calculated based on the audited net asset value of the Company of approximately HK\$643 million as at 31 December 2014 as disclosed in the audited consolidated accounts of the Company for the year ended 31 December 2014 divided by its weighted average number of Shares of 1,047,387,288 Shares; and
  - (v) a discount of approximately 22.08% over the closing price of HK\$7.7 per Share as stated in the daily quotations sheet of the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The Conversion Price and the aggregated number of 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;
- (ix) modification of rights of conversion at less than 95% of the Current Market Price;
- (x) other offers to Shareholders (further details are set out in paragraph (j) of Appendix II of this circular); 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 (further details are set out in paragraph (k) of Appendix II of this circular).

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## LETTER FROM THE BOARD

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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 Conversion Price, the Convertible Bonds will be convertible into an aggregate of up to 135,966,667 Conversion Shares, representing approximately 12.95% of the issued share capital of the Company as at the Latest Practicable Date and approximately 11.47% of the Enlarged Issued Share Capital.

**Extended Maturity  
Date:**

1 March 2017

In the event that 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 requirement under the Listing Rules, the outstanding principal amount of the Convertible Bonds shall, unless previously purchased or converted for 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.

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## LETTER FROM THE BOARD

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- 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 Conversion Period in amounts of not less than HK\$100,000 or any higher integral multiples thereof on each conversion, in accordance with the procedures set out in the Deed Poll.
- 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 Extended 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 Conversion Shares:** The Conversion Shares issued upon conversion of the Convertible Bonds will rank *pari passu* in all respects with the Shares then in issue.
- Redemption and Purchase:** No redemption of the Convertible Bonds prior to the Extended 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.
- The Company or any of its subsidiaries shall have the right at any time and from time to time purchase any of the Convertible Bonds at any price as shall be agreed between the buyer and the Bondholder, whether by way of private agreement or in the open market or by any other means. The Convertible Bonds which are purchased or converted will forthwith be cancelled and such Convertible Bonds may not be reissued or resold.



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## LETTER FROM THE BOARD

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As set out in the paragraph headed “(d) The Delco Undertaking” on page 17, notwithstanding the Extension, the Company agreed to pay to Delco such amount as is equivalent to the principal amount of the Delco’s Convertible Bonds (as extended) plus all unpaid interest accrued thereon from 1 March 2015 up to the date of payment in seven separate quarterly instalments commencing 1 September 2015. Nonetheless, this arrangement will not be regarded as an early redemption under the terms of the Deed Poll.

**Redemption Price:** 100% of the outstanding principal amount of the Convertible Bonds, together with all outstanding interest accrued thereto.

**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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## LETTER FROM THE BOARD

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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 (such securities, together with the Additional Shares, the “**Additional Securities**”) after the issue of the Convertible Bonds, in each case at or above the 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.

The grant of pre-emptive rights to the Bondholders was arrived at after arm’s length negotiation between the Company and the then Bondholders when the Company issued the Convertible Bonds in 2012. The Directors consider that the pre-emptive rights given to the Bondholders are fair and reasonable in view of the substantial investment by the Bondholders into the Company and the synergy and benefits that such investment brings to the Group as a whole.

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## LETTER FROM THE BOARD

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Shareholders should note that in the event that the Company undertakes any such issue of Additional Securities (the “**Relevant Rights Issue**”) which will result in the Company offering Additional Securities to the Bondholders pursuant to the pre-emptive rights set out above, the Company may:

- (a) use its general mandate to issue the Additional Securities to the Bondholders (to the extent permissible under the Listing Rules), in which case the issue of Additional Securities to the Bondholders is conditional upon the Relevant Rights Issue (regardless of whether the Relevant Rights Issue is exempt from the approval of the Shareholders) having taken place; or
- (b) pursuant to Rule 13.36(1)(a) of the Listing Rules, seek a specific mandate from the Shareholders for the issue of Additional Securities to the Bondholders, in which case the Relevant Rights Issue (regardless of whether it is exempt from the approval of the Shareholders) and the issue of Additional Securities to the Bondholders shall be inter-conditional with each other,

in each case the issue of Additional Securities to the Bondholders pursuant to the pre-emptive rights set out above shall be subject to full compliance with the requirements of the Listing Rules.

Shareholders should also note that in the event that any Bondholders who are not connected persons of the Company have subsequently become Shareholders for whatever reasons (e.g. upon conversion of the Convertible Bonds or otherwise upon acquisition of Shares), they are required to abstain from voting on any resolution at general meetings of the Company for approving the grant of general mandate to the Directors for the issue of Shares.

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## LETTER FROM THE BOARD

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### 4. 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 regulating their relationships in relation to the Company. Save for the obligations that have been fully performed, the Memorandum of Undertakings is still subsisting as at the Latest Practicable Date. A summary of the provisions of the Memorandum of Undertakings which remain in force are set out below:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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 Convertible Bonds, HWH and Delco shall, if so requested by Sims, 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.
- (e) 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 (e) shall apply on each and

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## LETTER FROM THE BOARD

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every occasion. For the purpose of this paragraph (e), “**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 (as may be extended by the Extension, where applicable) 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.

- (f) 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.

### 5. REASONS FOR AND BENEFITS OF THE EXTENSION

The Convertible Bonds would have matured on 1 March 2015 unless further extended. Unless previously converted, the Company would be required to repay the outstanding principal amount of the Convertible Bonds (together with all unpaid interest accrued thereon up to and including the date of actual payment) to the Bondholders on 1 March 2015.

As set out in the Company’s announcement dated 16 February 2015, it is considering undertaking a placing of its securities to independent third party(ies) to secure capital to finance for potential PRC and overseas expansion of its business.

In furtherance of this, on 27 March 2015, the Company announced that on 21 March 2015, it entered into the First Subscription Agreement and the Second Subscription Agreement with the USUMHK (who is independent of the Company and its connected persons). Pursuant to the First Subscription Agreement, the Company has conditionally agreed to issue, and USUMHK has conditionally agreed to subscribe for a total of 203.9 million Shares in the aggregate amount of approximately HK\$1,837.14 million. Pursuant to the Second Subscription Agreement, the Company has conditionally agreed to issue, and USUMHK has conditionally agreed to subscribe for additional 253 million Shares in the aggregate subscription amount of HK\$2,279.53 million at an initial subscription price of HK\$9.01 per Share (subject to adjustments). The net proceeds of the subscriptions are to secure capital to finance for potential PRC and overseas expansion of the business of the Group. Completion of the First Subscription Agreement is subject to the fulfillment of certain conditions and has not yet taken place as at the Latest Practicable Date. It is expected that completion of the First Subscription Agreement and the Second Subscription Agreement will only take place after the date of the EGM.

As at the Latest Practicable Date, the Company has only identified a small number of potential investment opportunities which fit in line with the Company’s investment strategy and policy. No concrete or formal discussion has been formed at this stage. Once the Company has secured the necessary capital (whether on its own or in conjunction with other investors), the Company intends to initiate discussions with those entities identified by the

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## LETTER FROM THE BOARD

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Company. In sourcing a suitable investment opportunity, the Company takes into consideration various factors including making a diligent assessment on whether it aligns with the Company's investment and growth direction and prospects, the financial performance and strengths of the potential target and a thorough risk analysis of the potential investment.

The Company believes that this is not the right time to sell down its assets and repay the Convertible Bonds while it is still in the process of identifying potential investment opportunities.

The Company believes that holding the Convertible Bonds remains an attractive proposition for the Bondholders and that it would be able to find willing buyers for the Convertible Bonds. In the event that the Extension is approved by the relevant Shareholders but the Company is unable to find willing buyers for the relevant Convertible Bonds, the Company will have to commence purchase of the relevant Convertible Bonds as early as by 29 June 2015.

In the event that the Extension on the terms and conditions of the Undertakings is not approved by the relevant Shareholders, the Undertakings will continue to remain in force and effect and:

- (a) in accordance with the terms and conditions of the HWH Undertaking and the Delco Undertaking, the Company is granted time to repay all outstanding amount of the Convertible Bonds (i.e. the principal amount of the Convertible Bonds together with all unpaid interest accrued thereon at the rate of 4% per annum from 1 March 2015 up to the date of repayment, which, as at the Latest Practicable Date, amounted to approximately HK\$381,866,000) held by HWH and Delco in seven instalments commencing 1 September 2015; and
- (b) in accordance with the terms and conditions of the Sims Undertaking and the Greenwoods Undertaking, all outstanding amount of the relevant Convertible Bonds (i.e. the principal amount of the relevant Convertible Bonds together with all unpaid interest accrued thereon at the rate of 4% per annum from 1 March 2015 up to the date of repayment, which, as at the Latest Practicable Date, amounted to approximately HK\$437,509,000) held by Sims and Greenwoods will become immediately due and payable. In such worst case scenario, the Company will have to liquidate its assets or raise borrowings at short notice to repay the amount due. If the Company is unable to do so quickly, the Company will be in default of its debts, and this will affect the solvency of the Company.

The Directors are of the view that the Extension will not have a material adverse effect on the operations of the Group.

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## LETTER FROM THE BOARD

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### 6. PURCHASE OF SIMS BONDS BY USUMHK

As disclosed in the announcement of the Company dated 9 April 2015, the Company has been informed that on 9 April 2015, Sims and USUMHK entered into the CB Purchase Agreement, pursuant to which Sims has conditionally agreed to sell, and USUMHK has conditionally agreed to purchase, the Sims Bonds for a sum equivalent to the total of (i) the principal amount of the Sims Bonds of HK\$315,600,000 and (ii) the amount of interest which has accrued and remains unpaid upon the Sims Bonds on and from 2 March 2015 up to and including the date of completion of the CB Purchase Agreement as calculated in accordance with the Deed Poll.

Based on the information provided by USUMHK, the principal terms of the CB Purchase Agreement are set out as follows:

#### **Date**

9 April 2015

#### **Parties**

Sims as seller; and

USUMHK as purchaser.

