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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 of the Company, and it must not be used for the purpose of offering or inviting offers for any securities.

**CHIHO-TIANDE GROUP LIMITED****齊合天地集團有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock code: 976)****CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF EGM****Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

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 BOCOM International containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 66 of this circular.

The notice convening the EGM to be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Friday, 15 May 2015 at 11:00 a.m. is set out on pages 192 to 195 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 adjustment thereof should you so desire.

28 April 2015

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DEFINITIONS

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

“Abstaining Shareholders”	the Subscriber and parties acting in concert with it, and any Shareholders who are involved in or interested in the Transactions (including Mr. Fang and parties acting in concert with him (i.e. HWH, Delco and Mr. van Ooijen));
“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“AGM”	the annual general meeting of the Company held on 14 May 2014;
“Announcements”	the First Announcement and the announcement of the Company dated 9 April 2015 in relation to, inter alia, the CB Purchase Agreement and the CB Whitewash Waiver;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors of the Company;
“BOCOM International” or “Independent Financial Adviser”	BOCOM International (Asia) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Transactions;
“Bondholder(s)”	holder(s) of the Convertible Bonds;
“Business Day(s)”	a day (excluding Saturday, Sunday and public holidays in Hong Kong and the PRC) on which banks in Hong Kong and the PRC are open for business;
“BVI”	British Virgin Islands;
“CB Extension Circular”	the circular of the Company dated 11 April 2015 in relation to, among other things, the Extension and the CB Purchase Agreement;

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“CB Extension 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 the Shareholders to consider and, if thought fit, approve, among other things, the Sims CB Extension;
“CB Purchase Agreement”	the sale and purchase agreement dated 9 April 2015 entered into between Sims as seller and the Subscriber as purchaser pursuant to which Sims has conditionally agreed to sell, and the Subscriber 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 the Subscriber 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 the Subscriber and parties acting in concert with it which would otherwise arise as a result of the Subscriber 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(s)”	has the meaning ascribed to it under the Listing Rules;
“Conversion Shares”	new Shares to be issued upon exercise of the conversion rights attaching to the Convertible Bonds;
“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 set out in the Deed Poll, 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 CB Extension EGM;
“Covenantors”	collectively, HWH, Delco and Sims;

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“Deed Poll”	the deed poll dated 1 March 2012 constituting the Convertible Bonds;
“Delco”	Delco Participation B.V., a company incorporated in the Netherlands who did not hold any Shares as at the Latest Practicable Date;
“Delco Supplemental Undertaking”	the supplemental undertaking dated 18 March 2015 entered into by the Company and Delco to amend and supplement the Delco Undertaking, further details of which are set out in the CB Extension Circular;
“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, further details of which are set out in the CB Extension Circular;
“Directors”	the director(s) of the Company;
“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 Friday, 15 May 2015 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Transactions;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“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 Announcement”	the announcement of the Company dated 27 March 2015 in relation to, inter alia, the Subscription and the application for the Subscription Whitewash Waiver;
“First Subscription”	the subscription by the Subscriber for the First Subscription Shares on the terms and subject to the conditions set out in the First Subscription Agreement;

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“First Subscription Agreement”	the subscription agreement dated 21 March 2015 entered into between the Company as issuer and the Subscriber as subscriber, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe, for the First Subscription Shares;
“First Subscription Completion Date”	the date when completion of the First Subscription takes place;
“First Subscription Price”	HK\$9.01 per First Subscription Share;
“First Subscription Shares”	203.9 million new Shares to be subscribed for at the First Subscription Price by the Subscriber and to be issued by the Company;
“General Mandate”	the general mandate granted to the Directors by an ordinary resolution of the shareholders of the Company approved at the AGM to allot, issue and deal with additional Shares or securities convertible into Shares and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into Shares) which might require the exercise of such power, up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM;
“Greenwoods”	Greenwoods China Alpha Master Fund, a Bondholder;
“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, further details of which are set out in the CB Extension Circular;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“HWH”	HWH Holdings Limited, a company incorporated in the BVI, a substantial shareholder holding approximately 41.34% of the existing issued share capital of the Company as at the Latest Practicable Date and is wholly-owned by Mr. Fang;

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“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 and completed on 17 April 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;
“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, further details of which are set out in the CB Extension Circular;
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders on the Transactions;
“Independent Shareholders”	in respect of the Transactions, means, for the purpose of the Takeovers Code, Shareholders other than the Subscriber 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 and Mr. van Ooijen)) who are interested in or involved in the Transactions;
“Last Trading Day”	20 March 2015, being the last day of trading of the Shares on the Stock Exchange immediately prior to the date of the First Subscription Agreement and the Second Subscription Agreement;
“Latest Practicable Date”	24 April 2015, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Lock-up Undertaking”	an undertaking to be given by Mr. Fang, pursuant to which Mr. Fang shall undertake to the Subscriber that during a period commencing on the First Subscription Completion Date and ending on the date which is 6 months from the First Subscription Completion Date, he shall not, and shall procure HWH not to, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Shares held by him directly or indirectly, including any shares of HWH, or held by HWH as at the First Subscription Completion Date without the prior written consent of the Subscriber, provided that nothing in such undertaking shall prevent Mr. Fang or HWH from using the Shares held by him or it as security (including a charge or a pledge) for a bona fide commercial loan;
“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;
“Long Stop Date”	30 April 2015 or such later date as may be agreed between the Company and the Subscriber;
“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;
“Mr. de Leeuw”	Mr. Herman Maurits de Leeuw, one of the controlling shareholders of Delco;
“Mr. Fang”	Mr. Fang Ankong;
“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;
“Parties”	collectively, the Company and the Subscriber;
“PRC”	the People’s Republic of China;

* *for identification purpose only*

DEFINITIONS

“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 23 June 2010;
“RMB”	Renminbi, the lawful currency of the PRC;
“Relevant Period”	the period commencing 27 September 2014, being the date falling 6 months before the date of the First Announcement, up to and including the Latest Practicable Date;
“Second Subscription”	the subscription by the Subscriber for the Second Subscription Shares on the terms and subject to the conditions set out in the Second Subscription Agreement;
“Second Subscription Agreement”	the subscription agreement dated 21 March 2015, as amended and restated on 27 March 2015, entered into between the Company and the Subscriber pursuant to which the Company has conditionally agreed to issue and allot and the Subscriber has conditionally agreed to subscribe an aggregate amount of HK\$2,279.53 million for Second Subscription Shares at the Second Subscription Price of HK\$9.01 per Share (subject to adjustments);
“Second Subscription Amount”	HK\$2,279,530,000;
“Second Subscription Completion Date”	the third Business Day after the last of the conditions precedent under the Second Subscription Agreement shall have been satisfied unless otherwise agreed between the Parties which shall be no later than the earlier of (i) the date falling 15 days after the grant of the Subscription Whitewash Waiver; and (ii) the Second Subscription Long Stop Date;
“Second Subscription Long Stop Date”	30 June 2015 or such later date as may be agreed between the Company and the Subscriber;
“Second Subscription Price”	HK\$9.01 per Second Subscription Share;
“Second Subscription Shares”	253 million new Shares to be subscribed for by the Subscriber and to be issued by the Company;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Sims”	Sims Metal Management Dragon Holdings Limited, a Bondholder;
“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 owned by Sims;
“Sims CB Extension”	the Extension of the Sims Bonds on the terms and conditions of Sims Undertakings and the grant of the Sims Specific Mandate;
“Sims CB Transfer”	the sale by Sims and purchase by the Subscriber of the Sims Bonds on the terms and conditions of the CB Purchase Agreement and if the context requires, the acquisition by the Subscriber of the Sims Bonds;
“Sims Conversion Shares”	new Shares to be issued upon exercise of the conversion rights attaching to the Sims Bonds (including the Sims Conversion Shares issuable as a result of the Sims CB Extension);
“Sims Specific Mandate”	a specific mandate to allot, issue or otherwise deal in Shares to be sought from the Shareholders at the CB Extension EGM to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Sims CB;
“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, further details of which are set out in the CB Extension Circular;
“SMM”	Sims Metal Management Limited, a company incorporated in Australia and the holding company of Sims and Sims Asia;

DEFINITIONS

“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of the Second Subscription Shares pursuant to the Second Subscription Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	USUM Investment Group Hong Kong Limited, a company incorporated in Hong Kong with limited liability;
“Subscription”	collectively, the subscription by the Subscriber for the First Subscription Shares and the Second Subscription Shares on the terms and subject to the conditions set out in the First Subscription Agreement and the Second Subscription Agreement, respectively;
“Subscription 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 the Subscriber 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 the Subscriber and parties acting in concert with it which would otherwise arise as a result of the Second Subscription;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as amended from time to time;
“Transactions”	the entering into of the Second Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver;
“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;

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“Warranties”

the representations, warranties and undertakings of the Company set out in the First Subscription Agreement which will apply *mutatis mutandis* to the Second Subscription Agreement in relation to the Second Subscription Shares and, for the purpose of the Second Subscription Agreement, any other representations, warranties and undertakings made by the Company in the Second Subscription Agreement; and

“%”

per cent.

LETTER FROM THE BOARD



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

28 April 2015

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF EGM**

I. INTRODUCTION

Reference is made to the Announcements dated 27 March 2015 and 9 April 2015 in relation to, *inter alia*, the Subscription, the application for the Subscription Whitewash Waiver, the CB Purchase Agreement and the application for the CB Whitewash Waiver.

On 21 March 2015, the Company and the Subscriber entered into the First Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the First Subscription Shares (i.e. 203.9 million Shares) at the First Subscription Price of HK\$9.01 per Share pursuant to the terms and conditions of the First Subscription Agreement.

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The First Subscription Shares represented approximately 19.42% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 16.26% of the issued share capital of the Company as enlarged by the First Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares).

On 21 March 2015, the Company and the Subscriber entered into the Second Subscription Agreement (as amended and restated on 27 March 2015) pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for additional 253 million Shares in the aggregate amount of HK\$2,279.53 million at the initial Second Subscription Price of HK\$9.01 per Second Subscription Share (subject to adjustments). The Second Subscription Shares represented approximately 24.10% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.79% of the issued share capital of the Company as enlarged by the First Subscription Shares and the Second Subscription Shares.

On 9 April 2015, the Company was informed that Sims and the Subscriber entered into the CB Purchase Agreement, pursuant to which Sims has conditionally agreed to sell, and the Subscriber has conditionally agreed to purchase, the Sims Bonds (i.e. all the Convertible Bonds owned by Sims) 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. The total principal amount of the Convertible Bonds issued by the Company is HK\$815,800,000.

Upon completion of the Second Subscription Agreement, the percentage voting rights held by the Subscriber (together with parties acting in concert with it) in the Company will be increased from approximately 16.26% to approximately 30.32% (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the Second Subscription Shares).

In addition, assuming that the First Subscription Agreement, the Second Subscription Agreement and the CB Purchase Agreement have been completed, the percentage voting held by the Subscriber (together with parties acting in concert with it) in the Company will, upon the exercise of the conversion rights attaching to the Sims Bonds, be increased from approximately 30.32% to approximately 32.67% (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 Sims Conversion Shares).

The Subscriber has applied to the Executive for (a) the Subscription Whitewash Waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise as a result of the Second Subscription; and (b) the CB Whitewash Waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares and other securities of the Company not already

LETTER FROM THE BOARD

owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise as a result of the Subscriber exercising the conversion rights attaching to the Sims Bonds. The Executive has indicated that it will grant the Subscription Whitewash Waiver and the CB Whitewash Waiver subject to, *inter alia*, the approval of the Independent Shareholders taken on a poll at the EGM.

The purpose of this circular is to:-

- (a) provide you with, *inter alia*, further information in respect of the First Subscription and the Transactions;
- (b) set out (i) the letter from the Independent Financial Adviser (namely, BOCOM International) to the Independent Board Committee (comprising all the independent non-executive Directors) and the Independent Shareholders; and (ii) recommendation and opinion of the Independent Board Committee to the Independent Shareholders after having considered the advice of the Independent Financial Adviser in relation to the Transactions; and
- (c) give you notice of the EGM to consider, and if, thought fit, approve the Transactions.

II. SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE

On 21 March 2015, the Company and the Subscriber entered into the First Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the First Subscription Shares (i.e. 203.9 million Shares) at the First Subscription Price of HK\$9.01 per Share pursuant to the terms and conditions of the First Subscription Agreement.

A. The First Subscription Agreement

The principal terms of the First Subscription Agreement are set out as follows:

Date

21 March 2015

Parties

The Company as issuer; and

The Subscriber as subscriber.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, prior to the completion of the First Subscription Agreement, the Subscriber and its ultimate beneficial owner(s) were independent of the Company and its connected persons.

LETTER FROM THE BOARD

The First Subscription Price

The First Subscription Price of HK\$9.01 per Share represents:

- (a) a premium of approximately 33.88% over the closing price of HK\$6.73 per Share as quoted on the Stock Exchange on 20 March 2015, being the Last Trading Day;
- (b) a premium of approximately 55.88% over the average closing price of approximately HK\$5.78 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 65.63% over the average closing price of approximately HK\$5.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 25.14% over the closing price of HK\$7.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 26.72% over the average closing price of approximately HK\$7.11 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Latest Practicable Date;
- (f) a premium of approximately 26.37% over the average closing price of approximately HK\$7.13 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Latest Practicable Date; and
- (g) a premium of approximately 1,377.05% 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 the number of 1,049,442,706 Shares in issue as at 31 December 2014.

The net First Subscription Price (after deduction of all relevant costs and expenses) is estimated to be approximately HK\$9.00 per Share.

LETTER FROM THE BOARD

The First Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into consideration, among others:

- (a) the business prospects and future plans of the Group, as more particularly set out in the sections headed "V. Use of Proceeds and Reasons for the Subscription" in the "Letter from the Board" of this circular; and in the section headed "VI. Business Trend and Financial and Trading Prospect" in Appendix I of this circular;
- (b) the issue and allotment of the Second Subscription Shares to the Subscriber under the Second Subscription Agreement; and
- (c) the fact that, subject to further changes in the issued share capital of the Company, upon (i) the completion of the First Subscription, and (ii) the completion of the Second Subscription, the Subscriber and parties acting in concert with it will become a controlling shareholder of the Company.