#### **Assets to be acquired**

The Sims Bonds, being Convertible Bonds owned by Sims in the aggregate principal amount of HK\$315,600,000.

#### **Consideration**

The total consideration for the sale of the Sims Bonds will be payment by USUMHK of a sum equivalent to the total of (i) the principal amount of the Sims Bonds of HK\$315,600,000 and (ii) the amount of interest which has accrued and remains unpaid upon the Sims Bonds on and from 2 March 2015 up to and including the date of completion of the CB Purchase Agreement as calculated in accordance with the Deed Poll.

#### **Conversion Shares**

Upon full conversion of the Sims Bonds, a total of 52,600,000 Shares will be issued. Assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares, the Second Subscription Shares and the Conversion Shares issuable pursuant to full exercise of the conversion rights attaching to the Sims Bonds, such Conversion Shares represent approximately:

- (a) 5.01% of the issued share capital of the Company as at the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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- (b) 3.37% of the issued share capital of the Company as enlarged by the First Subscription Shares, the Second Subscription Shares and the Conversion Shares issuable pursuant to full exercise of the conversion rights attaching to the Sims Bonds.

### **Conditions Precedent**

Completion of the CB Purchase Agreement is conditional upon the fulfillment or waiver (if applicable) of the following conditions precedent:

- (a) the Stock Exchange having confirmed in writing that it has no further comments on this circular;
- (b) the Stock Exchange having granted approval in writing of the Sims CB Extension;
- (c) the Stock Exchange having granted approval in writing of the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of the conversion rights attaching to the Sims Bonds (including the Conversion Shares issuable as a result of the Sims CB Extension);
- (d) the CB Whitewash Waiver having been granted by the SFC and such waiver not subsequently being revoked prior to completion of the CB Purchase Agreement;
- (e) (i) the Sims CB Extension having been approved by the Shareholders at the EGM by way of poll; (ii) the Sims CB Transfer having been approved by the Independent Shareholders (i.e. Shareholders other than USUMHK and its associates only if they become Shareholders and are entitled to vote at the EGM) at the EGM by way of poll; and (iii) the CB Whitewash Waiver having been approved by the independent Shareholders (i.e. Shareholders other than USUMHK and parties acting in concert with it and any other Shareholders (including Mr. Fang who was involved in the negotiation in his capacity as an executive Director, and parties acting in concert with him (including HWH, Delco and Mr. van Ooijen)) who are interested in or involved in the Whitewash Transactions and/or the CB Whitewash Waiver) at the Placing EGM by way of poll;
- (f) completion of each of the First Subscription Agreement and the Second Subscription Agreement having taken place in accordance with its terms;
- (g) the representations, warranties and undertakings given by each of USUMHK and Sims remaining true and correct in all respects; and
- (h) there being no law in force, and no order or decision of a competent authority, securities exchange, court or tribunal having been made (or any pending or outstanding application for the approval of any of the aforesaid



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## LETTER FROM THE BOARD

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bodies), which would have the effect of restricting the transactions contemplated under the CB Purchase Agreement (or without which approval the transactions hereunder cannot proceed).

Save that USUMHK may waive in whole or in part the conditions precedent (d), (f), (g) (in respect of a breach by Sims of any of the representations, warranties and undertakings given by Sims) and (h) above and that Sims may waive in whole or in part the condition precedent (g) (in respect of a breach by USUMHK of any of the representations, warranties and undertakings given by USUMHK), none of the other conditions precedent may be waived by Sims or USUMHK.

If the above conditions precedent are not fulfilled and/or not waived (in respect of conditions precedent (d), (f), (g) and (h)) on or before 29 May 2015, the CB Purchase Agreement will be capable of termination by either party forthwith on written notice to the other.

### **Completion**

Completion of the CB Purchase Agreement will take place on the later of: (i) 3 June 2015; or (ii) the third Business Day following the day on which the last in time of the conditions precedent set out in the CB Purchase Agreement shall have been satisfied or waived, or such other date as Sims and USUMHK may mutually agree in writing.

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## LETTER FROM THE BOARD

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### 7. SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that the Convertible Bonds are converted in full, a total number of 135,966,667 Conversion Shares will be issued, representing approximately 12.95% of the total issued share capital of the Company as at the Latest Practicable Date, and approximately 11.47% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the First Subscription Agreement and the Second Subscription Agreement; and (iii) immediately upon completion of the CB Purchase Agreement and the full conversion of all Convertible Bonds, assuming there being no other change in the share capital of the Company, save for the issue of the First Subscription Shares and the issue of Conversion Shares upon full conversion of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		Upon completion of the First Subscription Agreement and the Second Subscription Agreement		Upon completion of the CB Purchase Agreement and the full conversion of the Convertible Bonds	
	Shares	%	Shares	%	Shares	%
<b>Directors</b>						
Mr. Fang	7,014,000	0.67	7,014,000	0.47	7,014,000	0.43
Mr. Gu Liyong	425,000	0.04	425,000	0.03	425,000	0.03
<b>Past Director</b>						
Mr. van Ooijen	700,000	0.07	700,000	0.05 <i>(Note 3)</i>	700,000	0.04 <i>(Note 4)</i>
<b>Substantial Shareholders</b>						
HWH <i>(Note 1)</i>	318,905,265	30.37	318,905,265	21.16	330,171,932	20.10
Tai Security Holding Limited	175,197,990	16.69	175,197,990	11.63	175,197,990	10.66
Good Union Hong Kong Investment Limited	120,000,000	11.43	120,000,000	7.96 <i>(Note 3)</i>	120,000,000	7.30 <i>(Note 4)</i>
Delco <i>(Note 2)</i>	115,197,991	10.97	115,197,991	7.64 <i>(Note 3)</i>	167,297,991	10.18
USUMHK	–	–	456,900,000	30.32	509,500,000	31.01
<b>Public Shareholders</b>						
Sims	–	–	–	–	–	–
Greenwoods	–	–	–	–	20,000,000	1.22 <i>(Note 4)</i>
Other public Shareholders	312,508,460	29.76	312,508,460	20.74 <i>(Note 3)</i>	312,508,460	19.03 <i>(Note 4)</i>
Total	<u>1,049,948,706</u>	<u>100.00</u>	<u>1,506,848,706</u>	<u>100.00</u>	<u>1,642,815,373</u>	<u>100.00</u>

Notes:

1. HWH is wholly-owned by, and hence an associate of, Mr. Fang.

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## LETTER FROM THE BOARD

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2. Delco is a company 50%-owned by, and hence an associate of, Mr. van Ooijen, a former executive Director who resigned on 12 March 2015. As disclosed in the announcement of the Company dated 2 February 2015, Delco and HWH entered into a sale and purchase agreement (the “**HWH-Delco SPA**”) on 23 January 2015, pursuant to which Delco conditionally agreed to sell, and HWH conditionally agreed to purchase, 115,197,991 Shares. As at the date of this announcement, the HWH-Delco SPA has not yet been completed.
3. Following completion of the First Subscription Agreement and the Second Subscription Agreement, the Shares held by Mr. van Ooijen, Delco and Good Union Hong Kong Investment Limited are regarded as Shares held by the public Shareholders and the public Shareholders together held approximately 36.39% of the issued share capital of the Company.
4. Following completion of the CB Purchase Agreement and the full conversion of the Convertible Bonds, the Shares held by Mr. van Ooijen, Good Union Hong Kong Investment Limited and Greenwoods are regarded as Shares held by the public Shareholders and the public Shareholders together held approximately 27.59% of the issued share capital of the Company.

### **8. EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS**

The Company has not undertaken any equity fund raising activity in the past twelve months immediately preceding the date of the Announcement.

### **9. APPLICATION FOR LISTING**

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchange.

### **10. SPECIFIC MANDATES**

The Company will seek the Specific Mandates from the Shareholders, the Disinterested Shareholders and the Independent Shareholders (as the case may be) for the issue and allotment of the Conversion Shares at the EGM.

### **11. INFORMATION ABOUT THE GROUP, HWH, DELCO, GREENWOODS 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.

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

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

Greenwoods is an investment management company and its principal activity is the management of investments into equities of Chinese companies.

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## LETTER FROM THE BOARD

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Sims is an indirect wholly-owned subsidiary of SMM, one of the world's largest listed metal recyclers with ordinary shares listed on the Australian Securities Exchange (ASX: SGM). The principal business of SMM and its subsidiaries and its associates is metals and electronics recycling.

### 12. IMPLICATIONS UNDER THE LISTING RULES

Under Rule 28.05 of the Listing Rules, any alteration in the terms of the convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As automatic extension of the Convertible Bonds no longer applies, the Extension is therefore subject to the approval of the Stock Exchange. Pursuant to Rule 13.36(1) of the Listing Rules, the Company must obtain shareholders' approval for the Extension on the terms and conditions of the Undertakings at the EGM.

Delco and HWH are connected persons of the Company by virtue of their shareholdings in the Company. Therefore, the Delco CB Extension and the HWH CB Extension constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM.

In addition, given that USUMHK will become a connected person of the Company upon completion of the First Subscription Agreement by virtue of its holding of approximately 16.26% of the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares, and will acquire the Sims Bonds upon completion of the CB Purchase Agreement, the Sims CB Transfer will be regarded as a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM.

The Independent Board Committee, comprising Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian, being all independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension are on normal commercial terms and are fair and reasonable, and whether the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension are in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### 13. EGM

The EGM will be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Monday, 27 April 2015 at 11:00 a.m. for the purpose of considering and if, thought fit, approving

- (a) the Sims CB Extension by the Shareholders;
- (b) the Greenwoods CB Extension by the Disinterested Shareholders; and
- (c) the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension by the Independent Shareholders.

The notice convening the EGM is set out on pages 84 to 88 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, 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.

To be best of the knowledge, information and belief of the Directors, none of the Shareholders is required to abstain from voting for the relevant resolution to approve the Sims CB Extension at the EGM.

USUMHK and its associates (only if they become Shareholders and are entitled to vote at the EGM) shall abstain from voting for the relevant resolution to approve the Sims CB Transfer at the EGM. However, since completion of the First Subscription Agreement and the Second Subscription Agreement will only take place after the date of the EGM, and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholders have a material interest in the Sims CB Transfer and therefore no Shareholders are required to abstain from voting for the relevant resolution to approve the Sims CB Transfer at the EGM.

HWH and its associates are required to abstain from voting for the relevant resolution to approve the Greenwoods CB Extension at the EGM as HWH is regarded to have a material interest in the Greenwoods CB Extension by virtue of the HWH-Greenwoods Call Option.

Delco and its associates shall abstain from voting for the relevant resolution to approve the Delco CB Extension at the EGM.

HWH and its associates shall abstain from voting for the relevant resolution to approve the HWH CB Extension at the EGM.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Delco and its associates held 115,897,991 Shares, representing approximately 11.04% of the total issued share capital of the Company. HWH and its associates held 325,919,265 Shares, representing approximately 31.04% of the total issued share capital of the Company.

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

- (i) HWH, Delco and their respective associates (together the “**Abstaining Shareholders**”) controlled or were entitled to exercise control over the voting rights in respect of their respective Shares;
- (ii) save for the voting arrangements contemplated under the Memorandum of Undertakings as set out in paragraph (c) in the section headed “**4. Memorandum of Undertakings**” above pursuant to which each of the Covenantors agrees to vote in favour of any placing of Shares by the Company to create headroom by conversion of Non-Share Securities (which is not relevant to, and therefore does not have any impact on, the resolutions to approve the Extension on the terms and conditions of the Undertakings), 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 Resolutions 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.

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## LETTER FROM THE BOARD

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### 14. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sims CB Extension are fair and reasonable and that the Sims CB Extension is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to approve the Sims CB Extension at the EGM.

The Directors (excluding all independent non-executive Directors whose view is set out below) consider that the terms and conditions of the Sims CB Transfer are on normal commercial terms, the terms of which are fair and reasonable and that the Sims CB Transfer is in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual course of business of the Company.

The Directors (including all independent non-executive Directors but excluding Mr. Fang who has a material interest in the HWH CB Extension by virtue of the HWH-Greenwoods Call Option and had therefore abstained from voting on the resolution of the Board to approve the Greenwoods CB Extension) consider that the terms and conditions of the Greenwoods CB Extension are fair and reasonable and that the Greenwoods CB Extension is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors but excluding Mr. Fang) recommend the Disinterested Shareholders to vote in favour of the resolution to approve the Greenwoods CB Extension at the EGM.

The Directors (excluding (i) Mr. Fang who has a material interest in the HWH CB Extension and had therefore abstained from voting on the resolution of the Board to approve the HWH CB Extension; and (ii) all independent non-executive Directors whose view is set out below) consider that the terms and conditions of the HWH CB Extension are on normal commercial terms, the terms of which are fair and reasonable and that the HWH CB Extension is in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual course of business of the Company.

The Directors (excluding all independent non-executive Directors whose view is set out below) consider that the terms and conditions of the Delco CB Extension are on normal commercial terms, the terms of which are fair and reasonable and that the Delco CB Extension is in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual course of business of the Company.

Having taken into account the recommendation and advice from Gram Capital and other factors in relation to the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension (as contained in the letter from Gram Capital set out on pages 41 to 61 of this circular), the Independent Board Committee is of the view that the terms and conditions of each of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension are on normal commercial terms, the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and that each of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension is in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual course of

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## LETTER FROM THE BOARD

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business of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 39 to 40 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from Gram Capital set out on pages 41 to 61 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension.

### **15. 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*



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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

*Independent Board Committee:*

Dr. Loke Yu (*Chairman*)

Ms. Zhang Jingdong

Mr. Zhu Dajian

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

11 April 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS  
AND  
CONNECTED TRANSACTIONS IN RELATION TO  
THE AGREEMENTS BY CERTAIN BONDHOLDERS  
TO EXTEND THE MATURITY DATE OF THE CONVERTIBLE BONDS  
AND  
CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE OF CONVERTIBLE BONDS BY  
USUM INVESTMENT GROUP HONG KONG LIMITED**

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 terms and conditions of each of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and whether each of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the recommendation and advice of Gram Capital, we consider that the terms and conditions of each of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that each of the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension is in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Sims CB Transfer, the Delco CB Extension and the HWH CB Extension at the EGM.

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

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

11 April 2015

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

Dear Sirs,

**CONNECTED TRANSACTIONS IN RELATION TO  
THE AGREEMENTS BY CERTAIN BONDHOLDERS TO EXTEND THE  
MATURITY DATE OF THE CONVERTIBLE BONDS  
AND  
CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE OF CONVERTIBLE BONDS**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 April 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 1 March 2012, the Company issued the Convertible Bonds in the principal amount of HK\$815,800,000 at 4% annual interest. Under the terms of the Convertible Bonds, the Convertible Bonds would have matured on the third anniversary of the date of their issue (i.e. 1 March 2015), subject to automatic extension to the fifth anniversary of the date of their issue (i.e. 1 March 2017) if any of the Bondholders is unable to exercise any conversion rights on or before the Maturity Date solely because of the minimum public float requirement under the Listing Rules.

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## LETTER FROM GRAM CAPITAL

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On 16 February 2015, Sims which holds Convertible Bonds in the aggregate amount of HK\$315,600,000, and the then Shareholder of approximately 15.88% of the issued share capital of the Company, completed the disposal of its Shares to third parties. Such disposal created sufficient public float for the conversion of the Convertible Bonds and therefore, the aforesaid automatic extension of the Convertible Bonds would not apply.

On 3 March 2015 and 4 March 2015, the Company agreed with all the four Bondholders (namely Sims, Greenwoods, Delco and HWH) to extend the maturity date of the Convertible Bonds for a further two years to 1 March 2017, subject to certain Undertakings given by the Company. On 18 March 2015, the Company further entered into the Delco Supplemental Undertaking to amend and supplement the Delco Undertaking.

Subsequently, on 9 April 2015, Sims entered into the CB Purchase Agreement with USUMHK, pursuant to which Sims has conditionally agreed to sell and USUMHK has conditionally agreed to purchase the Sims Bonds.

As confirmed by the Directors, none of the Bondholders has exercised the conversion rights since the issue of the Convertible Bonds and up to the Maturity Date. As of 1 March 2015, the principal amount of the Convertible Bonds held by each of Sims, Delco and HWH was HK\$315,600,000 (convertible into 52,600,000 new Shares), HK\$312,600,000 (convertible into 52,100,000 new Shares) and HK\$67,600,000 (convertible into 11,266,667 new Shares), respectively.

With reference to the Board Letter, the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer constitute connected transactions for the Company under Chapter 14A of the Listing Rules (for details, please refer to the section headed “Implications under the Listing Rules” in the Board Letter). As such, the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer are subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising Dr. Loke Yu, Ms. Zhang Jingdong, Mr. Zhu Dajian (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of each of the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer at the EGM. We, Gram Capital 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 opinion 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

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## LETTER FROM GRAM CAPITAL

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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 and accurate 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 enquiry and careful consideration. 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. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion 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 the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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, Sims, Greenwoods, Delco, HWH or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer. 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. In addition, 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.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer, we have taken into consideration the following principal factors and reasons:

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## LETTER FROM GRAM CAPITAL

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### 1. Background of and reasons for the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer

#### *Business overview of the Group*

As referred to in 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.

Set out below are (i) the 5-year profit and loss summary (audited) of the Group from 2010 to 2014; and (ii) the financial position of the Group as at 30 June 2014 and 31 December 2014, as extracted from the annual report of the Company for the year ended 31 December 2013, the interim report of the Company for the six months ended 30 June 2014 and the annual results announcement of the Company for the year ended 31 December 2014 (the “**2014 AR Announcement**”):

	<b>For the year ended 31 December</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5,931,589	9,815,522	8,202,702	7,222,003	5,877,970
Profit/(loss) for the year	352,556	116,251	39,351	(407,518)	(1,071,240)
			<b>As at</b>	<b>As at</b>	
			<b>30 June</b>	<b>31 December</b>	
			<b>2014</b>	<b>2014</b>	
			<i>HK\$'000</i>	<i>HK\$'000</i>	
			<i>(unaudited)</i>	<i>(audited)</i>	
Bank balances and cash			411,178	271,556	
Net current liabilities			(45,293)	(301,047)	
Net assets			799,014	643,356	

As depicted by the above table, the Group’s revenue had been reducing from 2011 onwards and it had also recorded decreasing profit over the past years. For the two consecutive years ended 31 December 2013 and 2014, the Group had even been loss making. On the other hand, the Group’s net assets as at 31 December 2014 had reduced significantly as compared to that as at 30 June 2014. As at 31 December 2014, the Group had net current liabilities of approximately HK\$301.05 million.

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## LETTER FROM GRAM CAPITAL

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### *The Sims Undertaking, the Delco Undertaking and the HWH Undertaking*

Sims, Delco and HWH agreed to the Extension subject to the following undertakings given by the Company:

(a) *The Sims Undertaking*

**Date:** 4 March 2015

**Undertaking given by the Company:** Sims agreed to the Extension on the condition that the Company shall use its best endeavours to procure independent third party(ies) (i.e. parties who are independent of the Company and Sims and their respective beneficial owners) to purchase the Sims Bonds by no later than 29 June 2015, failing which the Company would purchase the Sims Bonds on or before 30 June 2015 at their face value together with all unpaid interests accrued thereon (the foregoing shall be hereinafter referred to as the “**Company’s Obligation to Procure Independent Buyer**”).