The Directors consider that the First Subscription Price and the terms of the First Subscription Agreement are on normal commercial terms and are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The First Subscription Shares

The First Subscription Shares (i.e. 203.9 million Shares) represent approximately:

- (a) 19.42% of the issued share capital of the Company as at the Latest Practicable Date; and
- (b) 16.26% of the issued share capital of the Company as enlarged by the First Subscription Shares.

The aggregate nominal value of the First Subscription Shares is approximately HK\$2.04 million.

Conditions Precedent

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

- (a) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the First Subscription Shares and such approval not subsequently being revoked prior to the completion of the First Subscription Agreement;

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- (b) all other necessary approvals and consents by the government and regulatory authorities in respect of the First Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (c) none of the Warranties having become untrue, inaccurate or misleading at any time before the completion of the First Subscription Agreement and no fact or circumstances having arisen and nothing having been done or omitted to be done which would render any of such Warranties untrue, inaccurate in any material respect if it was repeated as at the completion of the First Subscription Agreement;
- (d) up to and including the First Subscription Completion Date, there being no any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on (i) the ability of the Company to perform its respective obligations under the First Subscription Agreement; or (ii) the business, assets and liabilities, condition (financial or otherwise), results of operations or prospects of the Company or the Group as a whole; and
- (e) Mr. Fang having executed the Lock-up Undertaking.

Save that the Subscriber may waive condition precedent (c) above, none of the other conditions precedent may be waived by the Company or the Subscriber.

The Company undertakes to use its best endeavours to procure the fulfilment of conditions precedent (a) and (b) (insofar as it applies to the Company), and the Subscriber undertakes to use its best endeavours to procure the fulfilment of condition precedent (b) (insofar as it applies to the Subscriber). If the above conditions precedent are not fulfilled and/or not waived (in respect of condition precedent (c) by the Subscriber) on or before the Long Stop Date, the First Subscription Agreement shall lapse and become null and void and the Parties shall be released from all obligations hereunder, save for any liability arising out of any antecedent breaches thereof.

Disposal or Lock-up Restriction

The Subscriber undertakes to the Company that during a period commencing on the First Subscription Completion Date and ending on the date which is 6 months from the First Subscription Completion Date, it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the First Subscription Shares without the prior written consent of the Company, provided that nothing in this undertaking shall prevent the Subscriber from using the First Subscription Shares as security (including a charge or a pledge) for a bona fide commercial loan.

LETTER FROM THE BOARD

At completion of the First Subscription Agreement, the Company will deliver the Lock-up Undertaking given by Mr. Fang, pursuant to which Mr. Fang shall undertake to the Subscriber that during a period commencing on the First Subscription Completion Date and ending on the date which is 6 months from the First Subscription Completion Date, he shall not, and shall procure HWH not to, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Shares held by him directly or indirectly, including any shares of HWH, or held by HWH as at the First Subscription Completion Date without the prior written consent of the Subscriber, provided that nothing in such undertaking shall prevent Mr. Fang or HWH from using the Shares held by him or it as security (including a charge or a pledge) for a bona fide commercial loan.

Completion

Completion of the First Subscription Agreement will take place on the third Business Day after the last of the conditions precedent of the First Subscription Agreement shall have been satisfied unless otherwise agreed between the Parties and which shall be no later than the Long Stop Date. As at the Latest Practicable Date, save for conditions precedent (a) and (e) which have been fulfilled, none of the above conditions precedent have been fulfilled or waived.

Termination of the First Subscription Agreement

The Subscriber shall be entitled to terminate the First Subscription Agreement at any time on or prior to the completion of the First Subscription Agreement if:

- (a) any breach of any of the Warranties which in the reasonable opinion of the Subscriber arrived at in good faith is material in the context of its subscription for the First Subscription Shares comes to the knowledge of the Subscriber or any event occurs or matter arises on or after the date of the First Subscription Agreement and prior to the First Subscription Completion Date which if it had occurred or arisen before the date of the First Subscription Agreement would have rendered any of the Warranties untrue or incorrect when given or by reference to the facts and circumstances then subsisting or there has been a breach of any provision of the First Subscription Agreement;
- (b) there shall have been such a change or development involving a prospective change in national or international financial, political or economic conditions or currency exchange rates or exchange controls or any event or series of events (including any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) which may materially and adversely the ability of the Company to perform its

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obligations under the First Subscription Agreement or the business, assets and liabilities, conditions (financial or otherwise), results of operations or prospects of the Company or the Group as a whole;

- (c) there having come into effect any new law or regulation or there being any change or development involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority which in the reasonable opinion of the Subscriber may materially and adversely affect the ability of the Company to perform its obligations under the First Subscription Agreement or the business, assets and liabilities, condition (financial or otherwise), results of operations or prospects of the Company or the Group as a whole;
- (d) the trading of the Shares has been suspended (other than suspension pending clearance of the First Announcement by the Stock Exchange and/or the SFC) or generally, trading in securities on the Stock Exchange has been suspended, or minimum or maximum prices for trading have been required, by the Stock Exchange or by order of any governmental authority; or
- (e) a moratorium on commercial banking activities has been declared or exchange controls imposed by authorities in Hong Kong.

In the event that the Subscriber terminates the First Subscription Agreement pursuant to the above provisions in the First Subscription Agreement, all the respective obligations of the Subscriber and the Company under the First Subscription Agreement shall cease and determine.

Ranking of the First Subscription Shares

The First Subscription Shares rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the First Subscription Shares.

B. Issue of the First Subscription Shares under the General Mandate

The First Subscription Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Directors are authorised to allot and issue up to 209,166,141 Shares, being 20% of the issued share capital of the Company as at the date of the AGM, which was 1,045,830,706 Shares. Given that the General Mandate is sufficient for the issue and allotment of the First Subscription Shares, the First Subscription is not subject to the approval of the Shareholders.

As at the Latest Practicable Date, no Shares have been allotted and issued under the General Mandate.

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C. Application for listing of the First Subscription Shares

An application was made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the First Subscription Shares and such approval was granted by the Stock Exchange on 31 March 2015.

III. SUBSCRIPTION OF ADDITIONAL SHARES UNDER THE SPECIFIC MANDATE

The Board is also pleased to announce that on 21 March 2015, the Company and the Subscriber entered into the Second Subscription Agreement (as amended and restated on 27 March 2015) pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for additional 253 million Shares in the aggregate amount of HK\$2,279.53 million at the initial Second Subscription Price of HK\$9.01 per Second Subscription Share (subject to adjustments).

A. The Second Subscription Agreement

The principal terms of the Second Subscription Agreement are set out as follows:

Date

21 March 2015 (as amended and restated on 27 March 2015)

Parties

The Company as issuer; and

The Subscriber as subscriber.

The Second Subscription Price

The Second Subscription Price of HK\$9.01 per Share represents:

- (a) a premium of approximately 33.88% over the closing price of HK\$6.73 per Share as quoted on the Stock Exchange on 20 March 2015, being the Last Trading Day;
- (b) a premium of approximately 55.88% over the average closing price of approximately HK\$5.78 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 65.63% over the average closing price of approximately HK\$5.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

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- (d) a premium of approximately 25.14% over the closing price of HK\$7.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 26.72% over the average closing price of approximately HK\$7.11 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Latest Practicable Date;
- (f) a premium of approximately 26.37% over the average closing price of approximately HK\$7.13 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Latest Practicable Date; and
- (g) a premium of approximately 1,377.05% 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 the number of 1,049,442,706 Shares in issue as at 31 December 2014.

The net Second Subscription Price (after deduction of all relevant costs and expenses) is estimated to be approximately HK\$9.00 per Share.

The Second Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into consideration set out in the paragraph headed "First Subscription Price" under the section "A. The First Subscription Agreement".

Subscription of the Second Subscription Shares

On and subject to the terms and conditions of the Second Subscription Agreement, the Company shall issue, and the Subscriber shall subscribe in HK\$ in cash for, the Second Subscription Shares in the aggregate amount equal to the Second Subscription Amount at a price per Second Subscription Share which is equal to the Second Subscription Price in force on the Second Subscription Completion Date.

The Second Subscription Shares

The Second Subscription Shares (i.e. 253 million Shares) represent approximately:

- (a) 24.10% of the issued share capital of the Company as at the Latest Practicable Date; and
- (b) 16.79% of the issued share capital of the Company as enlarged by the First Subscription Shares and the Second Subscription Shares.

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The aggregate nominal value of the Second Subscription Shares is HK\$2.53 million.

Conditions Precedent

Completion of the Second Subscription Agreement is conditional upon the fulfillment of the following conditions precedent:

- (a) completion of the First Subscription having taken place;
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Second Subscription Shares and such approval not subsequently being revoked prior to completion of the Second Subscription Agreement;
- (c) the Independent Shareholders having approved the Transactions by way of poll;
- (d) the Subscriber being satisfied that all necessary corporate approvals and other legal and compliance requirements required by the Subscriber or its holding companies in respect of the Second Subscription Agreement and the transactions contemplated thereunder having been obtained and fulfilled;
- (e) all other necessary approvals and consents by the government and regulatory authorities in respect of the Second Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (f) none of the Warranties having become untrue, inaccurate or misleading at any time before the completion of the Second Subscription Agreement and no fact or circumstances having arisen and nothing having been done or omitted to be done which would render any of such Warranties untrue, inaccurate if it was repeated as at the completion of the Second Subscription Agreement; and
- (g) the Subscription Whitewash Waiver having been granted and such waiver not subsequently being revoked prior to the completion of the Second Subscription Agreement.

The Company shall undertake to use its best endeavours to procure the fulfilment of the above conditions precedent (other than such conditions precedent to be fulfilled by the Subscriber) as soon as possible after the date hereof and in any event no later than the Second Subscription Long Stop Date. Save that condition precedent (a) above may be waived by the Parties and condition precedent (f) above may be waived by the Subscriber, none of the other conditions precedent set out above may be waived by the Company or the Subscriber. In respect of condition precedent (a), without prejudice to the Parties' respective rights under the Second Subscription Agreement for non-fulfilment of

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such condition precedent, the Parties may waive such condition precedent where the benefit which the Parties may derive from completion of the Second Subscription Agreement outweighs the loss which the Parties may suffer, as a result of the waiver of such condition precedent. As at the Latest Practicable Date, the Parties did not intend to waive such condition precedent. In respect of condition precedent (f), without prejudice to the Subscriber's rights under the Second Subscription Agreement for non-fulfilment of such condition precedent, the Subscriber may waive such condition precedent where only a small part of that condition has not been fulfilled or the benefit which the Subscriber may derive from completion of the Second Subscription Agreement outweighs the loss which it may suffer, as a result of the waiver of such condition precedent. As at the Latest Practicable Date, the Subscriber did not intend to waive such condition precedent.

If the above conditions precedent are not fulfilled and/or not waived (in respect of condition precedent (a) (by the Parties) and condition precedent (f) (by the Subscriber)) on or before the Second Subscription Long Stop Date, the Second Subscription Agreement shall lapse and become null and void and the Parties shall be released from all obligations hereunder, save for any liability arising out of any antecedent breaches hereof.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled or waived.

The Company undertakes to use its best endeavours to procure a meeting of the Independent Shareholders to approve the Transactions to be held as soon as possible before 15 May 2015 and the Subscriber undertakes to use its best endeavours to provide such assistance as may be reasonably required by the Company in connection therewith.

Disposal or Lock-up Restriction

The Subscriber undertakes to the Company that for a six months' period commencing from the Second Subscription Completion Date, it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the relevant Second Subscription Shares without the prior written consent of the Company, provided that nothing in this undertaking shall prevent the Subscriber from using the Second Subscription Shares as security (including a charge or a pledge) for a bona fide commercial loan.

Completion

Completion of the Second Subscription Agreement shall take place on the Second Subscription Completion Date, which will be the third Business Day after the last of the conditions precedent under the Second Subscription Agreement

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shall have been satisfied unless otherwise agreed between the Parties which shall be no later than the earlier of (i) the date falling 15 days after the grant of the Subscription Whitewash Waiver; and (ii) the Second Subscription Long Stop Date.

Termination of the Second Subscription Agreement

The Second Subscription Agreement may be terminated at any time by mutual agreement between the Company and the Subscriber.

Adjustments to the Second Subscription Price

The Second Subscription Price will be subject to adjustments based on the prescribed formulae as set out in the Second Subscription Agreement, upon the 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 re-classification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution 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 by the Company other than Shares or options, warrants or other rights to subscribe for Shares;
- (vi) issues at less than 95% of Current Market Price for cash;
- (vii) issues at less than 95% of Current Market Price as consideration shares;
- (viii) other issues at less than 95% of the Current Market Price;
- (ix) modification of rights of conversion at less than 95% of the Current Market Price;
- (x) other offers to Shareholders; and
- (xi) one or more events not referred to in (i) to (x) above which the Company determines, upon consultation with the Subscriber, that an adjustment should be made.

It is a term of the Second Subscription Agreement that the Second Subscription Price may not be reduced so that the Second Subscription Shares shall be issued at a discount to their par value.

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The Directors have confirmed that prior to the completion of the Second Subscription Agreement, they will not cause the Company to undertake any of the above adjustment events which will give rise to changes in the issued share capital of the Company.

Ranking of the Second Subscription Shares

The Second Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of issue and allotment of the Second Subscription Shares.

B. Specific Mandate for the issue of the Second Subscription Shares

The Company will seek the Specific Mandate from the Independent Shareholders at the EGM for the issue of the Second Subscription Shares.

C. Application of listing

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Second Subscription Shares.

IV. PURCHASE OF CONVERTIBLE BONDS BY THE SUBSCRIBER FROM SIMS

On 9 April 2015, the Company was informed that Sims and the Subscriber entered into the CB Purchase Agreement, pursuant to which Sims has conditionally agreed to sell, and the Subscriber has conditionally agreed to purchase, the Sims Bonds (i.e. all the Convertible Bonds owned by Sims). The total principal amount of the Convertible Bonds issued by the Company is HK\$815,800,000.

A. THE CB PURCHASE AGREEMENT

The principal terms of the CB Purchase Agreement are set out as follows:

Date

9 April 2015

Parties

Sims as seller; and

The Subscriber as purchaser.

As at the Latest Practicable Date, Sims did not hold any Shares.