In anticipation of the CB Purchase Agreement, on 8 April 2015, the Company and Sims entered into a letter agreement whereby, among other things, the Company agreed with and confirmed to Sims that:

- a. the entry by Sims into any agreement or commitment for the transfer of the Sims Bonds to USUMHK (or its Affiliates), or the negotiations in connection therewith, shall in each case be without prejudice to the Company’s obligations under the Sims Undertaking, including the Company’s Obligation to Procure Independent Buyer, and failing that, the Company’s irrevocable and unconditional undertaking to purchase, on or before 30 June 2015, the Sims Bonds in accordance with the terms and conditions attached thereto at a price equivalent to 100% of the principal amount of the Sims Bonds together with all unpaid interests accrued thereon at the time of such purchase; and

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## LETTER FROM GRAM CAPITAL

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- b. in the event that the proposed transfer of the Sims Bonds to USUMHK (or its Affiliates) does not take place or complete for any reason whatsoever (other than due to the default on the part of Sims), the Company irrevocably and unconditionally undertakes to purchase the Sims Bonds on or before 30 June 2015 at the price described in the Sims Undertaking, save and except where:
- (i) Sims has, on or before 29 June 2015, transferred the Sims Bonds to any other party(ies) (whether or not procured by the Company); or
  - (ii) Sims has, on or before 30 June 2015, converted the Sims Bonds into Shares pursuant to the terms of the Sims Bonds,

(paragraphs (i) and (ii) above shall not be construed as imposing any obligation on Sims to find or accept alternative buyers for the Sims Bonds, or to exercise its conversion rights under the Deed Poll).

The Company further waives its rights under the Deed Poll (a) to require that the transferee of the Sims Bonds (whether it be USUMHK or any other entity) will not be a connected person of the Company prior to registering such transfer; and (b) to be indemnified by Sims (or the transferee, whether it be USUMHK or any other entity) of any costs and expenses which the Company may incur in obtaining any approval of the Stock Exchange in connection with a transfer of the Sims Bonds to the Company's connected person(s).

The outstanding principal amount of the Sims Bonds shall bear interest at the rate of 4% per annum. In the event that the Extension is not approved by the Stock Exchange and/or the relevant Shareholders, (i) the Sims Bonds shall for all intent and purposes be deemed to have matured on 1 March 2015; (ii) all outstanding amount of the Sims Bonds (i.e. the principal amount of the Sims Bonds together with all unpaid interests accrued thereon at the rate of 4% per annum and calculated in accordance with the terms of the Deed Poll) will become immediately due and payable by the Company to Sims; and (iii) Sims expressly reserves all its rights and remedies under the terms of the Sims Bonds.



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## LETTER FROM GRAM CAPITAL

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(b) *The Delco Undertaking*

**Dates:** 3 March 2015 and 18 March 2015

**Undertaking given by the Company:** Delco agreed to the Extension on the condition that:

- a. Notwithstanding the Extension, the Company will pay to Delco such amount as is equivalent to the principal amount of Delco's Convertible Bonds (as extended) plus all unpaid interests accrued thereon from 1 March 2015 up to such date of payment in seven separate quarterly instalments (the first six instalment payments will be of the same amount of HK\$44.5 million and the last instalment payment will cover the remaining amount of HK\$45.6 million) commencing from 1 September 2015, in consideration of Delco giving up (i) its right of redemption on the Extended Maturity Date; (ii) its right to receive interest on the Convertible Bonds from 1 March 2015 (notwithstanding that interest will continue to accrue on the Convertible Bonds under the terms of the Deed Poll); and (iii) its right to convert the Convertible Bonds, and subject to the right of the Company to require Delco to sell, at 100% of the face value of the Convertible Bonds, to the Company or such parties as the Company shall introduce the Convertible Bonds at any time after 31 July 2015.
- b. In the event that the HWH-Delco SPA is not completed in accordance with its terms, the full principal amount of Delco's Convertible Bonds together with all unpaid interests accrued thereon from 1 March 2015 shall be paid by the Company no later than 31 July 2015.

While the condition set out in (a) above is related to (b), they are separate conditions and are not inter-conditional upon each other.

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## LETTER FROM GRAM CAPITAL

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- c. In the event that the approval for the Extension by the Independent Shareholders is not obtained by 31 July 2015, the Extension will not occur and:
- (i) if completion of the HWH-Delco SPA has taken place in accordance with its terms by 31 July 2015, the Company will pay to Delco such amount as is equivalent to the principal amount of Delco's Convertible Bonds in seven separate quarterly instalments (the first six instalment payments will be of the same amount of HK\$44.5 million and the last instalment payment will cover the remaining amount of HK\$45.6 million) commencing from from 1 September 2015 together with all unpaid interests accrued on such instalment payment at 4% per annum from 1 March 2015 up to such date of repayment; and
  - (ii) if completion of the HWH-Delco SPA has not taken place in accordance with its terms, the Company shall, by no later than 31 July 2015, repay Delco the full principal amount of Delco's Convertible Bonds together with all unpaid interests accrued thereon from 1 March 2015 at the interest rate of 4% per annum.

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## LETTER FROM GRAM CAPITAL

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(c) *The HWH Undertaking*

**Date:** 4 March 2015

**Undertaking given by the Company:** HWH agreed to the Extension on the condition that if approval of the Independent Shareholders is not obtained by 31 July 2015, the Extension will not occur and the Company will repay the principal amount of HWH's Convertible Bonds in seven separate quarterly instalments (the first six instalment payments will be of the same amount of HK\$9.65 million and the last instalment payment will cover the remaining amount of HK\$9.7 million) commencing from 1 September 2015 together with all unpaid interests accrued on such instalment repayment at 4% per annum from 1 March 2015 up to such date of repayment.

In the event that the Extension on the terms and conditions of the Sims Undertaking, the Delco Undertakings and the HWH Undertaking is not approved by the relevant Shareholders, the Undertakings will continue to remain in force and effect.

***Reasons for the Extension***

The Convertible Bonds would have matured on 1 March 2015 unless further extended. Unless previously converted, the Company would have been required to repay the outstanding principal amount of the Convertible Bonds (together with all unpaid interests accrued thereon up to and including the date of actual payment) to the Bondholders on 1 March 2015.

As set out in the Company's announcement dated 16 February 2015 and as further confirmed by the Directors, the Company is considering undertaking a placing of its securities to independent third party(ies) to secure capital to finance for potential PRC and overseas expansion of its business. In furtherance of this, on 27 March 2015, the Company announced that on 21 March 2015, it entered into the First Subscription Agreement and the Second Subscription Agreement with USUMHK (who is independent of the Company and its connected persons). Pursuant to the First Subscription Agreement, the Company has conditionally agreed to issue and USUMHK has conditionally agreed to subscribe for a total of 203,900,000 Shares at the subscription price of HK\$9.01 per Share in the aggregate amount of approximately HK\$1,837.14 million. Pursuant to the Second Subscription Agreement, the Company has conditionally agreed to issue and USUMHK has conditionally agreed to subscribe for additional 253,000,000 Shares in the aggregate amount of approximately HK\$2,279.53 million at the same said

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## LETTER FROM GRAM CAPITAL

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initial subscription price. The net proceeds of the subscriptions are to secure capital to finance potential PRC and overseas expansion of the business of the Group.

As at the Latest Practicable Date, the Company had only identified a small number of potential investment opportunities which fit in line with the Company's investment strategy and policy. No concrete or formal discussion has been formed at this stage. Once the Company has secured the necessary capital (whether on its own or in conjunction with other investors), the Company intends to initiate discussions with those entities identified by the Company. In sourcing a suitable investment opportunity, the Directors advised us that the Company takes into consideration various factors including making a diligent assessment on whether it aligns with the Company's investment and growth direction and prospects, the financial performance and strengths of the potential target and a thorough risk analysis of the potential investment.

According to the Directors, the Company believes that this is not the right time to sell down its assets and repay the Convertible Bonds while it is still in the process of identifying potential investment opportunities. Moreover, the Company believes that holding the Convertible Bonds remains an attractive proposition for the Bondholders and that it would be able to find willing buyers for the Convertible Bonds. In the event that the Extension is approved by the relevant Shareholders but the Company is unable to find willing buyers for the relevant Convertible Bonds, the Company will have to commence purchase of the relevant Convertible Bonds as early as by 29 June 2015.

In accordance with the terms and conditions of the Delco Undertakings and the HWH Undertaking, the Company is granted time to repay all outstanding amount of the Convertible Bonds (i.e. the respective principal amount of Delco's and HWH's Convertible Bonds together with all unpaid interests accrued thereon respectively at the rate of 4% per annum from 1 March 2015 up to such date of repayment, which, as at the Latest Practicable Date, amounted to approximately HK\$381,866,000) held by Delco and HWH in seven instalments commencing from 1 September 2015. Whereas in accordance with the terms and conditions of the Sims Undertaking, all outstanding amount of the Sims Bonds (i.e. the principal amount of the Sims Bonds together with all unpaid interests accrued thereon at the rate of 4% per annum from 1 March 2015 up to the date of repayment, which, as at the Latest Practicable Date, amounted to approximately HK\$316,983,000) will become immediately due and payable. In such worst case scenario, the Company will have to liquidate its assets or raise borrowings at short notice to repay the amount due. If the Company is unable to do so quickly, the Company will be in default of its debts, and this will affect the solvency of the Company.

We concur with the Directors that the Sims Undertaking, the Delco Undertakings and the HWH Undertaking are fair and reasonable as they allow the Company to have additional time to repay the respective outstanding amount of

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## LETTER FROM GRAM CAPITAL

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the Sims Bonds, Delco's and HWH's Convertible Bonds while during the extended repayment period, the interest rate is still 4%, which is the original interest rate of the Convertible Bonds.

We noted that the Group had bank balances and cash of approximately HK\$271.56 million as at 31 December 2014, which shall be insufficient to repay the outstanding principal amount of the Convertible Bonds (being HK\$815,800,000) together with all unpaid interests accrued. Upon our further enquiry, the Directors also confirmed that the Group should have insufficient internal resources as at the Latest Practicable Date for repayment of the Convertible Bonds. Given that the Group already had net current liabilities of approximately HK\$301.05 million as at 31 December 2014 and its net assets had reduced significantly from 30 June 2014 to 31 December 2014, we concur with the Directors that this is not the right time to sell down the Company's assets to repay the outstanding principal amount of the Convertible Bonds. In addition, in view of the reduction in revenue and loss making position of the Group, the Directors advised us that after approaching several banks, it has been difficult for the Group to obtain additional bank borrowings at favourable terms within a short timeframe in order to repay the outstanding principal amount of the Convertible Bonds.