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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 the Subscriber 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 Sims Conversion Shares, the Sims Conversion Shares represent approximately:

- (a) 5.01% of the issued share capital of the Company as at the Latest Practicable Date; and
- (b) 3.37% of the issued share capital of the Company as enlarged by the First Subscription Shares, the Second Subscription Shares and the Sims Conversion Shares.

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 the circular to be issued by the Company (in relation to the Sims CB Extension and the CB Extension EGM) in which information about the transaction contemplated under the CB Purchase Agreement is disclosed;
- (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 Sims Conversion Shares to be issued upon exercise of the conversion rights attaching to the Sims Bonds (including the Sims Conversion Shares issuable as a result of the Sims CB Extension);

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- (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 and the Sims Specific Mandate having been approved by the Shareholders at the CB Extension EGM by way of poll; (ii) the Sims CB Transfer having been approved by the independent Shareholders (i.e. Shareholders other than the Subscriber and its associates) at the CB Extension EGM by way of poll; and (iii) the CB Whitewash Waiver having been approved by the Independent Shareholders (i.e. Shareholders other than the Subscriber 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 and Mr. van Ooijen)) who are interested in or involved in the Transactions) 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 the Subscriber 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 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 the Subscriber 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 the Subscriber of any of the representations, warranties and undertakings given by the Subscriber), none of the other conditions precedent may be waived by Sims or the Subscriber. In respect of 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), without prejudice to the Subscriber's rights under the CB Purchase Agreement for non-fulfilment of such conditions precedent, the Subscriber may waive any such conditions precedent where only a small part of such conditions precedent has not been fulfilled or the benefit which the Subscriber may derive from completion of the CB Purchase Agreement outweighs the loss which it may suffer, as a result of the waiver of such conditions precedent. As at the Latest Practicable Date, the Subscriber did not intend to waive any such conditions precedent.

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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.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled or waived.

In the event that the CB Purchase Agreement is completed without the Subscriber having obtained the CB Whitewash Waiver or the CB Whitewash Waiver not being approved by the Independent Shareholders, the Subscriber does not intend to exercise the conversion rights attaching to the Sims Bonds to the extent that such conversion would trigger the obligations of the Subscriber and parties acting in concert with it to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code.

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 the Subscriber may mutually agree in writing.

V. USE OF PROCEEDS AND REASONS FOR THE SUBSCRIPTION

It is estimated that the net proceeds from the First Subscription after deduction of all relevant expenses will be approximately HK\$1,835.64 million, and that the net proceeds from the Second Subscription after deduction of all relevant expenses will be approximately HK\$2,278.03 million.

The Company intends to apply the proceeds from the Subscription to finance acquisitions of businesses or assets in order to further strengthen its principal business of metal recycling which is environmental friendly and is a sector encouraged by the central government of the PRC. In this connection, the Company is actively looking for suitable acquisitions opportunities within the scrap metal recycling sector in mature overseas markets. Likely targets are global recyclers based overseas with the necessary technology, management techniques and know-how to help upskill the Chinese recycling market. The Company expects that such acquisition targets will assist the Group to take a leadership role to consolidate the fragmented recycling businesses in China and to provide new market opportunities. As at the Latest Practicable Date, no approach has been made by the Company to any potential acquisition targets. Despite current weakness and volatility in primary metals prices, which has a knock-on effect on the global metals recycling industry, the Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) believe that the longer prospect for the metals recycling industry in China remains very robust, especially for those able to harness the technology and know-how to recycle metals.

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China is the world's leading consumer of many basic metals including copper and aluminium. This demand is not likely to reduce drastically in the short term. Given China's increasing concern with environmental pollution, the Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) believe that demand for recycled metals will continue to rise and it is only a matter of whether or not Chinese recyclers can produce recycled metals at economically viable costs.

The industry has strong backing from the Chinese Government, as demonstrated by the issue of the "12th Five-Year Plan for Waste Recycling Technology" in 2012 which identified major areas of waste recycling technology as well as discussed then current situation and future plans for development. One major focal areas of the plan was the development of technologies in comprehensive utilisation, reproduction and recycling of scrap metal, waste electronic products, used electro-mechanical products, and recycled polymer.

The metal recycling industry in China is very fragmented. In addition, the players in China are generally technologically behind their western counterparts. The Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) believe that if Chinese recycling businesses able to adopt Western technology, management techniques and know-how, the industry will benefit enormously from better productivity and resource management.

The Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) believe that the current softness and volatility in primary metals prices have created opportunities for market players with strong financial resources to take lead in consolidating the market and in bringing together Western technology, management techniques and know-how to tap the Chinese market opportunities.

The Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) have therefore decided to seek external funding which will be used as initial capital for the purposes of investing or co-investing in large overseas recycling businesses which the Company believes will to be able to contribute value to the expansion of Group's existing business and the recycling business in China.

The Company has identified a small number of global players which may fit this category. However, at the moment the Company has not yet formally approached any one of them. 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.

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VI. OTHER ALTERNATIVE METHODS OF FINANCING

The Directors have considered other financing alternatives, including debt financing and other forms of equity financing such as rights issue and open offer.

(i) Debt financing

The Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) take the view that debt financing would incur interest burden to the Group, which would affect the Group's performance and aggravate the net liabilities position and already high gearing ratio of the Group. Furthermore, debt financing may be subject to, including but not limited to, lengthy due diligence and negotiations with banks regarding the Group financial performances and the prevailing market condition. In addition, since the net aggregate proceeds from the Second Subscription, after the deduction of related expenses, of approximately HK\$2,278.03 million is relatively significant comparing to the net asset of the Company of approximately HK\$643 million as at 31 December 2014, the Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) consider that it would be difficult to identify financial institutions willing to undertake debt financing for the Group of a similar scale and extend such amount of facility to the Group at affordable terms.

(ii) Other forms of equity financing

Although both open offer and rights issue would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company (and thereby avoiding a material dilution to the interests of the existing Shareholders in the Company), in light of the uncertainty in recent stock market sentiment and the net aggregate proceeds from the Second Subscription, after the deduction of related expenses, of approximately HK\$2,278.03 million being relatively significant comparing to the net asset of the Company of HK\$643 million as at 31 December 2014, the Directors (including all independent non-executive Directors after having taken into account the recommendation and advice from the Independent Financial Adviser) consider that the Group will have difficulties in procuring commercial underwriting in the case of open offer and rights issue of a similar scale.

Given the Group's disappointing result in the first half of 2014 together with subsequent profit warning announcement made on 11 November 2014, the Company was then expecting difficulties in negotiating additional bank financing or other form of open market equity financing with reasonable terms and so the Company did not approach any financial institutions for provision of respective financing services but instead focus its efforts in finding alternative sources of funding. The Company was, at the time, of the view that such focused approach is more practical in getting the large scale funding in a timely manner.

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VII. IMPLICATIONS UNDER THE TAKEOVERS CODE

Upon completion of the First Subscription Agreement, the Subscriber (together with parties acting in concert with it) will in aggregate be interested in 203,900,000 Shares, representing approximately 19.42% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.26% of the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares).

Upon completion of the Second Subscription Agreement, the percentage voting rights held by the Subscriber (together with parties acting in concert with it) in the Company will be increased from approximately 16.26% to approximately 30.32% (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the Second Subscription Shares).

In addition, assuming that the First Subscription Agreement, the Second Subscription Agreement and the CB Purchase Agreement have been completed, the percentage voting held by the Subscriber (together with parties acting in concert with it) in the Company will, upon the exercise of the conversion rights attaching to the Sims Bonds, be increased from approximately 30.32% to approximately 32.67% (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 Sims Conversion Shares).

The Subscriber has applied to the Executive for (a) the Subscription Whitewash Waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise as a result of the Second Subscription; and (b) the CB Whitewash Waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise as a result of the Subscriber exercising the conversion rights attaching to the Sims Bonds. The Executive has indicated that it will grant the Subscription Whitewash Waiver and the CB Whitewash Waiver subject to, *inter alia*, the approval of the Independent Shareholders taken on a poll at the EGM.

The Subscriber and parties acting in concert with it, and any other Shareholders who are interested in or involved in the Transactions (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)) shall abstain from voting on the resolution(s) approving the Transactions at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been established pursuant to Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in relation to the Transactions.

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The Company has also appointed BOCOM International as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Transactions.

VIII. IMPLICATIONS UNDER THE LISTING RULES

Assuming that the First Subscription is completed prior to the date of the EGM, the Subscriber will own 203.9 million Shares, representing approximately 16.26% of the issued share capital of the Company as enlarged by the First Subscription Shares and become a substantial shareholder and hence a connected person of the Company. The Second Subscription, which constitutes a connected transaction for the Company, is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In accordance with the requirements of Chapter 14A of the Listing Rules, the Independent Board Committee will also advise the Independent Shareholders as to whether the terms of the Transactions are on normal commercial terms and are fair and reasonable insofar as the Independent Shareholders are concerned, and whether the Transactions are conducted in the usual and ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole and how the Independent Shareholders shall vote on the resolution(s) at the EGM to approve the Transactions, after having received the recommendation from the Independent Financial Adviser in this regard.

IX. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the First Subscription, the Company has not undertaken any equity fund raising activity in the past twelve months prior to the Latest Practicable Date.

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X. EFFECT OF THE FIRST SUBSCRIPTION, THE SECOND SUBSCRIPTION AND THE CB PURCHASE AGREEMENT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and (i) immediately after the completion of the First Subscription; (ii) immediately after the completion of the Second Subscription; and (iii) immediately after the full exercise of the conversion rights attaching to the Sims Bonds, assuming that the CB Purchase Agreement has been completed:

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the First Subscription		Immediately after the completion of the Second Subscription		Immediately after the full exercise of the conversion rights attaching to the Sims Bonds	
	Shares	%	Shares	%	Shares	%	Shares	%
Directors								
Mr. Fang	7,014,000	0.67	7,014,000	0.56	7,014,000	0.47	7,014,000	0.45
Mr. Gu Liyong	425,000	0.04	425,000	0.03	425,000	0.03	425,000	0.03
Past Director								
Mr. van Ooijen (resigned on 12 March 2015)	700,000	0.07	700,000 (Note 3)	0.06	700,000 (Note 3)	0.05	700,000 (Note 3)	0.04
Substantial Shareholders								
HWH (Notes 1, 2 & 4)	434,103,256	41.34	434,103,256	34.62	434,103,256	28.80	434,103,256	27.84
Tai Security Holding Limited	175,197,990	16.69	175,197,990	13.97	175,197,990	11.63	175,197,990	11.23
Good Union Hong Kong Investment Limited	120,000,000	11.43	120,000,000 (Note 3)	9.57	120,000,000 (Note 3)	7.96	120,000,000 (Note 3)	7.70
The Subscriber and parties acting in concert with it (Note 4)	–	–	203,900,000	16.26	456,900,000	30.32	509,500,000	32.67
Other Public Shareholders								
	312,508,460	29.76	312,508,460 (Note 3)	24.93	312,508,460 (Note 3)	20.74	312,508,460 (Note 3)	20.04
Total	<u>1,049,948,706</u>	<u>100.00</u>	<u>1,253,848,706</u>	<u>100.00</u>	<u>1,506,848,706</u>	<u>100.00</u>	<u>1,559,448,706</u>	<u>100.00</u>

Notes:

- HWH is wholly-owned by, and hence an associate of, Mr. Fang.
- As disclosed in the announcement of the Company dated 2 February 2015, Delco and HWH entered into 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. Completion of the HWH-Delco SPA took place on 17 April 2015. Therefore, HWH held 434,103,256 Shares as at the Latest Practicable Date.
- Immediately after completion of the First Subscription, the Shares held by Mr. van Ooijen and Good Union Hong Kong Investment Limited are regarded as Shares held by the public Shareholders. The public Shareholders will together hold (a) approximately 34.56% of the issued share capital of the Company immediately after the completion of the First Subscription; (b) approximately 28.75% of the issued share capital of the Company immediately after the completion of the Second Subscription; and (c) approximately 27.78% of the issued share capital of the Company immediately after the full exercise of the conversion rights attaching to the Sims Bonds, assuming that the CB Purchase Agreement has been completed.

LETTER FROM THE BOARD

4. As at the Latest Practicable Date, HWH (and parties acting in concert with it) and the Subscriber (and parties acting in concert with it) were not acting in concert. Immediately after the completion of the Second Subscription, HWH and the Subscriber will each hold more than 20% voting rights in the Company and will hence be presumed to be acting in concert with each other. Nonetheless, the Subscriber has made an application to the Executive for the rebuttal of the presumption.

XI. FUTURE INTENTIONS OF THE SUBSCRIBER AND THE COMPANY

(A) The Business

Subject to the development plan of the Company in the section headed “USE OF PROCEEDS AND REASONS FOR THE SUBSCRIPTION”, the Subscriber has confirmed to the Company that it does not intend to cause the Group to change its existing business in the metals recycling industry. The Subscriber has no intention to dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business. Save for the proposed appointment of an additional Director set forth below, the Subscriber intends that there will not be any material changes in the management or employees of the Group as a result of the completion of the First Subscription Agreement and the Second Subscription Agreement.

As at the Latest Practicable Date, neither the Company nor the Subscriber had any intention, arrangement, agreement, understanding or negotiation on (a) any disposal, termination or scaling down of the existing businesses of the Group; (b) any injection of any new business (other than any upstream and/or downstream business in the recycling industry which the Group might consider acquiring) to the Group; and (c) any change in the shareholding structure of the Company, other than those contemplated under the First Subscription Agreement, the Second Subscription Agreement and the CB Purchase Agreement (including the exercise of conversion rights attaching to the Sims Bonds by the Subscriber).

(B) Additional Director

Pursuant to the terms of the First Subscription Agreement and the Second Subscription Agreement, as a contractual matter, the Company acknowledges and agrees to the right of the Subscriber, as a Shareholder, to nominate a person for appointment as Director under the laws of the Company’s place of incorporation and its articles of association, subject to compliance with the requirements of the Stock Exchange and provided that (i) the nomination and appointment are considered by the Board to be in the best interest of the Company and the Shareholders as a whole; and (ii) the person nominated by the Subscriber has passed the Company’s conflict and background check in accordance with common and usual standards and policies generally applicable to the nomination and appointment of a Director and Chairman of the Board. In connection therewith and subject to compliance with the requirements of the Stock Exchange and the provisos above, the Company undertakes to consider the appointment of a person nominated by the Subscriber as a Director and the Chairman of the Board, such appointment to take effect as from the date after the despatch of this circular. The Company proposes to appoint Mr. Tu Jianhua as a Director and Chairman of the Board as from the date after the despatch of this circular. For the avoidance of doubt, the right to nomination is a contractual term under the First Subscription

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Agreement and the Second Subscription Agreement and the aforesaid appointment is a one-off matter which will be subject to the requirements to retire for re-election in accordance with the Company's Articles of Association and the Listing Rules. The Board would like to emphasise that the right to nomination conferred upon the Subscriber under the First Subscription Agreement and the Second Subscription Agreement is the same as that of any other Shareholder, as under the laws of the Company's place of incorporation and its articles of association there is no shareholding threshold required for any Shareholder to approach the Board with a candidate to request the Board to consider such nomination.

Further announcements in compliance with the Listing Rules and the Takeovers Code will be made by the Company when the person nominated by the Subscriber is appointed as an additional Director and the Chairman of the Board.

XII. INFORMATION ABOUT THE GROUP AND THE SUBSCRIBER

The Group is principally engaged in the business of mixed metal scrap recycling, reuse and processing which involves the breaking down, demolition and separation of mixed metal scrap.

The Subscriber is an investment holding company incorporated in Hong Kong with limited liability, which is directly wholly owned by USUM, a limited liability company incorporated in the PRC. 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. Loncin Group is 98% owned by Mr. Tu Jianhua. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for the transactions contemplated under the First Subscription Agreement and the Second Subscription Agreement, none of the Subscriber and its associates had any relationship, business arrangements or transactions with the Company and its connected persons.

Mr. Tu (being the Chairman of USUM) and Mr. Fang (being the Chairman of the Company) have known each other for some four years. They shared a common belief that the use of recycled metals in the PRC would rise due to the increasing awareness of environmental pollution. They also believed that the metal recycling industry in the PRC was fragmented and technologically behind their western counterparts and that, due to the softness in raw material prices, there are opportunities to take lead in consolidating the market and in bringing together Western technology, management techniques and know-how to tap the Chinese market opportunities.

USUM has a registered capital of RMB3.08 billion, and is principally engaged in investments in the energy and natural resources sector. The business scope of USUM, as specified in its business licence, includes investment business, business information services and import and export of goods and technology.

LETTER FROM THE BOARD

The business scope of Loncin Holdings, as specified in its business licence, includes investments in projects relating to general industrials, real estate and technology, investment consulting and management, manufacture and sale of metal products, electrical machinery and equipment, electronics and communication equipment and import and export of goods.

The business scope of Loncin Group, as specified in its business licence, includes investment business, sale of automobiles, clothing, footwear, headwear, furniture, metal products, electrical machinery and equipment, electronics and communication equipment and fashion design.

Mr. Tu is an entrepreneur from the PRC who is involved in the principal business activities carried out by USUM, Loncin Holdings and Loncin Group as set out above. He is a member of the 11th and 12th National People's Congress of the PRC. He is also the Vice-President of Chongqing City Industry and Commerce Federation and vice-chairman of Chongqing City Charity Federation. He is currently a non-executive director of Hanhua Financial Holding Co., Ltd., a company listed on the Stock Exchange (stock code: 3903), and a director of Loncin Motor Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603766).

The principal business of Loncin Motor Co., Ltd. is the manufacture and sale of motorcycles, which consist primarily of metal components. As a director of Loncin Motor Co., Ltd., Mr. Tu is familiar with the metal market including the market of scrap and recycled metal. Mr. Tu is also familiar with the business environment in the PRC and has an extensive personal network in the PRC. The Directors believe that with all these attributes, Mr. Tu will be able to help the Company strengthen its business development. In addition, given his experience as a non-executive director of a listed company in Hong Kong, Mr. Tu is familiar with the corporate governance practices of listed companies in Hong Kong. Based on the foregoing, the Directors consider that Mr. Tu is a suitable candidate for appointment as a Director and Chairman of the Board.

XIII. EGM

The EGM will be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Friday, 15 May 2015 at 11:00 a.m. for the purpose of considering, *inter alia*, and, if thought fit, approving the Transactions. The notice convening the EGM is set out on pages 192 to 195 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 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 adjustment thereof should you so desire.

LETTER FROM THE BOARD

At the EGM, voting will be conducted by way of a poll whereby (i) the Subscriber and parties acting in concert with it; and (ii) any other Shareholders who are interested in or involved in the Transactions shall abstain from voting on the resolution(s) to be proposed at the EGM to approve the Transactions. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders (other than the Abstaining Shareholders) is interested in or involved in the Transactions and is hence required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Transactions. The Abstaining Shareholders are:

- (a) the Subscriber and parties acting in concert with it, assuming that the First Subscription is completed prior to the date of the EGM which will result in the Subscriber holding 203.9 million Shares, representing approximately 16.26% of the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares; and
- (b) Mr. Fang (who was involved in the negotiation in his capacity as an executive Director) and parties acting in concert with him (i.e. HWH and Mr. van Ooijen), who together held 441,817,256 Shares, representing approximately 42.08% of the issued share capital of the Company as at the Latest Practicable Date and approximately 35.24% of the issued share capital of the Company as enlarged by the issue and allotment of the First Subscription Shares.

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

- (a) save as disclosed below, there were no voting trusts or other agreements or arrangements or understandings 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:
 - (i) Pursuant to the terms of the Memorandum of Undertakings, each of the Covenantors agrees to vote in favour of any placing of Shares by the Company to create headroom for the conversion of securities of the Company other than Shares (i.e. the Convertible Bonds) while, the same time, maintaining the necessary minimum public float requirements under the Listing Rules.
 - (ii) At the time when the Memorandum of Undertakings was entered into, the Company would not have sufficient public float to allow all the Covenantors to convert their Convertible Bonds in full. Therefore, the Covenantors agreed that if the Company undertakes any placing of Shares which would increase the public float, they would vote in favour of any such placing of Shares so as to allow the Covenantors to convert their Convertible Bonds as much as possible after completion of any such placing without resulting in the Company breaching the minimum public float requirements under the Listing Rules.

LETTER FROM THE BOARD

Nonetheless, the above arrangement is not relevant to, and therefore does not have any impact on, the resolution(s) to approve the Transactions because as at the Latest Practicable Date, Delco and Sims no longer held any Shares and the Company will in any event have sufficient public float before and after completion of the First Subscription Agreement and the Second Subscription Agreement and the full exercise of the conversion rights under the Sims Bonds, assuming that the CB Purchase Agreement has been completed; and

- (b) 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.

An announcement on the results of the EGM will be made by the Company following the EGM in accordance with the Takeovers Code and the Listing Rules.

Shareholders and potential investors should note that completion of each of the First Subscription Agreement, the Second Subscription Agreement, the CB Purchase Agreement and the Transactions is subject to the fulfilment or waiver of certain conditions precedent. Completion of the Second Subscription Agreement is conditional upon the First Subscription being completed first unless waived by the Parties. However, the First Subscription is not conditional upon the completion of the Second Subscription Agreement or the CB Purchase Agreement or the Transactions being approved by the Independent Shareholders. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

XIV. RECOMMENDATION

Having taken into account the recommendation and advice from BOCOM International, the Independent Board Committee is of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable insofar as the Independent Shareholders are concerned and that the Transactions are in the interests of the Company and the Shareholders as a whole even though the Transactions are not conducted in the usual and ordinary course of business of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

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 the Independent Financial Adviser is set out on pages 41 to 66 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders on the Transactions and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendations.

The Directors (including the independent non-executive Directors after having taken into account the recommendation and advice from BOCOM International) consider that the terms of the Transactions are on normal commercial terms and are fair and reasonable, and that the Transactions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Directors (including the independent non-executive Directors after having taken into account the recommendation and advice from BOCOM International) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

XV. ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

28 April 2015

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF EGM**

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

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the Transactions are on normal commercial terms and are fair and reasonable insofar as the Independent Shareholders are concerned, and whether the Transactions are conducted in the usual and ordinary business of the Company and in the interests of the Company and Shareholders as a whole and how the Independent Shareholders shall vote on the resolution(s) to be proposed at the EGM to approve the Transactions.

BOCOM International (Asia) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

Having considered the principal factors and reasons and the recommendation and advice of BOCOM International, we consider that the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

concerned, and that the Transactions are in the interests of the Company and the Shareholders as a whole even though the Transactions are not conducted in the usual and ordinary course of business of the Company.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the Transactions.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from BOCOM International, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver.



28 April 2015

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver. Details of the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 28 April 2015 (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.

The Company entered into the First Subscription Agreement with the Subscriber on 21 March 2015, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the First Subscription Shares (i.e. 203.9 million Shares) at the First Subscription Price of HK\$9.01 per Share.

The First Subscription Shares represented approximately 19.42% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 16.26% of the issued share capital of the Company as enlarged by the issue of First Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company also entered into the Second Subscription Agreement with the Subscriber on 21 March 2015 (as amended and restated on 27 March 2015), pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for additional 253 million Shares in the aggregate amount of HK\$2,279.53 million at the initial Second Subscription Price of HK\$9.01 per Second Subscription Share (subject to adjustments).

On 9 April 2015, the Company was informed that Sims and the Subscriber entered into the CB Purchase Agreement, pursuant to which Sims has conditionally agreed to sell, and the Subscriber has conditionally agreed to purchase, the Sims Bonds (i.e. all the Convertible Bonds owned by Sims) at 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 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. The total principal amount of the Convertible Bonds issued by the Company is HK\$815,800,000. The Company is seeking Shareholders' approval for the extension of the maturity date of the Convertible Bonds (including the Sims Bonds) to 1 March 2017. Save for the extension of the maturity date, the terms and conditions of the Convertible Bonds remain unchanged.

Upon completion of the Second Subscription Agreement, the voting rights to be held by the Subscriber (together with parties acting in concert with it) in the Company will be increased from approximately 16.26% to approximately 30.32% (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the Second Subscription Shares).

In addition, assuming that the First Subscription Agreement, the Second Subscription Agreement and the CB Purchase Agreement having been completed, the voting rights to be held by the Subscriber (together with parties acting in concert with it) in the Company will, upon the exercise of the conversion rights attaching to the Sims Bonds, be increased from approximately 30.32% to approximately 32.67% (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).

The Subscriber has applied to the Executive for (i) the Subscription Whitewash Waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make mandatory general offers under Rule 26.1 of the Takeovers Code for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise as a result of the Second Subscription; and (ii) the CB Whitewash Waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make mandatory general offers under Rule 26.1 of the Takeovers Code for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise as a result of the Subscriber fully exercising the conversion rights attaching to the Sims Bonds. The Executive has indicated that it will grant the Subscription Whitewash Waiver and the CB Whitewash Waiver subject to, *inter alia*, the approval of the Independent Shareholders taken on a poll at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian, has been established to advise the Independent Shareholders on (i) whether the terms of the Second Subscription Agreement and the transactions contemplated thereunder (including the related Specific Mandate) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription Whitewash Waiver and the CB Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the Second Subscription, the related Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders at the EGM.

We, BOCOM International, as a licenced corporation under the SFO, have been appointed as the Independent Financial Adviser to give an independent opinion to the Independent Board Committee and the Independent Shareholders in relation to the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver. The Independent Board Committee has approved our appointment in such regard.

BOCOM International is a subsidiary of BOCOM International Holdings Limited, which is a subsidiary of Bank of Communications Limited (“**Bank of Comm**”), the issued H-shares (stock code: 3328.HK) of which are listed on the Main Board of the Stock Exchange and the issued A-shares (stock code: 601328.SH) of which are listed on Shanghai Stock Exchange. BOCOM International is not associated or connected with any members of the Group, or the Subscriber, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them. From the period from 1 April 2013 up to the Latest Practicable Date, several members of the Group have normal business relationship with Bank of Comm or overseas branches of Bank of Comm which are not material to Bank of Comm in nature. In particular, the Group, through a subsidiary of the Company in the PRC, had entered into a number of short-term loans (the “**Loans**”) with Bank of Comm in the PRC. Bank of Comm is one of the principal bankers of the Group. The loan balances between Bank of Comm and the Group and the respective interest income were immaterial to Bank of Comm as compared with the size of Bank of Comm. The Loans were not related to the Subscription Whitewash Waiver, the CB Whitewash Waiver, the Subscription and our IFA work. Thus, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver. Apart from normal professional fees payable to us in connection with the issue of this letter of advice, no arrangement exists whereby we will receive any fees or benefits from any members of the Group, or the Subscriber, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment criteria, financial situation, risk profile, tax position, objectives, needs or any other circumstance of any Shareholder. As different Shareholders could have different investment criteria, objectives and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Transactions, or as to the action to be taken, to consult, a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. The opinion contained in this letter is only intended to provide one of the bases on which the Independent Board Committee may make their recommendation on the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver.

We take no responsibility for, and express no views on, whether expressly or implicitly, the contents of the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver (other than this letter). Furthermore, our opinion does not address the merits of the underlying decision by the parties to engage in the Second Subscription and CB Purchase Agreement. We do not express any opinion on the future prospects of the Company and have not provided advice concerning the structure, timing or any other aspect of the Transactions. Our opinion is necessarily based upon the market, economic and other conditions as they existed and could be evaluated on, and the information available to us as at the Latest Practicable Date.