### *The Sims CB Transfer*

As further disclosed in the announcement of the Company dated 9 April 2015, the Company has been informed that on 9 April 2015, Sims and USUMHK entered into the CB Purchase Agreement, pursuant to which Sims has conditionally agreed to sell, and USUMHK has conditionally agreed to purchase, the Sims Bonds for the consideration (the "**Consideration**") which is a sum equivalent to the total of (i) the principal amount of the Sims Bonds of HK\$315,600,000; and (ii) the amount of interests which has accrued and remains unpaid upon the Sims Bonds on and from 2 March 2015 up to and including the date of completion of the CB Purchase Agreement as calculated in accordance with the terms of the Deed Poll. Given that the Consideration equals to the principal amount of the Sims Bonds together with the relevant unpaid interests, we concur with the Directors that the terms of the Sims CB Transfer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above reasons for the Extension, in particular the financial difficulties which the Group is facing and that the Extension may allow the Group to buy time to negotiate with third party(ies) for equity financing and/or purchase of the Convertible Bonds, which would alleviate the Group's immediate cashflow burden, we concur with the Directors that the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer are in the interests of the Company and the Shareholders as a whole although they are not conducted in the ordinary and usual course of business of the Group.

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### 2. Principal terms of the Convertible Bonds

The Convertible Bonds were constituted by the Deed Poll, the principal terms of which were set out in the Company's circular dated 9 February 2012. Save for the Extension, the terms and conditions of the Deed Poll remain unchanged. The principal terms of the Deed Poll, as amended by the Extension, are included in the Board Letter under the section headed "Principal terms of the Convertible Bonds". We have extracted and set out below certain key terms of the Convertible Bonds:

**Conversion Price:** HK\$6.00 per Conversion Share. The Conversion Price and the aggregated number of 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 upon occurrence of a few adjustment events which give rise to changes in the share capital of the Company. For details, please refer to Appendix II to the Circular.

**Extended Maturity Date:** 1 March 2017.

In the event that 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 requirement under the Listing Rules, the outstanding principal amount of the Convertible Bonds shall, unless previously purchased or converted for 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.

**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 Conversion Period in amounts of not less than HK\$100,000 or any higher integral multiples thereof on each conversion, in accordance with the procedures set out in the Deed Poll.

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- 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 Extended 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 Conversion Shares:** The Conversion Shares issued upon conversion of the Convertible Bonds will rank *pari passu* in all respects with the Shares then in issue.
- 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.
- 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 (such securities together with the Additional Shares, the “**Additional Securities**”) after the issue of the Convertible Bonds, in each case at or above the 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.

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### *The Conversion Price*

The initial Conversion Price is HK\$6.00 per Conversion Share (subject to adjustments), which represents:

- (i) a discount of approximately 22.08% to the closing price of HK\$7.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 13.64% over the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on 5 March 2015, being the date of the announcement regarding the Extension (the “**Extension Announcement**”);
- (iii) a premium of approximately 9.69% over the average closing price of HK\$5.47 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 March 2015;
- (iv) a premium of approximately 32.45% over the average closing price of HK\$4.53 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including 5 March 2015; and
- (v) a premium of approximately 883.61% over the net asset value per Share of HK\$0.61, which is calculated based on the audited net asset value of the Company of approximately HK\$643,356,000 as at 31 December 2014 as disclosed in the 2014 AR Announcement divided by the total number of issued Shares of 1,049,948,706 Shares as at the Latest Practicable Date.



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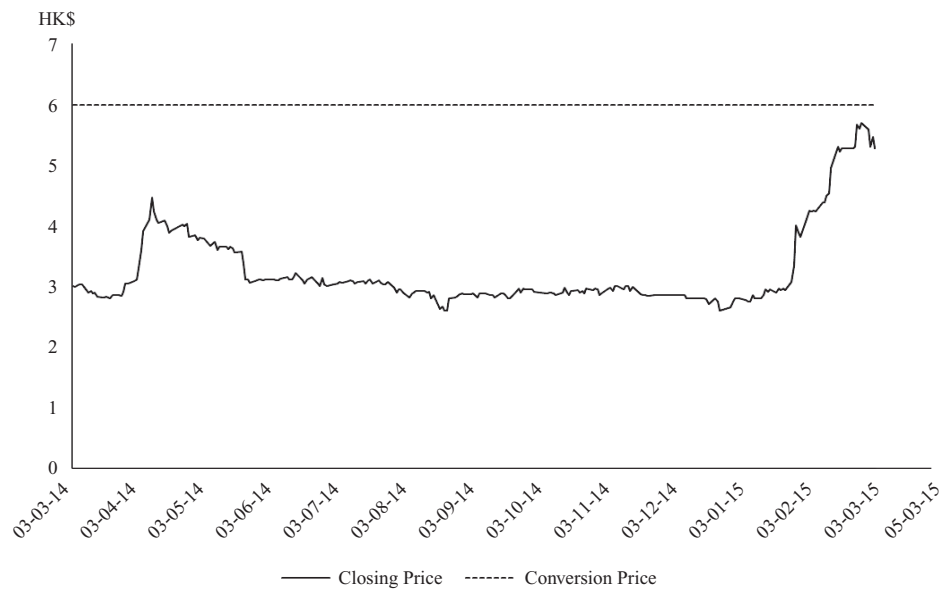
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In order to assess the fairness and reasonableness of the Conversion Price, we have performed (i) a review on the historical closing prices of the Shares; and (ii) a comparison with other issue and subscription of convertible notes/bonds exercises. Presented below are our relevant findings:

### *Historical closing prices of the Shares*

The graph below demonstrates the historical closing prices of the Shares as quoted on the Stock Exchange from 3 March 2014 up to the date of the Extension Announcement (the “**Review Period**”):

**Historical daily closing price per Share**



Source: The Stock Exchange’s web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

During the Review Period, the closing prices of the Shares ranged from HK\$2.60 to HK\$5.70 per Share. The Conversion Price had thus been consistently above the historical closing prices of the Shares.

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*Comparison with other issue and subscription of convertible notes/bonds exercises*

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 January 2015 up to the date of the Extension Announcement (the “**Comparables**”). To the best of our knowledge and as far as we are aware of, we found ten transactions which met the said criteria and we consider them to be exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables.

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 announcement/ the date of agreement in relation to the respective issue/ subscription of convertible notes/bonds exercises <i>%</i>
4 March 2015	United Photovoltaics Group Limited	686	3	7.50	7.29
17 February 2015	China Primary Energy Holdings Limited	8117	5	4.50	21.95
16 February 2015	China Ocean Shipbuilding Industry Group Limited	651	3	7.50	0.00
13 February 2015	Huajun Holdings Limited	377	5	2.50	42.86
10 February 2015	China Fortune Financial Group Limited	290	1	12.00	(5.80)
9 February 2015	Green International Holdings Limited	2700	3	3.00	(7.04)
2 February 2015	Hua Han Bio-Pharmaceutical Holdings Limited	587	3	4.50	16.41
29 January 2015	Good Fellow Resources Holdings Limited	109	5	0.00	(31.41)

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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 announcement/ the date of agreement in relation to the respective issue/ subscription of convertible notes/bonds exercises <i>%</i>
23 January 2015	United Photovoltaics Group Limited	686	3	7.50	1.98
9 January 2015	Hydoo International Holding Limited	1396	5 <i>(Note 1)</i>	7.00	4.60
	<b>Maximum</b>		<b>5</b>	<b>12.00</b>	<b>42.86</b>
	<b>Minimum</b>		<b>1</b>	<b>0.00</b>	<b>(31.41)</b>
	<b>Average</b>		<b>3.6</b>	<b>5.60</b>	<b>5.08</b>
	<b>Median</b>		<b>3</b>	<b>5.75</b>	<b>3.29</b>
5 March 2015	The Company	976	2 <i>(Note 2)</i>	4.00	13.64

*Notes:*

1. The maturity date is 23 January 2020.
2. The maturity date is 1 March 2017

*Source:* The Stock Exchange's web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

We noted from the above table that the conversion prices of the Comparables ranged from a discount of approximately 31.41% to a premium of approximately 42.86% (average being a premium of approximately 5.08%) to/over the respective closing prices of their shares on the last trading day prior to the release of announcement/the date of agreement in relation to the respective issue/subscription of convertible notes/bonds exercises (the “**Market Range**”). As such, the Conversion Price, which represents a premium of approximately 13.64% over the closing price of the Shares on the date of the Extension Announcement, falls within and is above the average of the Market Range. Therefore, we are of the opinion that the Conversion Price is in line with the recent market practice.

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As a result of the fact that (i) the Conversion Price had been consistently above the historical closing prices of the Shares during the Review Period; and (ii) the Conversion Price is in line with the recent market practice, we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

### *Annual interest*

As presented by the table under the above sub-section of this letter, the Comparables carried an annual interest rate of Nil to 12% with a median of approximately 5.75%; whereas the Convertible Bonds bear interest of 4% per annum. Hence, the interest rate of the Convertible Bonds is relatively low as compared to the Comparables. Furthermore, as advised by the Directors, the effective interest rate of the Group's bank borrowings ranged from approximately 1.50% to 6.44% (subject to final audit) for the year ended 31 December 2014. Based on the foregoings, we consider that the interest rate of the Convertible Bonds is acceptable.

### *Pre-emptive rights*

We understand that the grant of pre-emptive rights to the Bondholders was arrived at after arm's length negotiations between the Company and the then Bondholders when the Company issued the Convertible Bonds in 2012. The Directors considered that the pre-emptive rights given to the Bondholders are fair and reasonable in view of the substantial investment by the Bondholders into the Company and the synergy and benefits that such investment brings to the Group as a whole.