In rendering our opinion, apart from discussions with the Group's management, we have researched, analysed and relied on information in relation to the Group as set out below:

- (i) the annual report of the Company for the financial year ended 31 December 2012 (the “**2012 Annual Report**”);
- (ii) the annual report of the Company for the financial year ended 31 December 2013 (the “**2013 Annual Report**”);
- (iii) the annual report of the Company for the financial year ended 31 December 2014 (the “**2014 Annual Report**”);
- (iv) the First Subscription Agreement;
- (v) the Second Subscription Agreement;
- (vi) the CB Purchase Agreement; and
- (vii) the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, in formulating our recommendation, we have relied on the information and facts supplied by the Company, and the opinions expressed by and the representations of the Directors and the Group's management. We have assumed that all the information and representations contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true, accurate and complete at the time that they were made and continue to be true until the date of this Circular. The Company is obliged to inform the Shareholders if there is any material change to the information disclosed in the Circular prior to the date of the EGM, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Group's management, and the Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company is incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the business of mixed metal scrap recycling, reuse and processing which involves the breaking down, demolition and separation of mixed metal scrap.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below summaries the consolidated financial results of the Group for each of the three years ended 31 December 2012, 31 December 2013 and 31 December 2014, as extracted from the 2012 Annual Report, the 2013 Annual Report and the 2014 Annual Report, respectively:

Table 1 – Summary of the consolidated statement of profit or loss and other comprehensive income of the Group

	For the years ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	8,202,702	7,222,003	5,877,970
Cost of sales	(8,031,286)	(7,245,813)	(5,895,336)
Gross profit (loss)	171,416	(23,810)	(17,366)
Profit (loss) for the year	39,351	(407,518)	(1,071,240)
Profit (loss) for the year attributable to the Shareholders	88,591	(382,920)	(1,057,980)

As shown in Table 1, the Group's revenue decreased by approximately 12.2% from approximately HK\$8.2 billion for the year ended 31 December 2012 ("FY2012") to approximately HK\$7.2 billion for the year ended 31 December 2013 ("FY2013"). As set out in the 2013 Annual Report, such decrease was mainly contributed by a decrease in sales volume and average selling prices of the Group's recycled metal products and foundry products due to the significant volatility in global metal market in FY2013, the slowing economic growth in the PRC and the economic impact from the rein in the stimulus program in the United States of America. The Group recorded a gross loss of approximately HK\$23.8 million in FY2013 as compared to a gross profit of approximately HK\$171.4 million in FY2012 due to the adverse impact of volatility and overall downward movement of the global metal prices in FY2013, which had a negative impact on gross margin of the Group for the year. The Group incurred a loss attributable to the Shareholders of approximately HK\$382.9 million in FY2013, when compared to the profit attributable to the Shareholders of approximately HK\$88.6 million in FY2012. The loss in FY2013 was mainly attributable to an adverse impact of the decrease in global metal prices and the loss on fair value changes of derivatives financial instruments when the Group was required to make under the "mark-to-market" accounting principle, which amounted to approximately HK\$215.9 million for FY2013 as compared to a gain on fair value changes of derivatives financial instruments of approximately HK\$215.0 million for FY2012.

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The Group's revenue further decreased by approximately 18.1% from approximately HK\$7.2 billion for FY2013 to approximately HK\$5.9 billion for the year ended 31 December 2014 ("FY2014"). As set out in the 2014 Annual Report, such decrease was mainly contributed by a decrease in sales volume and average selling prices of the Group's recycled metal products and foundry products due to the highly volatile global metal market in FY2014 and the slowing economic growth in the PRC. The gross loss of approximately HK\$17.4 million recorded in FY2014 was mainly attributable to the adverse impact of the prolonged volatility and the overall downward movement of the global metal prices throughout FY2014, which had a negative impact on gross margin of the Group for the year. The Group incurred a loss attributable to the Shareholders of approximately HK\$1,058.0 million in FY2014 as compared to the loss attributable to the Shareholders of approximately HK\$382.9 million in FY2013. The loss in FY2014 was primarily due to an adverse impact of the prolonged volatility, the overall downward movement of the global metal prices throughout the year and the loss on fair value changes of derivatives financial instruments when the Group was required to make under the "mark-to-market" accounting principle, which amounted to approximately HK\$773.8 million for FY2014 (as compared to approximately HK\$215.9 million for FY2013).

The table below summaries the consolidated statement of financial position of the Group as at 31 December 2012, 31 December 2013 and 31 December 2014 as extracted from the 2012 Annual Report, the 2013 Annual Report and the 2014 Annual Report, respectively:

Table 2 – Summary of the consolidated statement of financial position of the Group

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Non-current assets	705,972	853,923	981,908
Current assets	4,496,007	4,063,369	2,659,117
Current liabilities	2,294,189	2,401,256	2,960,164
Non-current liabilities	834,248	809,347	37,505
Net current assets (liabilities)	2,201,818	1,662,113	(301,047)
Net assets	2,073,542	1,706,689	643,356
Net assets attributable to the Shareholders	2,115,005	1,774,360	724,050
Current ratio (<i>times</i>)	1.96	1.69	0.90
Gearing ratio (%)	51.1	55.3	58.8

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The Group's net current assets decreased from approximately HK\$2.2 billion as at 31 December 2012 to approximately HK\$1.7 billion as at 31 December 2013. Such decrease was attributable to the combined effects of (i) decrease in current assets by approximately HK\$0.4 billion as at 31 December 2013 as compared to 31 December 2012 primarily due to the decrease in inventories by approximately HK\$0.4 billion; and (ii) the increase in current liabilities by approximately HK\$0.1 billion as at 31 December 2013 as compared to 31 December 2012 primarily due to the increase in trade and other payables by approximately HK\$0.1 billion. As a result, the current ratios decreased from approximately 1.96 times as at 31 December 2012 to approximately 1.69 times as at 31 December 2013.

The Group recorded net current liabilities of approximately HK\$0.3 billion as at 31 December 2014, as compared to net current assets of approximately HK\$1.7 billion as at 31 December 2013. The main components of the current assets of the Group were inventories and trade and other receivables, which amounted to approximately HK\$1.5 billion in aggregate as at 31 December 2014, demonstrating a significant decrease of approximately HK\$1.8 billion from approximately HK\$3.3 billion as at 31 December 2013. Whilst convertible bonds were classified as non-current liabilities as at 31 December 2013 in the amount of approximately HK\$0.8 billion, this item was classified as current liabilities as at 31 December 2014. As a result, the current ratios decreased from approximately 1.69 times as at 31 December 2013 to approximately 0.90 times as at 31 December 2014.

The Group had total debts, which comprised bank borrowings and overdrafts and convertible bonds, of approximately HK\$2.7 billion, HK\$2.7 billion and HK\$2.1 billion as at 31 December 2012, 2013 and 2014, respectively. Since the total assets of the Group decreased from approximately HK\$5.2 billion as at 31 December 2012, to approximately HK\$4.9 billion and HK\$3.6 billion as at 31 December 2013 and 2014, respectively, there were an increasing trend of the Group's gearing ratios at approximately 51.1%, 55.3% and 58.8% as at 31 December 2012, 2013 and 2014, respectively.

Having considered that (i) the Group incurred net losses attributable to the Shareholders of approximately HK\$382.9 million and HK\$1,058.0 million for FY2013 and FY2014, respectively; (ii) the Group had net current liabilities of approximately HK\$0.3 billion as at 31 December 2014 and decreasing current ratio to less than 1 time; (iii) the gearing ratio had been increased from approximately 51.1% as at 31 December 2012 to approximately 58.8% as at 31 December 2014; and (iv) the difficult market environment with highly volatile world metal market which the Group had been facing since FY2013, we are of the view that it is necessary and expedient for the Group to preserve its cash resources and alleviate its indebtedness level so as to improve the overall liquidity and financial position, in view of the current uncertain business and economic environment globally. Therefore, we consider that the Second Subscription could enable the Company to raise additional equity funding to strengthen its financial position.

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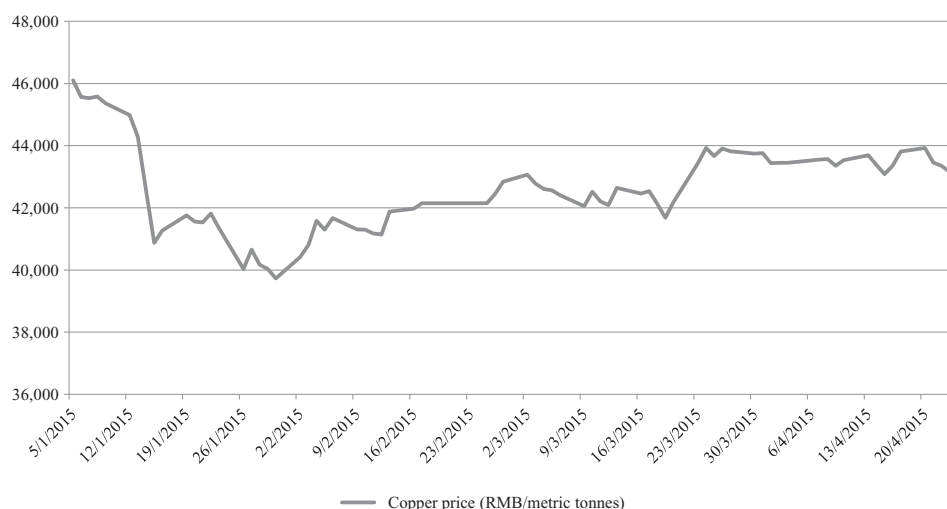
2. Market outlook

As stated in the Letter from the Board, based on the understanding of the Group's management, the metal recycling industry in China is very fragmented. In addition, the players in China are generally technologically behind their western counterparts. The Directors believe that if Chinese recycling businesses able to adopt Western technology, management techniques and know-how, the industry will benefit enormously from better productivity and resource management. The Directors believe that the current softness and volatility in primary metals prices have created opportunities for market players with strong financial resources to take lead in consolidating the market and in bringing together Western technology, management techniques and know-how to tap the Chinese market opportunities. The Directors have therefore decided to seek external funding which will be used as initial capital for the purposes of investing or co-investing in large overseas recycling businesses which the Company believes will be able to contribute value to the expansion of Group's existing business and the recycling business in China.

As stated in the 2014 Annual Report, the revenue of the Group was mainly contributed by its metal recycling business in relation to copper scrap.

We have conducted research in Bloomberg on the historical futures prices of Shanghai copper futures, and noted that although there was pressure on copper future price in January 2015, it was under a rebounding trend in general since February 2015. Set out below is the Shanghai copper future price for the period from 1 January 2015 to the Latest Practicable Date:

**Shanghai copper future price for the period
from 1 January 2015 to the Latest Practicable Date**



Source: Bloomberg

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It is also noted that the industry has strong backing from the Chinese Government, as demonstrated by the issue of the “12th Five-Year Plan for Waste Recycling Technology” in 2012 which identified major areas of waste recycling technology as well as discussed then current situation and future plans for development. One major focal areas of the plan was the development of technologies in comprehensive utilisation, reproduction and recycling of scrap metal, waste electronic products, used electro-mechanical products, and recycled polymer.

As (i) the copper price is expected to be rebounded; and (ii) there is strong backing from the Chinese Government to the industry, the Group’s management expected that the prospect of the industry is positive in general.

3. Background and reasons for the Second Subscription and use of proceeds

As discussed in section 1 above, the Group incurred net losses attributable to the Shareholders of approximately HK\$382.9 million and HK\$1,058.0 million for FY2013 and FY2014, respectively, recorded net current liabilities of approximately HK\$0.3 billion as at 31 December 2014 and had lower current ratios and higher gearing ratios as at 31 December 2013 and 2014 as compared to those of 31 December 2012. Therefore, the Group has been looking for measures to strengthen its principal business of metal recycling and hereby improve its financial performance, which could not be achieved without the availability of substantial external financing by equity means.

As stated in the Letter from the Board, the Company is actively looking for suitable acquisitions opportunities within the scrap metal recycling sector in mature, overseas markets. The Directors believe that the longer prospect for the metals recycling industry in the PRC remains very robust, especially for those able to harness the technology and know-how to recycle metals. Given the increasing concern in the PRC with environmental pollution, the Directors believe that demand for recycled metals will continue to rise and it is only a matter of whether or not Chinese recyclers can produce recycled metals at economically viable costs. Whilst the metal recycling industry in the PRC is very fragmented and the players are generally technologically behind their western counterparts, the Directors believe that, if Chinese recycling businesses are able to adopt Western technology, management techniques and know-how, the industry will benefit enormously from better productivity and resource management. Therefore, the Directors believe that the current softness and volatility in primary metals prices have created opportunities for market players with strong financial resources to take lead in consolidating the market and in bringing together Western technology, management techniques and know-how to tap the Chinese market opportunities.

On such basis, the Directors have decided to seek external funding which will be used as initial capital for the purposes of investing or co-investing in large overseas recycling businesses, which the Company believes will be able to contribute value to the expansion of Group’s existing business and the recycling business in the PRC. At the moment, the Company has yet to formally approach the global players which may fit the category as stated above. Once the Company has secured the necessary capital, it intends to initiate discussions with entities identified by the Company. Likely targets

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are global recyclers based overseas with the necessary technology, management techniques and know-how to help upskill the Chinese recycling market. The Company expects that such acquisition targets will assist the Group to take a leadership role to consolidate the fragmented recycling businesses in China and to provide new market opportunities. Therefore, the Company considers that the Subscription by the Subscriber provides a good opportunity for the Company to finance its acquisitions of business or assets in order to strengthen its principal business of metal recycling, and hence improve its financial results. We consider that the Second Subscription is in line with the Group's business strategy as discussed above.

As stated in the Letter from the Board, it is estimated that the net proceeds from the Second Subscription, after deduction of all related expenses, will be approximately HK\$2,278.03 million. It is the intention of the Group to apply such net proceeds to finance acquisitions of businesses or assets in order to strengthen its principal business of metal recycling as stated above. The Company confirms that it has not approached any potential acquisition targets as at the Latest Practicable Date.

Having considered the foregoing, in particular the net current liabilities position of the Group as at 31 December 2014 which indicated that the Group is in need of external funding for capturing the suitable acquisitions opportunities within the metal recycling sector in mature, overseas markets, we concur with the Directors' view that the Second Subscription Agreement and the Specific Mandate are in the interests of the Company and the Shareholders as a whole.

4. Other alternative methods of financing

As advised by the Directors, we note that other financing alternatives, including debt financing and other forms of equity financing such as rights issue and open offer, have been considered.

(i) Debt financing

According to the Group's management, we understand that debt financing would incur interest burden to the Group, which would affect the Group's performance and aggravate the net liabilities position and already high gearing ratio of the Group. Furthermore, debt financing may be subject to, including but not limited to, lengthy due diligence and negotiations with banks regarding the Group financial performances and the prevailing market condition. In addition, since the net aggregate proceeds from the Second Subscription, after the deduction of related expenses, of approximately HK\$2,278.03 million is relatively significant as compared with the Group's net assets of approximately HK\$643.4 million as at 31 December 2014, the Directors consider that it would be difficult to procure financial institutions willing to undertake debt financing for the Group of a similar scale and extend such amount of facility to the Group at affordable terms.

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(ii) Other forms of equity financing

We are advised by the Directors that both open offer and rights issue would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, thereby avoiding a material dilution to the interests of the existing Shareholders in the Company. However, in light of the net aggregate proceeds from the Second Subscription, after the deduction of related expenses, of approximately HK\$2,278.03 million being relatively significant comparing to the net assets of the Group of HK\$643.4 million as at 31 December 2014, the Directors consider that the Group will have difficulties in procuring commercial underwriting in the case of open offer and rights issue of a similar scale.

We have discussed with the Group's management and were advised that, given the Group's disappointing results in the first half of 2014 together with subsequent profit warning announcement made on 11 November 2014, based on the experience in dealing with various financial institutions, the Group's management was then expecting difficulties in negotiating additional bank financing or other form of open market equity financing with reasonable terms. Thus, the Company did not approach any financial institutions for provision of respective financing services but focused their efforts in finding alternative sources of funding. The Group's management was, at the time, of the view that such focused approach would be more effective in obtaining large-scale funding in a timely manner.

After considering (i) the Company's intended use of proceeds of the Second Subscription as discussed in the section headed "Background and reasons for the Second Subscription and use of proceeds" above; (ii) debt financing would incur interest burden to the Group, aggravate its net liability position and already high gearing ratio, and may lead to lengthy due diligence and negotiations with banks and difficulties in having financial institutions willing to undertake debt financing for the Group; and (iii) difficulties in procuring commercial underwriting in the case of open offer or rights issue, we concur with the view of Directors that the Second Subscription will benefit the Company's long-term development and broaden the Company's equity base, offers a good opportunity to raise additional funds to strengthen the financial position, and further enable it to make investments in new acquisitions when suitable opportunities arise in the future. Therefore, we consider that the Second Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Future intentions of the Subscriber and the Company

As stated in the Letter from the Board, subject to the development plan of the Company stated in the section headed "Use of proceeds and reason for the Subscription" in the Letter from the Board, the Subscriber has confirmed to the Company that it does not intend to cause the Group to change its existing business in the metals recycling industry. The Subscriber has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business. Save

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for the proposed appointment of an additional Director, the Subscriber intends that there will not be any material changes in the management or employees of the Group as a result of the completion of the Second Subscription Agreement.

The Subscriber is an investment holding company incorporated in Hong Kong with limited liability, which is directly wholly owned by USUM, a limited liability company incorporated in the PRC. 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. Loncin Group is 98% owned by Mr. Tu Jianhua. USUM has a registered capital of RMB3.08 billion, and is principally engaged in investments in the energy and natural resources sector. The business scope of USUM, as specified in its business licence, includes investment business, business information services and import and export of goods and technology. The business scope of Loncin Holdings, as specified in its business licence, includes investments in projects relating to general industrials, real estate and technology, investment consulting and management, manufacture and sale of metal products, electrical machinery and equipments, electronics and communication equipments and import and export of goods.

The business scope of Loncin Group, as specified in its business licence, includes investment business, sale of automobiles, clothing, footwear, headwear, furniture, metal products, electrical machinery and equipment, electronics and communication equipments and fashion design. Mr. Tu is an entrepreneur from the PRC who is involved in the principal business activities carried out by USUM, the Loncin Holdings and the Loncin Group as set out above. He is a member of the 11th and 12th National People Congress of the PRC. He is also the Vice-President of Chongqing City Federation of Industry and Commerce and Vice-Chairman of Chongqing Charity Federation. He is currently a non-executive director of Hanhua Financial Holding Co., Ltd, a company listed on the Stock Exchange (stock code: 3903), and a director of Loncin Motor Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603766).

The principal business of Loncin Motor Co., Ltd. is the manufacture and sale of motorcycles, which consist primarily of metal components. As a director of Loncin Motor Co., Ltd., Mr. Tu is familiar with the metals market including the market of scrap and recycled metal. Mr. Tu is also familiar with the business environment in the PRC and has an extensive personal network in the PRC. The Directors believe that with such attributes, Mr. Tu will be able to help the Group strengthen its business development. In addition, given his experience as a non-executive director of a listed company in Hong Kong, Mr. Tu is familiar with the corporate governance practices of listed companies in Hong Kong. Based on the foregoing, the Directors consider that Mr. Tu is a suitable candidate for appointment as a Director and Chairman of the Board.

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Mr. Tu, the ultimate beneficial owner of the controlling share interests in the Subscriber, has relevant experience and business network in the principal place of operations of the Group. Moreover, the Company also benefits from introducing the Subscriber as controlling shareholder by getting substantial equity capital which is needed to improve the Group's performance as well as executing its business plan via the Subscription and potentially the conversion of the Convertible Bonds.

As stated in the Letter from the Board, pursuant to the terms of the First Subscription Agreement and the Second Subscription Agreement, as a contractual matter, the Company acknowledges and agrees to the right of the Subscriber, as a Shareholder, to nominate a person for appointment as Director under the laws of the Company's place of incorporation and its articles of association, subject to compliance with the requirements of the Stock Exchange and provided that (i) the nomination and appointment are considered by the Board to be in the best interests of the Company and the Shareholders as a whole; and (ii) the person nominated by the Subscriber has passed the Company's conflict and background check in accordance with common and usual standards and policies generally applicable to the nomination and appointment of a Director and Chairman of the Board. As stated in the Letter from the Board, the Company proposes to appoint Mr. Tu Jianhua as a Director and Chairman of the Board as from the date after the despatch of this Circular. Having considered the extensive business network and investment experience of Mr. Tu, the Directors are of the view and we concur that the person to be nominated by the Subscriber as Director will allow the Company to leverage on the experience, expertise and networks of the controlling shareholders of the Subscriber to pursue its business development, and is in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the Second Subscription

Pursuant to the Second Subscription Agreement entered into between the Company and the Subscriber on 21 March 2015 (as amended and restated by a supplemental agreement dated 27 March 2015), the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for additional 253 million Shares in the aggregate amount of HK\$2,279.53 million at the initial Second Subscription Price of HK\$9.01 per Share (subject to adjustments).

The Second Subscription Shares represent approximately 24.10% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 16.79% of the issued share capital of the Company as enlarged by the issue of the Second Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the Second Subscription Shares since the date of the First Subscription Agreement and the Second Subscription Agreement and up to their completion). The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Second Subscription Shares.

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On and subject to the terms and conditions of the Second Subscription Agreement, the Company shall issue, and the Subscriber shall subscribe in cash for, the Second Subscription Shares in the aggregate amount equal to the Second Subscription Amount, at a price per Second Subscription Share which is equal to the Second Subscription Price in force on the Second Subscription Completion Date.

(i) Second Subscription Price

The Second Subscription Price of HK\$9.01 per Share represents:

- a) a premium of approximately 33.88% over and above the closing price of HK\$6.73 per Share as quoted on the Stock Exchange on 20 March 2015, being the Last Trading Day;
- b) a premium of approximately 55.88% over and above the average closing price of approximately HK\$5.78 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- c) a premium of approximately 65.63% over and above the average closing price of approximately HK\$5.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- d) a premium of approximately 1,377.05% over and above the audited net asset value per Share of approximately HK\$0.61 as at 31 December 2014 as disclosed in the 2014 Annual Report; and
- e) a premium of approximately 25.14% over and above the closing price of HK\$7.20 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

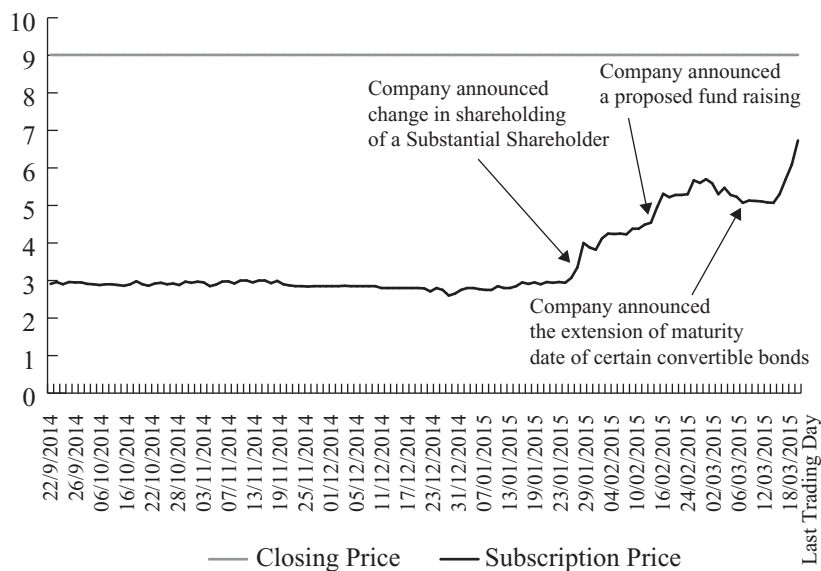
As stated in the Letter from the Board, the Second Subscription Price of HK\$9.01 per Subscription Share was determined after arm's length negotiations between the Company and the Subscriber taking into account the then market price of the Shares.

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Historical performance of Share price

The chart below shows the Subscription Price and the closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 22 September 2014 up to and including the Last Trading Day (the “**Review Period**”), being the 6-month period prior to the date of the Second Subscription Agreement, up to and including the Last Trading Day:

Share price performance for the Review Period



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

As shown in the above chart, we noted that the closing price shows an upward trend since February 2015. The Company has published announcements in relation to (i) change in shareholding of substantial Shareholders on 27 January 2015 and 2 February 2015 respectively; (ii) possible fund raising on 16 February 2015; (iii) extension of maturity date of convertible bond on 5 March 2015, 10 March 2015 and 18 March 2015 respectively; and (iv) resignation of executive Director, member of the remuneration committee, nomination committee and executive committee on 12 March 2015. Save for the above, the Directors confirmed that they were not aware of the reasons for the increase in price and transaction volume of the Shares since February 2015 up to the Last Trading Day.

The closing price of the Company ranged from HK\$2.6 per Share to HK\$6.73 per Share during the Review Period, with an average closing price of approximately HK\$3.5 per Share during the Review Period. The Second Subscription Price of HK\$9.01 per Share (subject to adjustments) was well above the range of the closing price during the Review Period and represents a premium of approximately 157.4%, 119.8%, 73.3% and 66.9% over and above the average closing price of approximately HK\$3.5 per Share, HK\$4.1 per Share, HK\$5.2 per Share and HK\$5.4 per Share during the Review Period, the last 60, 30 and 10 consecutive trading days up to and including the Last Trading Day, respectively.

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Trading liquidity of the Shares

The table below sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to the total number of issued Shares as the end of the month/period during the Review Period:

Period	Number of trading days in each period	Average daily trading volume of the Shares	Percentage of average daily trading volume of the Shares to the total number of issued Shares as at the end of the month/period
2014			
22 September to 30 September	7	153,714	0.01%
October	21	50,344	Immaterial
November	20	69,300	0.01%
December	21	87,901	0.01%
2015			
January	21	643,217	0.06%
February	18	1,433,019	0.14%
1 March up to the Last Trading Day	15	2,263,894	0.22%

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

As illustrated in the table above, the average daily trading volume during the Review Period recorded the lowest of 50,344 Shares in October 2014 and highest of 2,263,894 Shares for the period from 1 March 2015 up to the Last Trading Day, representing approximately immaterial and 0.22% respectively of the total number of issued Shares as at the end of the month or period. Although the average daily trading volume of the Shares has significant increase since February 2015, we are of the view that the average daily volume is relatively thin.

Comparable analysis

For the purpose of our analysis, we have performed an analysis of comparable issues by searching the website of the Stock Exchange for all share issues (the “**Comparable Issues**”) announced since 22 September 2014 (being six months before the Last Trading Day) and up to the date immediately prior to the Last Trading Day by companies listed on the Stock Exchange involving (i) subscription of new shares of the listed companies by subscribers; and (ii) the

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application of whitewash waivers by the subscribers having been approved by independent shareholders. It should be noted that as there were no share issues announced by companies principally engaged in the business of mixed metal scrap recycling, reuse and processing since 22 September 2014 (being six months before the Last Trading Day) and up to the date immediately prior to the Last Trading Day which met the said criteria above, the subject companies involved in the Comparable Issues all have different principal activities, market capitalisation and profitability as compared with those of the Company.

Despite the subject companies involved in the Comparable Issues all having different principal activities, market capitalisation and profitability as compared with those of the Company, we are of the view that the purpose of comparable analysis is to provide us reference to the recent market practice similar to the Transactions, and we have assessed the fairness and reasonableness of the Second Subscription Price further based on its specific condition including but not limited to the Group's financial results, reasons for the Transactions, the scale of Transactions and the use of proceeds. As the Comparable Issues fulfill the above criteria and have similar deal structures to the Second Subscription, we consider them to be an appropriate basis to assess the fairness of the Second Subscription Price. The Comparable Issues represent an exhaustive list of all subscriptions/issues meeting the said criteria above. The table below illustrates the details of the Comparable Issues:

Company	Stock code	Date of announcement	Premium/ (discount) of subscription price over and above/to closing price of five consecutive trading days up to and including the last trading day or date of agreement approximately (%)	Premium/ (discount) of subscription price over and above/to closing price of five consecutive trading days up to and including the last trading day or date of agreement approximately (%)	Lock-up period (if any)	Premium/ (discount) of issue price over and above/(to) the net asset value per share (%)
Changfeng Axle (China) Company Limited	1039	10/10/2014	(29.0)	(23.3)	N/A	(73.6)
Nanjing Sample Technology Company Limited	1708	21/10/2014	(5.8)	(6.2)	N/A	(8.3)
China Star Cultural Media Group Limited	8172	18/12/2014	(71.4)	(64.3)	N/A	5.3
China Taifeng Beddings Holdings Limited	873	07/01/2015	(26.8)	(25.9)	N/A	(69.9)

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Company	Stock code	Date of announcement	Premium/ (discount) of subscription price over and above/to closing price on the last trading date of agreement approximately (%)	Premium/ (discount) of subscription price over and above/to closing price of five consecutive trading days up to and including the last trading day or date of agreement approximately (%)	Lock-up period (if any)	Premium/ (discount) of issue price over and above/(to) the net asset value per share (%)
Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.	874	12/01/2015	28.1 <i>(Note 1)</i>	26.0 <i>(Note 1)</i>	36 months	316.8 <i>(Note 1)</i>
Good Fellow Resources Holdings Limited	109	29/01/2015	(31.4)	(20.8)	N/A	55.1
Jin Cai Holdings Company Limited	1250	02/02/2015	(43.6)	(41.9)	12 months	4.0
Bestway International Holdings Limited	718	27/02/2015	(51.3)	(43.0)	N/A	(13.8)
South East Group Limited	726	09/03/2015	(42.9)	(35.1)	24 months	N/A <i>(Note 2)</i>
Simsen International Corporation Limited	993	23/03/2015	(83.9)	(83.7)	N/A	79.7
		<i>Maximum</i>	28.1	26.0		316.8
		<i>Minimum</i>	(83.9)	(83.7)		(73.6)
		<i>Average</i>	(35.8)	(31.8)		32.8
The Second Subscription			33.88	55.88	6 months	1,377.0

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

Notes:

1. This company has A-shares listed on the Shanghai Stock Exchange and H-shares listed on the Stock Exchange. The subscription price for its issue of new shares was compared with the share price of its H-shares.
2. This company has a net liability position as at its latest balance sheet date, hence, comparison of subscription price for its issue of new shares to net asset value per share is not relevant.