As disclosed under the section headed "Principal terms of the Convertible Bonds" in the Board Letter, in the event that the Company undertakes any issue of the Additional Securities (the "**Relevant Rights Issue**") which will result in the Company offering Additional Securities to the Bondholders pursuant to the pre-emptive rights of the Convertible Bonds, the Company may:

- (a) use its general mandate to issue the Additional Securities to the Bondholders (to the extent permissible under the Listing Rules), in which case the issue of the Additional Securities to the Bondholders is conditional upon the Relevant Rights Issue (regardless of whether the Relevant Rights Issue is exempt from the approval of the Shareholders) having taken place; or
- (b) pursuant to the Listing Rules, seek a specific mandate from the Shareholders for the issue of the Additional Securities to the Bondholders, in which case the Relevant Rights Issue (regardless of whether it is exempt from the approval of the Shareholders) and the issue of the Additional Securities to the Bondholders shall be inter-conditional with each other,

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in each case the issue of the Additional Securities to the Bondholders pursuant to the pre-emptive rights of the Convertible Bonds shall be subject to full compliance with the requirements of the Listing Rules.

Furthermore, Shareholders should note that in the event that any Bondholders who are not connected persons of the Company (the “**Independent Bondholders**”) have subsequently become Shareholders for whatever reasons (e.g. upon conversion of the Convertible Bonds or otherwise upon acquisition of Shares), they are required to abstain from voting on any resolution at general meetings of the Company for approving the grant of general mandate to the Directors for the issue of new Shares.

In light of the background of the provision of the pre-emptive rights as aforementioned and that (i) the Bondholders could only purchase or subscribe for the Additional Securities at the same price and under the same terms as the Additional Securities are issued to or placed with other investors; and (ii) any exercise of the pre-emptive rights shall be subject to full compliance with the Listing Rules’ requirements, we consider that the pre-emptive rights of the Convertible Bonds are acceptable.

Taking into account the principal terms of the Convertible Bonds as highlighted above, we consider that the terms of the Convertible Bonds are fair and reasonable. As such, we are of the view that the terms of each of the Delco CB Extension and the HWH CB Extension are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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**LETTER FROM GRAM CAPITAL**

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**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 Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds held by Sims or USUMHK (as the case may be subject to completion of the CB Purchase Agreement), Delco and HWH (without taking into account the effect of any of the HWH-Delco SPA, the First Subscription Agreement and the Second Subscription Agreement):

	<b>As at the Latest Practicable Date</b>		<b>Upon full conversion of the Convertible Bonds held by Sims or USUMHK (as the case may be subject to completion of the CB Purchase Agreement), Delco and HWH (without taking into account the effect of any of the HWH-Delco SPA, the First Subscription Agreement and the Second Subscription Agreement)</b>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
<b><i>Directors</i></b>				
Mr. Fang	7,014,000	0.67	7,014,000	0.60
Mr. Gu Liyong	425,000	0.04	425,000	0.04
<b><i>Substantial Shareholders</i></b>				
HWH ( <i>Note 1</i> )	318,905,265	30.37	330,171,932	28.32
Tai Security Holding Limited	175,197,990	16.69	175,197,990	15.03
Good Union Hong Kong Investment Limited	120,000,000	11.43	120,000,000	10.29
Delco ( <i>Note 2</i> )	115,197,991	10.97	167,297,991	14.35
<b><i>Public Shareholders</i></b>				
Sims/USUMHK ( <i>Notes 3 &amp; 4</i> )	–	–	52,600,000	4.51
Greenwoods	–	–	–	–
Mr. van Ooijen ( <i>Note 5</i> )	700,000	0.07	700,000	0.06
Other public Shareholders	312,508,460	29.76	312,508,460	26.80
<b>Total</b>	<b><u>1,049,948,706</u></b>	<b><u>100</u></b>	<b><u>1,165,915,373</u></b>	<b><u>100</u></b>

*Notes:*

1. HWH is wholly-owned by, and hence an associate of, Mr. Fang.
2. Delco is a company 50%-owned by, and hence an associate of, Mr. van Ooijen.

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3. On 9 April 2015, Sims entered into the CB Purchase Agreement with USUMHK, pursuant to which Sims has conditionally agreed to sell, and USUMHK has conditionally agreed to purchase, the Sims Bonds. As at the Latest Practicable Date, the CB Purchase Agreement had not yet been completed.
4. USUMHK would become a substantial shareholder or controlling shareholder of the Company upon completion of the First Subscription Agreement and/or the Second Subscription Agreement. For details, please refer to the section headed “Shareholding structure of the Company” in the Board Letter.
5. Mr. van Ooijen is a former executive Director who resigned with effect from 12 March 2015.

As illustrated by the above table, the shareholding interests of the existing public Shareholders would be slightly diluted by the possible conversion of the Convertible Bonds by Sims or USUMHK (as the case may be subject to completion of the CB Purchase Agreement), Delco and HWH. In light of (i) the reasons for the Extension and the terms of the Convertible Bonds being fair and reasonable; and (ii) the Bondholders shall not have the right to convert 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, we are of the opinion that the aforesaid possible dilution to the shareholding interests of the existing public Shareholders is justifiable.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of each of the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer are in the interests of the Company and the Shareholders as a whole although they are not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Delco CB Extension, the HWH CB Extension and the Sims CB Transfer and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital 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) upon full conversion of the Convertible Bonds 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>1,049,948,706</u>	Shares	<u>10,499,487.06</u>

### (ii) Upon full conversion of the Convertible Bonds

<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>
1,049,948,706	Shares	10,499,487.06
135,966,667	Conversion Shares to be issued upon full conversion of the Convertible Bonds	1,359,666.67
<u>1,185,915,373</u>	Shares	<u>11,859,153.73</u>



## 3. DIRECTORS' AND CHIEF EXECUTIVES' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of each of the Directors and 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:

## (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	7,014,000	6,600,000 (Note 1)	13,614,000	
	Interest in controlled corporations	434,103,256 (Note 2)	31,266,667 (Note 2)	465,369,923	
	Interest of the other parties to an agreement under section 317 of the SFO	115,897,991 (Note 3)	104,700,000 (Note 3)	220,597,991	
			<b>Total:</b>	<b>584,383,923</b>	55.66%
Mr. Gu Liyong	Beneficial owner	425,000	350,000 (Note 4)	775,000	0.07%
Dr. Loke Yu	Beneficial owner	–	135,000 (Note 5)	135,000	0.01%
Ms. Zhang Jingdong	Beneficial owner	–	135,000 (Note 6)	135,000	0.01%

## (ii) 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 7)

*Notes:*

- (1) This represents the outstanding Share Options granted to Mr. Fang under the Post-IPO Share Option Scheme to subscribe for 6,600,000 Shares.
- (2) The 434,103,256 Shares comprise (i) 318,905,265 Shares held by HWH, a company wholly-owned by Mr. Fang, as beneficial owner; and (ii) 115,197,991 Shares held by Delco as beneficial owner in which HWH is deemed to be interested as beneficial owner by virtue of a sale and purchase agreement dated 23 January 2015 between HWH and Delco, pursuant to which Delco agreed to sell such 115,197,991 Shares to HWH. On 1 March 2012, the Company issued the Convertible Bonds in the aggregate principal amount of HK\$815,800,000 entitling the holders thereof to convert into Shares at an initial conversion price of HK\$6.00 per Share, subject to adjustments. On 3 and 4 March 2015, all the holders of the Convertible Bonds agreed to extend the maturity date of the Convertible Bonds to 1 March 2017 on the terms and conditions of certain undertakings given by the Company, subject to the approval of the shareholders and independent shareholders (as the case may be) of the Company. HWH subscribed for the Convertible Bonds in the principal amount of HK\$187,600,000. Pursuant to the HWH – Greenwoods SPA, HWH has, on 16 January 2013, transferred part of its Convertible Bonds in the principal amount of HK\$120,000,000 (“Option Bonds”) to Greenwoods and Greenwoods has granted the HWH-Greenwoods Call Option in favour of HWH to purchase all or part of the Option Bonds on the same day. The 31,266,667 underlying Shares comprise (i) 11,266,667 underlying Shares held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; and (ii) 20,000,000 underlying Shares held by HWH as beneficial owner which Greenwoods is obliged to deliver to HWH upon exercise of the Call Option by HWH. Therefore, Mr. Fang is deemed to be interested in an aggregate of 465,369,923 Shares and underlying Shares held by his controlled corporation.
- (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 115,897,991 Shares comprise (i) 700,000 Shares held by Mr. van Ooijen as beneficial owner; and (ii) 115,197,991 Shares held by Delco as beneficial owner in which HWH is deemed to be interested by the reason set out in Note 2 above. The 104,700,000 underlying Shares comprise (i) 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; and (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. Therefore, Mr. Fang is deemed to be interested in an aggregate of 220,597,991 Shares and underlying Shares held by the other parties to an agreement under section 317 of the SFO.
- (4) This represents the outstanding Share Options granted to Mr. Gu Liyong under the Post-IPO Share Option Scheme to subscribe for 350,000 Shares.
- (5) This represents the outstanding Share Options granted to Dr. Loke Yu under the Post-IPO Share Option Scheme to subscribe for 135,000 Shares.
- (6) This represents the outstanding Share Options granted to Ms. Zhang Jingdong under the Post-IPO Share Option Scheme to subscribe for 135,000 Shares.
- (7) This represents the aggregate of (i) the principal amount of the Convertible Bonds of HK\$67,600,000 held by HWH as at the Latest Practicable Date; and (ii) the principal amount of the Option Bonds of HK\$120,000,000 held by Greenwoods (in which HWH is deemed to be interested by virtue of the Call Option as referred to in Note 2 above), by virtue of which HWH is deemed to be interested in 31,266,667 underlying Shares as referred to in Note 2 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and 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 the 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	434,103,256 <i>(Note 1)</i>	31,266,667 <i>(Note 1)</i>	465,369,923	
	Interest of the other parties to an agreement under section 317 of the SFO	122,911,991 <i>(Note 2)</i>	111,300,000 <i>(Note 2)</i>	234,211,991	
			<b>Total:</b>	<b>584,383,923</b>	55.66%