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(i) Comparing to closing price

As shown in the above table, out of the 10 Comparable Issues, 9 represent discount to both the closing price on their respective last trading day before the publication of their respective announcement and closing price of five consecutive trading days up to and including the aforesaid last trading day. The issue prices of the Comparable Issues as compared to their respective closing price on the aforesaid last trading day and closing price of five consecutive trading days up to and including the aforesaid last trading day range from a premium of 28.1% to a discount of 83.9% and a premium of 26.0% to a discount of 83.7%, respectively. The Second Subscription Price representing a premium over and above the closing price on the Last Trading Day and closing price of five consecutive trading days up to and including the Last Trading Day of approximately 33.88% and 55.88%, respectively, which are higher than the Comparable Issues.

(ii) Comparing to net asset value

As shown in the above table, the issue prices of the Comparable Issues as compared to their respective net asset value per share range from a premium of 316.8% to a discount of 73.6%. The pricing of a sizeable share subscription as compared to net asset value per share varies substantially which may depend on the businesses and circumstances in which the relevant companies operate. The Second Subscription Price represents a premium of approximately 1,377.0% over and above the net asset value per Share, which is higher than the Comparable Issues. Having considered (i) the pricing basis of the Second Subscription is more favourable when compared with Comparable Issues as indicated by the premium over closing price represented by the Second Subscription Price; and (ii) the Second Subscription Price represents a premium of approximately 1,377.0% over and above the net asset value per Share, which is significantly higher than the Comparable Issues, we consider the Second Subscription Price to be fair and reasonable.

7. Financial effect of the Second Subscription

(a) *Earnings*

Upon completion of the Second Subscription, the Company will receive net proceeds of approximately HK\$2,278.03 million. As discussed with the Group's management, such net proceeds will be recognised as cash and equity and the Second Subscription will have no effect on the earnings of the Group.

(b) *Net Assets*

As discussed with the Group's management, the net proceeds will be recognised as cash and equity. Upon the completion of the Subscription, assuming there is no other change to the balance sheet items since the year ended 31

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December 2014 save for the changes caused by the Subscription, the net asset value of the Group will be increased by the amount of the net proceeds of the Second Subscription.

(c) *Liquidity*

As mentioned above, as discussed with the Group's management, the net proceeds will be recognised as cash and equity. Upon the completion of the Subscription, assuming there is no other change to the balance sheet items since the year ended 31 December 2014 save for the changes caused by the Subscription, the current assets of the Group will be increased by the net proceeds of the Second Subscription, and the current ratio of the Group will be improved.

8. Effect on the shareholding structure of the Company

Based on the Letter from the Board, the following table summarised the effect of the Subscription and the full exercise of the conversion rights attaching to the Sims Bonds, assuming that the CB Purchase Agreement has been completed on the shareholding structure of the Company immediately upon completion of the Subscription:

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the First Subscription		Immediately after the completion of the Second Subscription		Immediately after the full exercise of the conversion rights attaching to the Sims Bonds	
	Shares	%	Shares	%	Shares	%	Shares	%
<i>Directors</i>								
Mr. Fang	7,014,000	0.67	7,014,000	0.56	7,014,000	0.47	7,014,000	0.45
Mr. Gu Liyong	425,000	0.04	425,000	0.03	425,000	0.03	425,000	0.03
<i>Past Director</i>								
Mr. van Ooijen (resigned on 12 March 2015)	700,000	0.07	700,000 (Note 3)	0.06	700,000 (Note 3)	0.05	700,000 (Note 3)	0.04
<i>Substantial Shareholders</i>								
HWH (Notes 1, 2 & 4)	434,103,256	41.34	434,103,256	34.62	434,103,256	28.80	434,103,256	27.84
Tai Security Holding Limited	175,197,990	16.69	175,197,990	13.97	175,197,990	11.63	175,197,990	11.23
Good Union Hong Kong Investment Limited	120,000,000	11.43	120,000,000 (Note 3)	9.57	120,000,000 (Note 3)	7.96	120,000,000 (Note 3)	7.70
The Subscriber and parties acting in concert with it (Note 4)	-	-	203,900,000	16.26	456,900,000	30.32	509,500,000	32.67
<i>Other Public Shareholders</i>	312,508,460	29.76	312,508,460 (Note 3)	24.93	312,508,460 (Note 3)	20.74	312,508,460 (Note 3)	20.04
Total	1,049,948,706	100.00	1,253,848,706	100.00	1,506,848,706	100.00	1,559,448,706	100.00

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Notes:

1. HWH is wholly-owned by, and hence an associate of, Mr. Fang.
2. As disclosed in the announcement of the Company dated 2 February 2015, Delco and HWH entered into 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. Completion of the HWH-Delco SPA took place on 17 April 2015. Therefore, HWH held 434,103,256 Shares as at the Latest Practicable Date.
3. Immediately after completion of the First Subscription, the Shares held by Mr. van Ooijen and Good Union Hong Kong Investment Limited are regarded as Shares held by the public Shareholders. The public Shareholders will together hold (i) approximately 34.56% of the issued share capital of the Company immediately after the completion of the First Subscription; (ii) approximately 28.75% of the issued share capital of the Company immediately after the completion of the Second Subscription; and (iii) approximately 27.78% of the issued share capital of the Company immediately after the full exercise of the conversion rights attaching to the Sims Bonds, assuming that the CB Purchase Agreement has been completed.
4. As at the Latest Practicable Date, HWH (and parties acting in concert with it) and the Subscriber (and parties acting in concert with it) were not acting in concert. Immediately after the completion of the Second Subscription, HWH and the Subscriber will each hold more than 20% voting rights in the Company and will hence be presumed to be acting in concert with each other. Nonetheless, the Subscriber has made an application to the Executive for the rebuttal of the presumption.

As illustrated above, the shareholding of the existing other public Shareholders in the Company would be reduced from approximately 29.76% as at the Latest Practicable Date to approximately 20.74% immediately after the completion of the First Subscription and Second Subscription. Although there will be dilution effect to the shareholding interest of the existing other public Shareholders as a result of the Second Subscription, having taken into account the aforesaid potential benefits of the Second Subscription and that the terms of the Second Subscription Agreement and the transactions contemplated thereunder (including the related Specific Mandate) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, we consider that the dilution effect to the shareholding interest of the existing other public Shareholders as a result of the Second Subscription is acceptable.

9. The Subscription Whitewash Waiver

Immediately after the Second Subscription Completion Date, the Subscriber (together with parties acting in concert with it) will in aggregate be interested in 456,900,000 Shares, representing approximately 43.52% of the issued share capital of the Company as at the Latest Practicable Date and approximately 30.32% of the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares and the Second Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the First Subscription Shares and the Second Subscription Shares).

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Under Rule 26.1 of the Takeovers Code, the Subscriber and parties acting in concert with it will on the completion of the Second Subscription Agreement be obliged to make mandatory general offers to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it, unless the Subscription Whitewash Waiver is obtained from the Executive and approved by the Independent Shareholders at the EGM by way of poll. In this regard, an application to the Executive for the Subscription Whitewash Waiver has been made by the Subscriber pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Subscription Whitewash Waiver subject to, *inter alia*, the approval of the Independent Shareholders taken on a poll at the EGM. The granting by the Executive of the Subscription Whitewash Waiver and the approval by the Independent Shareholders at the EGM are part of the conditions of the Second Subscription which cannot be waived.

The Second Subscription is conditional upon, among other things, the granting of the Subscription Whitewash Waiver by the Executive and the approval of the Subscription Whitewash Waiver by the Independent Shareholders at the EGM. The aforesaid condition is not capable of being waived. If the Subscription Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders at the EGM, the Second Subscription will not proceed. Thus, there will not be any mandatory general offers for the issued securities of the Company, irrespective of whether the Subscription Whitewash Waiver is approved by the Independent Shareholders or not.

Given the aforesaid potential benefits of the Second Subscription and that the terms of the Second Subscription Agreement and the transactions contemplated thereunder (including the related Specific Mandate) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the granting of the Subscription Whitewash Waiver, being one of the conditions of the Second Subscription, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

10. The CB Whitewash Waiver

Assuming that the First Subscription Agreement, the Second Subscription Agreement and the CB Purchase Agreement have been completed, the Subscriber (together with parties acting in concert with it) would, upon the full exercise of the conversion rights attaching to the Sims Bonds, in aggregate be interested in 509,500,000 Shares, representing approximately 48.53% of the issued share capital of the Company as at the Latest Practicable Date and approximately 32.67% of the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares, the Second Subscription Shares and the Sims Conversion Shares (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).

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In this connection, the Subscriber has also made an application to the Executive for the CB Whitewash Waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make mandatory general offers under Rule 26.1 of the Takeovers Code for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise as a result of the Subscriber fully exercising the conversion rights attaching to the Sims Bonds. The Executive has indicated that it will grant the CB Whitewash Waiver subject to, *inter alia*, the approval of the Independent Shareholders taken on a poll at the EGM.

As disclosed in the Company's announcements dated 5 March 2015, 10 March 2015, 18 March 2015, 26 March 2015 and 1 April 2015, respectively, in relation to, among other things, the extension of the maturity date of the Convertible Bonds to 1 March 2017, Sims agreed to the Sims CB Extension subject to an undertaking from the Company to use its best endeavours to procure independent third party(ies) to purchase Sims' Bonds by no later than 29 June 2015, failing which the Company would repurchase Sims Bonds on or before 30 June 2015 at their face value together with all unpaid interest accrued thereon.

In addition, if the CB Whitewash Waiver is granted, the Subscriber may fully exercise the conversion rights attaching to the Sims Bonds in one single conversion, which will result in an immediate conversion of (i) the principal amount of the Sims Bonds of HK\$315,600,000 (which will result in the issue of 52,600,000 Shares) and (ii) the amount of interest which has accrued and remains unpaid thereon from liability components to equity component and will improve the financial position of the Group. Failure in obtaining the CB Whitewash Waiver may forfeit the chance for providing a potential immediate improvement to the financial position of the Group by allowing Subscriber to convert the Convertible Bonds into Shares without triggering mandatory general offer(s).

Having considered (i) the net current liabilities position of the Group as at 31 December 2014; (ii) if the Company cannot procure other parties to purchase Sims Bonds by no later than 29 June 2015, the Group will have to repurchase the Sims Bond on or before 30 June 2015 at their face value together with all unpaid interest accrued thereon for a sum equivalent to the total of (1) the principal amount of the Sims Bonds of HK\$315,600,000 and (2) the amount of interest which has accrued and remains unpaid thereon, which amounted to HK\$1,591,000 up to 15 April 2015; and (iii) if the CB Whitewash Waiver is granted, the Subscriber may fully exercise the conversion rights attaching to the Sims Bonds in one single conversion, we are of the view that the granting of the CB Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole, so as to avoid the significant financial burden of the Group in relation to the potential repurchase of the Sims bonds, and potentially provide an immediate improvement to the financial position of the Group.

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RECOMMENDATIONS

Having taken into account the above principal factors and reasons, in particular,

- (i) the Group's difficulty in obtaining alternative means of financing in view of the current market conditions and the Group's current financial position, in particular the net current liabilities position;
- (ii) the Group's current ratio and gearing ratio deteriorated as at 31 December 2014, and the Subscription would have an overall positive effect on the financial position of the Group in terms of net asset value and current ratio upon completion;
- (iii) the Second Subscription Price represent a premium of approximately 157.4%, 119.8%, 73.3% and 66.9% over and above the average closing price of the Shares of approximately HK\$3.5 per Share, HK\$4.1 per Share, HK\$5.2 per Share and HK\$5.4 per Share of during the Review Period, the last 60, 30 and 10 consecutive trading days up to and including the Last Trading Day, respectively;
- (iv) the pricing basis of the Second Subscription is more favourable when compared with Comparable Issues as indicated by the premium over and above the closing price represented by the Second Subscription Price; and (ii) the Second Subscription Price represents a premium of approximately 1,377% over and above the net asset value per Share, which is significantly higher than the Comparable Issues;
- (v) failure in obtaining the Subscription Whitewash Waiver may result in lapse of the Second Subscription which represents the current best available option for the Company to obtain additional funding for its working capital and future development; and
- (vi) failure in obtaining the CB Whitewash Waiver may forfeit the chance for providing a potential immediate improvement to the financial position of the Group,

we consider that the terms of the Second Subscription Agreement and the transactions contemplated thereunder (including the related Specific Mandate) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned but are not in the ordinary and usual course of business of the Group; (ii) the Subscription Whitewash Waiver and the CB Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Second Subscription, the related Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the

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Independent Shareholders as well as the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Second Subscription Agreement, the Specific Mandate, the Subscription Whitewash Waiver and the CB Whitewash Waiver.

Yours faithfully,
For and on behalf of
BOCOM International (Asia) Limited

Voon Lai	Conrad Cheng
<i>Managing Director and</i>	<i>Executive Director</i>
<i>Head of Investment Banking</i>	<i>Investment Banking</i>

Mr. Voon Lai is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of BOCOM International who has over 18 years of experience in corporate finance industry.