**APPENDIX I**

**GENERAL INFORMATION**

<b>Name of Shareholder</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares interested</b>	<b>Number of underlying Shares interested</b>	<b>Total number of Shares interested</b>	<b>Approximate percentage shareholding in the Company</b>
Mr. van Ooijen	Beneficial owner	700,000	–	700,000	
	Interest in controlled corporations	115,197,991 <i>(Note 3)</i>	52,100,000 <i>(Note 3)</i>	167,297,991	
	Interest of the other parties to an agreement under section 317 of the SFO	441,117,256 <i>(Note 4)</i>	90,466,667 <i>(Note 4)</i>	531,583,923	
			<b>Total:</b>	<b><u>584,383,923</u></b>	55.66%
Delco	Beneficial owner	115,197,991 <i>(Note 3)</i>	52,100,000 <i>(Note 3)</i>	167,297,991	
	Interest of the other parties to an agreement under section 317 of the SFO	441,817,256 <i>(Note 4)</i>	90,466,667 <i>(Note 4)</i>	532,283,923	
			<b>Total:</b>	<b><u>584,383,923</u></b>	55.66%
Mr. de Leeuw	Interest in controlled corporations	115,197,991 <i>(Notes 3 &amp; 5)</i>	52,100,000 <i>(Notes 3 &amp; 5)</i>	167,297,991	
	Interest of the other parties to an agreement under section 317 of the SFO	441,817,256 <i>(Notes 4 &amp; 5)</i>	90,466,667 <i>(Notes 4 &amp; 5)</i>	532,283,923	
			<b>Total:</b>	<b><u>584,383,923</u></b>	55.66%

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.	Interest in controlled corporations	441,817,256 (Notes 3, 4 & 5)	142,566,667 (Notes 3, 4 & 5)	584,383,923	55.66%
H.P.L. Metals B.V.	Interest in controlled corporations	441,817,256 (Notes 3, 4 & 5)	142,566,667 (Notes 3, 4 & 5)	584,383,923	55.66%
Stichting Beheer Aandelen H.P.L. Metals	Interest in controlled corporations	441,817,256 (Notes 3, 4 & 5)	142,566,667 (Notes 3, 4 & 5)	584,383,923	55.66%
Sims	Beneficial owner	–	52,600,000 (Note 6)	52,600,000	
	Interest of the other parties to an agreement under section 317 of the SFO	441,817,256 (Note 7)	89,966,667 (Note 7)	531,783,923	
			<b>Total:</b>	<u>584,383,923</u>	55.66%

**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
Sims Metal Management China Holdings Limited	Interest in controlled corporations	441,817,256 (Notes 6, 7 & 8)	142,566,667 (Notes 6, 7 & 8)	584,383,923	55.66%
Sims Asia	Interest in controlled corporations	441,817,256 (Notes 6, 7 & 8)	142,566,667 (Notes 6, 7 & 8)	584,383,923	55.66%
SMM	Interest in controlled corporations	441,817,256 (Notes 6, 7 & 8)	142,566,667 (Notes 6, 7 & 8)	584,383,923	55.66%
Tai Security Holding Limited	Beneficial owner	175,197,990 (Note 9)	–	175,197,990	16.69%
Mr. Cai Huabo	Interest in controlled corporations	175,197,990 (Note 9)	–	175,197,990	16.69%
Good Union Hong Kong Investment Limited	Beneficial owner	120,000,000 (Note 10)	–	120,000,000	11.43%
Mr. Zhang Mingjie	Interest in controlled corporations	120,000,000 (Note 10)	–	120,000,000	11.43%
USUMHK	Beneficial owner	456,900,000 (Note 11)	–	456,900,000	43.52%
USUM	Interest in controlled corporations	456,900,000 (Note 11)	–	456,900,000	43.52%
Loncin Holdings	Interest in controlled corporations	456,900,000 (Note 11)	–	456,900,000	43.52%
Loncin Group	Beneficial owner	456,900,000 (Note 11)	–	456,900,000	43.52%
Mr. Tu Jianhua	Interest in controlled corporations	456,900,000 (Note 11)	–	456,900,000	43.52%

## (ii) Short 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
Mr. van Ooijen	Interest in controlled corporations	115,197,991 (Note 12)	52,100,000 (Note 13)	167,297,991	15.93%
Delco	Beneficial owner	115,197,991 (Notes 5 & 12)	52,100,000 (Notes 5 & 13)	167,297,991	15.93%
Mr. de Leeuw	Interest in controlled corporations	115,197,991 (Notes 5 & 12)	52,100,000 (Notes 5 & 13)	167,297,991	15.93%
SVO Company B.V.	Interest in controlled corporations	115,197,991 (Notes 5 & 12)	52,100,000 (Notes 5 & 13)	167,297,991	15.93%
H.P.L. Metals B.V.	Interest in controlled corporations	115,197,991 (Notes 5 & 12)	52,100,000 (Notes 5 & 13)	167,297,991	15.93%
Stichting Beheer Aandelen H.P.L. Metals	Interest in controlled corporations	115,197,991 (Notes 5 & 12)	52,100,000 (Notes 5 & 13)	167,297,991	15.93%

## (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	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%

Name of the Member of the Group	Name of Shareholder	Capacity/ Nature of Interest	Number of Shares/ Amount of equity interest held	Approximate percentage shareholding/ equity interest
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%
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) The 434,103,256 Shares comprise (i) 318,905,265 Shares held by HWH as beneficial owner; and (ii) 115,197,991 Shares held by Delco as beneficial owner as referred to in Note 3 below in which HWH is deemed to be interested as beneficial owner by virtue of a sale and purchase agreement dated 23 January 2015 between HWH and Delco, pursuant to which Delco agreed to sell such 115,197,991 Shares to HWH. The 31,266,667 underlying Shares comprise (i) 11,266,667 underlying Shares held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; and (ii) 20,000,000 underlying Shares held by HWH as beneficial owner which Greenwoods is obliged to deliver to HWH upon exercise of the Call Option by HWH as referred to in Note 2 under the section headed "Directors' and Chief Executives' Disclosure of Interests" above.
- (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 122,911,991 Shares comprise (i) 7,014,000 Shares held by Mr. Fang as beneficial owner; (ii) 700,000 Shares held by Mr. van Ooijen as beneficial owner; and (iii) 115,197,991 Shares held by Delco as beneficial owner as referred to in Note 3 below in which HWH is deemed to be interested by the reason set out in Note 1 above. The 111,300,000 underlying Shares comprise (i) 6,600,000 underlying Shares held by Mr. Fang as beneficial owner; (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; and (iii) 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. Therefore, HWH is deemed to be interested in an aggregate of 234,211,991 Shares and underlying Shares held by the other parties to an agreement under section 317 of the SFO.
- (3) The 115,197,991 Shares are held by Delco as beneficial owner in which HWH is deemed to be interested by the reason set out in Note 1 above and Delco is indirectly 50%-owned by Mr. van Ooijen. 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 167,297,991 Shares and underlying Shares held by his controlled corporation.



- (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 441,117,256 Shares comprise (i) 7,014,000 Shares held by Mr. Fang as beneficial owner; and (ii) 434,103,256 Shares held by HWH as beneficial owner (of which 115,197,991 Shares duplicate with the same batch of Shares held by Delco as beneficial owner as referred to in Note 3 above by the reason set out in Note 1 above). The 90,466,667 underlying Shares comprise (i) 6,600,000 underlying Shares held by Mr. Fang as beneficial owner; (ii) 31,266,667 underlying Shares held by HWH as beneficial owner as referred to in Note 1 above; and (iii) 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. Therefore, Mr. van Ooijen is deemed to be interested in an aggregate of 531,583,923 Shares and underlying Shares and Delco is deemed to be interested in an aggregate of 532,283,923 Shares and underlying Shares held by the other parties to an agreement under section 317 of the SFO.
- (5) Delco is 50%-owned by each of SVO Company B.V. (“SVO”) and H.P.L. Metals B.V. (“HPL”). SVO is wholly-owned by Mr. van Ooijen. HPL is wholly-owned by Stichting Beheer Aandelen H.P.L. Metals (“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) The 52,600,000 underlying Shares are held by Sims as beneficial owner which are issuable upon full conversion of the Sims Bonds.
- (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 441,817,256 Shares comprise (i) 7,014,000 Shares held by Mr. Fang as beneficial owner; (ii) 700,000 Shares held by Mr. van Ooijen as beneficial owner; (iii) 434,103,256 Shares held by HWH as beneficial owner (of which 115,197,991 Shares duplicate with the same batch of Shares held by Delco as beneficial owner as referred to in Note 3 above by the reason set out in Note 1 above); and (iv) 115,197,991 Shares held by Delco as beneficial owner as referred to in Note 3 above in which HWH is deemed to be interested by the reason set out in Note 1 above. The 89,966,667 underlying Shares comprise (i) 6,600,000 underlying Shares held by Mr. Fang as beneficial owner; (ii) 31,266,667 underlying Shares held by HWH as beneficial owner as referred to in Note 1 above; and (iii) 52,100,000 underlying Shares held by Delco as beneficial owner which fall to be issued to Delco upon full conversion of the relevant Convertible Bonds. Therefore, Sims is deemed to be interested in an aggregate of 531,783,923 Shares and underlying Shares held by the other parties to an agreement under section 317 of the SFO.
- (8) Sims is a wholly-owned subsidiary of Sims Metal Management China Holdings Limited (“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 (if any) held by and through Sims.
- (9) The 175,197,990 Shares are held by Tai Security Holding Limited (“Tai Security”) as beneficial owner and Tai Security is wholly-owned by Mr. Cai Huabo (“Mr. Cai”). Therefore, Mr. Cai is deemed to be interested in the same number of Shares as held by Tai Security.
- (10) The 120,000,000 Shares are held by Good Union Hong Kong Investment Limited (“Good Union”) as beneficial owner and Good Union is wholly-owned by Mr. Zhang Mingjie (“Mr. Zhang”). Therefore, Mr. Zhang is deemed to be interested in the same number of Shares as held by Good Union.
- (11) The 456,900,000 Shares are held by USUMHK as beneficial owner by virtue of the First Subscription Agreement and the Second Subscription Agreement. USUMHK is directly and wholly owned by USUM. The single largest shareholder of USUM is Loncin Holdings, with an equity interest in USUM of 38.65%. Loncin Holdings is 98% owned by Loncin Group and 2%

owned by Mr. Tu Jianhua (“Mr. Tu”). Loncin Group is 98% owned by Mr. Tu. Therefore, each of USUM, Loncin Holdings, Loncin Group and Mr. Tu is deemed to be interested in the same number of Shares as held by USUMHK.

- (12) The 115,197,991 Shares represent the number of Shares which Delco is obliged to deliver to HWH pursuant to the sale and purchase agreement as referred to in Note 1 above.
- (13) The 52,100,000 underlying Shares represent the number of underlying Shares which fall to be issued to Delco upon full conversion of the Convertible Bonds held by Delco. Delco is obliged to deliver such Convertible Bonds to the Company (or such parties as the Company shall introduce) at any time after 31 July 2015 pursuant to an undertaking from the Company dated 3 March 2015.

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, save that Mr. Fang is the sole director of HWH, 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 2014, 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:

<b>Name</b>	<b>Qualification</b>
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital 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.

Gram Capital 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 2014 (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

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 2014, 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 = RMB1.26 for illustration purposes.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Undertakings, the Deed Poll, the Memorandum of Undertakings, the CB Purchase Agreement and the letter from Gram Capital (the text of which is set out in the section of this circular headed "Letter from Gram Capital") 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 48 Wang Lok Street, Yuen Long Industrial Estate, 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 in relation to the events which give rise to the adjustments to the Conversion Price.

1. Adjustments to the Conversion Price

1.1. The Conversion 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 Conversion Price shall be adjusted by multiplying the Conversion Price 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 Conversion Price shall be adjusted by multiplying the Conversion 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 Conversion Price falls to be adjusted under sub-paragraph 1.1(b) above), the Conversion Price shall be adjusted by multiplying the Conversion Price 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 grant, the Conversion Price shall be adjusted by multiplying the Conversion Price 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 Conversion Price shall be adjusted by multiplying the Conversion Price 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, 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 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 Conversion Price shall be adjusted by multiplying the Conversion Price 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 Conversion Price shall be adjusted by multiplying the Conversion Price 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 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 Conversion Price shall be adjusted by multiplying the Conversion Price 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 Conversion Price shall be adjusted by multiplying the Conversion Price 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 Conversion Price falls to be adjusted under sub-paragraph 1.1(d) or 1.1(e)), the Conversion Price shall be adjusted by multiplying the Conversion Price 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 Conversion 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, 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 Conversion Price is fair and reasonable to take account thereof, whether the adjustment would result in a reduction of the Conversion 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; and

- (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 Conversion Price may not be reduced so that on conversion of the Convertible Bonds, the Conversion Shares shall be issued at a discount to their par value.
- 1.4. No adjustment will be made to the Conversion 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 Conversion 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 Conversion 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. On any adjustment, the resultant 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 Conversion Price where such adjustment (rounded down if applicable) would be less than 1% of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment.
- 1.8. If the date of conversion in relation to any Convertible Bonds 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, the Company shall (conditional upon such

adjustment becoming effective) procure that there shall be issued to the converting Bondholders or in accordance with the instructions contained in the conversion notice relating to the Convertible Bonds (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, is equal to the number of Conversion Shares which would have been required to be issued on conversion of the Convertible Bonds if the relevant adjustment to the Conversion 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 Conversion Price 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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## NOTICE OF EGM

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### CHHO-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 Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Monday, 27 April 2015 at 11:00 a.m. or any adjournment thereof for the purpose of considering, and if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (A) subject to the approval of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the extension (the “**Sims CB Extension**”) of the maturity date of the 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 issued by the Company on 1 March 2012 (the “**Convertible Bonds**”, of which Sims Metal Management Dragon Holdings Limited (“**Sims**”) is the registered holder thereof in the principal amount of HK\$315,600,000 (the “**Sims Convertible Bonds**”) as at the date of the Meeting) from 1 March 2015 to 1 March 2017 (the “**Extended Maturity Date**”) on the terms and conditions of a letter of undertaking dated 4 March 2015 executed by the Company in favour of Sims, together with a letter agreement dated 8 April 2015 between the Company and Sims (collectively, the “**Sims Undertaking**”, copies of which are produced to the Meeting marked “A1” and “A2” and initialled by the Chairman of the Meeting for the purpose of identification) and the performance by the Company of its obligations thereunder be and are hereby approved, confirmed and ratified;
- (B) subject to the approval of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (as defined below), the issue and allotment of new shares (“**Shares**”) of HK\$0.01 each in the share capital of the Company (“**Conversion Shares**”) upon exercise of the conversion rights attaching to the Sims Convertible Bonds be and is hereby approved and any one or more of the directors (“**Directors**”) of the Company be and is/are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the deed poll (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) dated 1 March 2012 constituting the Convertible Bonds; and

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(C) 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 Sims CB Extension, including but not limited to the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Sims Convertible Bonds and any other matters contemplated thereunder.”

2. **“THAT**

(A) the sale and purchase of the Sims Convertible Bonds on the terms and conditions of a sale and purchase agreement dated 9 April 2015 between Sims as seller and USUM Investment Group Hong Kong Limited (“USUMHK”) as purchaser (the “**CB Purchase Agreement**”, a copy of which is produced to the Meeting marked “C” and initialled by the Chairman of the Meeting for the purpose of identification) and the acquisition of the Sims Convertible Bonds by USUMHK or its affiliates be and are hereby approved, confirmed and ratified; and

(B) 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 CB Purchase Agreement and any other matters contemplated thereunder.”

3. **“THAT**

(A) subject to the approval of the Stock Exchange, the extension (the “**Greenwoods CB Extension**”) of the maturity date of the Convertible Bonds (of which Greenwoods China Alpha Master Fund (“**Greenwoods**”) is the registered holder thereof in the principal amount of HK\$120,000,000 (the “**Greenwoods Convertible Bonds**”) as at the date of the Meeting) from 1 March 2015 to the Extended Maturity Date on the terms and conditions of a letter of undertaking (a copy of which is produced to the Meeting marked “D” and initialled by the Chairman of the Meeting for the purpose of identification) dated 4 March 2015 executed by the Company in favour of Greenwoods be and is hereby approved, confirmed and ratified;

(B) subject to the approval of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares, the issue and allotment of Conversion Shares upon exercise of the conversion rights attaching to the Greenwoods 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 Conversion Shares pursuant to and in accordance with the terms and conditions of the Deed Poll; and

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## NOTICE OF EGM

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(C) 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 Greenwoods CB Extension, including but not limited to the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Greenwoods Convertible Bonds and any other matters contemplated thereunder.”

4. **“THAT**

(A) subject to the approval of the Stock Exchange, the extension (the **“Delco CB Extension”**) of the maturity date of the Convertible Bonds (of which Delco Participation B.V. (**“Delco”**) is the registered holder thereof in the principal amount of HK\$312,600,000 (the **“Delco Convertible Bonds”**) as at the date of the Meeting) from 1 March 2015 to the Extended Maturity Date on the terms and conditions of the letters of undertaking (copies of which are produced to the Meeting marked **“E”** and initialled by the Chairman of the Meeting for the purpose of identification) dated 3 March 2015 and 18 March 2015 respectively executed by the Company in favour of Delco be and is hereby approved, confirmed and ratified;

(B) subject to the approval of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares, the issue and allotment of Conversion Shares upon exercise of the conversion rights attaching to the Delco 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 Conversion Shares pursuant to and in accordance with the terms and conditions of the Deed Poll; and

(C) 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 Delco CB Extension, including but not limited to the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Delco Convertible Bonds and any other matters contemplated thereunder.”

5. **“THAT**

(A) subject to the approval of the Stock Exchange, the extension (the **“HWH CB Extension”**) of the maturity date of the Convertible Bonds (of which HWH Holdings Limited (**“HWH”**) is the registered holder thereof in the principal amount of HK\$67,600,000 (the **“HWH Convertible Bonds”**) as at the date of the Meeting) from 1 March 2015 to the Extended Maturity Date on the terms and conditions of a letter of undertaking (a copy of which is produced to the Meeting marked **“F”** and initialled by the Chairman of the Meeting for the purpose of identification) dated 4 March 2015 executed by the Company in favour of HWH be and is hereby approved, confirmed and ratified;



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## NOTICE OF EGM

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- (B) subject to the approval of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares, the issue and allotment of Conversion Shares upon exercise of the conversion rights attaching to the HWH 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 Conversion Shares pursuant to and in accordance with the terms and conditions of the Deed Poll; and
- (C) 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 HWH CB Extension, including but not limited to the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the HWH Convertible Bonds and any other matters contemplated thereunder.”

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

Hong Kong, 11 April 2015

*Registered Office:*

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

*Principal Place of Business in Hong Kong:*

48 Wang Lok Street  
Yuen Long Industrial Estate  
Hong Kong

*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 branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell

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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 EGM 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 on Monday, 27 April 2015 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 EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30p.m. on Friday, 24 April 2015.
- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 11 April 2015 which contains information concerning the resolutions 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 EGM will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed ordinary resolutions at the EGM.

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

*Executive Directors:* Fang Ankong, Gu Liyong

*Independent non-executive Directors:* Loke Yu, Zhang Jingdong, Zhu Dajian