Mr. Conrad Cheng is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of BOCOM International who has over 13 years of experience in corporate finance industry.

I. SUMMARY OF THE FINANCIAL INFORMATION

The following is the summary of the audited consolidated financial results of the Company for the three financial years ended 31 December 2012, 2013 and 2014 as extracted from the published financial statements of the Group for the relevant years.

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
RESULTS			
Revenue	<u>8,202,702</u>	<u>7,222,003</u>	<u>5,877,970</u>
Profit (loss) before tax	72,034	(381,776)	(1,067,611)
Income tax expense	<u>(32,683)</u>	<u>(25,742)</u>	<u>(3,629)</u>
Profit (loss) for the year attributable to:			
Owners of the Company	88,591	(382,920)	(1,057,980)
Non-controlling interest	<u>(49,240)</u>	<u>(24,598)</u>	<u>(13,260)</u>
	<u>39,351</u>	<u>(407,518)</u>	<u>(1,071,240)</u>
Earning (loss) per share			
– basic	HK\$0.08	HK\$(0.37)	HK\$(1.01)
– diluted	<u>HK\$0.08</u>	<u>HK\$(0.37)</u>	<u>HK\$(1.01)</u>
Dividends	HK\$22,143,000	–	–
Dividends per share	<u>HK\$2.12 cents</u>	<u>–</u>	<u>–</u>

	At 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Total assets	5,201,979	4,917,292	3,641,025
Total liabilities	<u>(3,128,437)</u>	<u>(3,210,603)</u>	<u>(2,997,669)</u>
Net assets	<u>2,073,542</u>	<u>1,706,689</u>	<u>643,356</u>
Equity attributable to owners of the Company	2,115,005	1,774,360	724,050
Non-controlling interests	<u>(41,463)</u>	<u>(67,671)</u>	<u>(80,694)</u>
Total equity	<u>2,073,542</u>	<u>1,706,689</u>	<u>643,356</u>

The consolidated financial statements of the Company for the years ended 31 December 2012, 2013 and 2014 were audited by Deloitte Touche Tohmatsu. No qualification was made by the auditors of the Company in respect of the audited consolidated financial statements of the Company for the years ended 31 December 2012, 2013 and 2014.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the years ended 31 December 2012, 2013 and 2014.

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	7	5,877,970	7,222,003
Cost of sales	8	<u>(5,895,336)</u>	<u>(7,245,813)</u>
Gross loss		(17,366)	(23,810)
Other income	9	27,977	43,665
Other gains and losses	10	(770,923)	(60,558)
Distribution and selling expenses		(23,722)	(35,481)
Administrative expenses		(130,534)	(133,250)
Finance costs	11	(153,327)	(172,342)
Share of profit of an associate	24	<u>284</u>	<u>–</u>
Loss before tax		(1,067,611)	(381,776)
Income tax expense	14	<u>(3,629)</u>	<u>(25,742)</u>
Loss for the year	12	<u>(1,071,240)</u>	<u>(407,518)</u>
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		<u>(9,623)</u>	<u>51,050</u>
Items that may be reclassified subsequently to profit or loss:			
Reclassification to profit or loss on disposal of available-for-sale investment		499	–
Fair value gain (loss) on available-for-sale investment		<u>918</u>	<u>(1,417)</u>
		<u>1,417</u>	<u>(1,417)</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other comprehensive (expense) income for the year		<u>(8,206)</u>	<u>49,633</u>
Total comprehensive expense for the year		<u><u>(1,079,446)</u></u>	<u><u>(357,885)</u></u>
Loss for the year attributable to:			
Owners of the Company		(1,057,980)	(382,920)
Non-controlling interests		<u>(13,260)</u>	<u>(24,598)</u>
		<u><u>(1,071,240)</u></u>	<u><u>(407,518)</u></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(1,066,423)	(331,677)
Non-controlling interests		<u>(13,023)</u>	<u>(26,208)</u>
		<u><u>(1,079,446)</u></u>	<u><u>(357,885)</u></u>
Loss per share			
– basic	<i>16</i>	<u><u>(1.01)</u></u>	<u><u>(0.37)</u></u>
– diluted	<i>16</i>	<u><u>(1.01)</u></u>	<u><u>(0.37)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	17	508,265	331,530
Prepaid lease payments	18	421,461	433,069
Investment properties	19	22,351	28,942
Interest in an associate	24	2,609	–
Available-for-sale investment	20	–	14,053
Deposits paid for acquisition of property, plant and equipment	41	19,033	40,332
Deferred tax assets	33	8,189	5,997
		<u>981,908</u>	<u>853,923</u>
Current assets			
Inventories	21	1,107,789	2,570,273
Trade and other receivables	22	431,316	744,477
Bills receivables	23	127	6,614
Prepaid lease payments	18	10,620	10,642
Derivative financial instruments	25	391,476	132,688
Tax recoverable		10,382	10,334
Pledged bank deposits	26	182,559	141,841
Margin deposits	26	253,292	175,405
Bank balances and cash	26	271,556	271,095
		<u>2,659,117</u>	<u>4,063,369</u>
Current liabilities			
Trade and other payables	27	412,209	407,005
Derivative financial instruments	25	402,932	33,303
Tax payable		3,771	2,268
Bank borrowings and overdrafts	28	1,324,831	1,958,680
Convertible bonds	31	816,421	–
		<u>2,960,164</u>	<u>2,401,256</u>
Net current (liabilities) assets		<u>(301,047)</u>	<u>1,662,113</u>
Total assets less current liabilities		<u><u>680,861</u></u>	<u><u>2,516,036</u></u>

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Capital and reserves			
Share capital	29	10,494	10,446
Share premium and reserves		<u>713,556</u>	<u>1,763,914</u>
Equity attributable to owners of the Company		724,050	1,774,360
Non-controlling interests	30	<u>(80,694)</u>	<u>(67,671)</u>
Total equity		<u>643,356</u>	<u>1,706,689</u>
Non-current liabilities			
Convertible bonds	31	–	759,406
Embedded derivative components of convertible bonds	31	–	13,353
Warrants	32	–	1,331
Deferred tax liabilities	33	<u>37,505</u>	<u>35,257</u>
		<u>37,505</u>	<u>809,347</u>
		<u><u>680,861</u></u>	<u><u>2,516,036</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											Attributable to non- controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Statutory Capital reserve	Statutory general reserve	Enterprise expansion fund	Investment revaluation reserve	Foreign currency translation reserve	Accumulated (losses) profits	Sub-total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2013	10,435	888,986	220	29,987	222,760	102,167	102,166	-	118,951	639,333	2,115,005	(41,463)	2,073,542
Loss for the year	-	-	-	-	-	-	-	-	-	(382,920)	(382,920)	(24,598)	(407,518)
Exchange difference arising on translation to presentation currency	-	-	-	-	-	-	-	-	52,660	-	52,660	(1,610)	51,050
Fair value loss on available- for-sale investment	-	-	-	-	-	-	-	(1,417)	-	-	(1,417)	-	(1,417)
Total comprehensive expense for the year	-	-	-	-	-	-	-	(1,417)	52,660	(382,920)	(331,677)	(26,208)	(357,885)
Cash dividend paid (Note 15)	-	-	-	-	-	-	-	-	-	(22,143)	(22,143)	-	(22,143)
Share options exercised (Note 29 (note i))	15	4,827	-	(1,105)	-	-	-	-	-	-	3,737	-	3,737
Lapse of share options	-	-	-	(7,809)	-	-	-	-	-	7,809	-	-	-
Recognition of equity- settled share-based payments (Note 37)	-	-	-	10,762	-	-	-	-	-	-	10,762	-	10,762
Shares repurchased and cancelled (Note 29 (note ii))	(4)	(1,320)	4	-	-	-	-	-	-	(4)	(1,324)	-	(1,324)
Transfer of reserves	-	-	-	-	-	2,209	2,210	-	-	(4,419)	-	-	-
At 31 December 2013	10,446	892,493	224	31,835	222,760	104,376	104,376	(1,417)	171,611	237,656	1,774,360	(67,671)	1,706,689

	Attributable to owners of the Company											Attributable to non- controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Statutory Capital reserve	Statutory general reserve	Enterprise expansion fund	Investment revaluation reserve	Foreign currency translation reserve	Accumulated (losses) profits	Sub-total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Loss for the year	-	-	-	-	-	-	-	-	-	(1,057,980)	(1,057,980)	(13,260)	(1,071,240)
Exchange difference arising on translation to presentation currency	-	-	-	-	-	-	-	-	(9,860)	-	(9,860)	237	(9,623)
Fair value gain on available- for-sale investment	-	-	-	-	-	-	-	918	-	-	918	-	918
Reclassified to profit or loss on disposal of available-for-sale investment	-	-	-	-	-	-	-	499	-	-	499	-	499
Total comprehensive expense for the year	-	-	-	-	-	-	-	1,417	(9,860)	(1,057,980)	(1,066,423)	(13,023)	(1,079,446)
Share options exercised (Note 29 (note i))	48	16,568	-	(4,070)	-	-	-	-	-	-	12,546	-	12,546
Lapse of share options	-	-	-	(10,949)	-	-	-	-	-	10,949	-	-	-
Recognition of equity- settled share-based payments (Note 37)	-	-	-	3,567	-	-	-	-	-	-	3,567	-	3,567
Transfer of reserves	-	-	-	-	-	670	670	-	-	(1,340)	-	-	-
At 31 December 2014	10,494	909,061	224	20,383	222,760	105,046	105,046	-	161,751	(810,715)	724,050	(80,694)	643,356

notes:

- (i) Capital reserve represents the sum of (a) the difference between the nominal value of the aggregate share capital and share premium of the subsidiaries acquired by the Company upon a group reorganisation in 2008 and the nominal value of the Company's shares issued in exchange and (b) a capitalisation of shareholders' loans in 2010.
- (ii) Statutory general reserve and enterprise expansion fund represent the appropriation of 10% of profit after tax determined based on the relevant accounting rules and regulations of the People's Republic of China (the "PRC") as required by the Articles of Association of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory general reserve and enterprise expansion fund has reached 50% of the PRC subsidiaries' registered capital. The statutory general reserve and enterprise expansion fund can be used to make up prior year losses or to increase share capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Loss for the year	(1,071,240)	(407,518)
Adjustments for:		
Income tax	3,629	25,742
Finance costs	153,327	172,342
Interest income	(7,671)	(6,207)
Dividend income from available- for-sale investment	(301)	(428)
Depreciation of investment properties	1,631	1,866
Depreciation of property, plant and equipment	36,122	34,308
Amortisation of prepaid lease payments	10,593	8,829
(Gain) loss on disposal of property, plant and equipment	(335)	90
Gain on disposal of an investment property	(29,216)	–
Recovery of doubtful debts	–	(12)
Impairment loss on trade and other receivables	1,807	2,911
Share-based payment expense	3,567	10,762
Share of profit of an associate	(284)	–
Reclassified to profit or loss on disposal of available-for-sale investment	499	–
Gain on fair value change of derivative components of convertible bonds	(13,353)	(71,937)
Gain on fair value change of warrants	(1,331)	(6,715)
Net foreign exchange losses (gains)	34,005	(99,881)
Reversal of allowance for inventories	(11,906)	(6,243)
Operating cash flows before movements in working capital	(890,457)	(342,091)
Decrease in inventories	1,460,898	500,822
Decrease in trade and other receivables	312,334	75,075
Decrease in bills receivables	6,465	654
Decrease in investments at fair value through profit or loss (“FVTPL”)	–	24,677
Decrease (increase) in derivative financial instruments	110,841	(64,438)
Increase in trade and other payables	4,809	102,160
Cash from operations	1,004,890	296,859
Interest paid	(95,468)	(122,951)
Tax paid	(2,198)	(31,637)
Tax refunded	98	2,141
NET CASH FROM OPERATING ACTIVITIES	907,322	144,412

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(175,108)	(57,806)
Deposit for leasehold interests and property, plant and equipment	(17,736)	(50,332)
Refund of deposit for leasehold interests	–	10,000
Proceeds from sales of property, plant and equipment	1,281	1,008
Payment for prepaid lease payments	–	(89,537)
Investment in an associate	(2,325)	–
Placement of margin deposits	(2,147,974)	(1,379,976)
Withdrawal of margin deposits	2,069,615	1,250,358
Placement of pledged bank deposits	(276,812)	(223,163)
Withdrawal of pledged bank deposits	235,786	189,664
Proceeds from disposal of an investment property	34,176	–
Proceeds from disposal of available-for-sale investment	14,971	–
Dividend received from available-for-sale investment	301	428
Interest received	4,166	5,009
	<u>(259,659)</u>	<u>(344,347)</u>
FINANCING ACTIVITIES		
New bank borrowings raised	4,533,757	7,304,449
Repayment of bank borrowings	(5,193,076)	(7,266,950)
Repurchases of shares	–	(1,324)
Net proceeds from issue of shares through exercise of share options	12,546	3,737
Dividend paid	–	(22,143)
	<u>(646,773)</u>	<u>17,769</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(646,773)</u>	<u>17,769</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	890	(182,166)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	270,779	446,536
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(834)</u>	<u>6,409</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>270,835</u></u>	<u><u>270,779</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	271,556	271,095
Bank overdrafts (<i>Note 28</i>)	(721)	(316)
	<u><u>270,835</u></u>	<u><u>270,779</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2014***1. GENERAL**

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 12 July 2010. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its main place of business is located at Taizhou Industrial Zone of Metal Recycling Fengjiang, Luqiao, Taizhou, Zhejiang, the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 43.

The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of the shareholders as the Company is listed in Hong Kong.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK\$1,071,240,000 for the year ended 31 December 2014 and the Group’s current liabilities exceeded its current assets by HK\$301,047,000 as at 31 December 2014. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due for the foreseeable future, after taking into consideration the following factors: (i) the estimated net proceeds of approximately HK\$1,835,640,000 from share placing as set out in Note 29(iv); (ii) the convertible bonds holders agreeing to extend the convertible bonds as set out in Note 31(vii), together with the undertakings from the Company, as set out in the Company’s announcements dated 5 March 2015, 10 March 2015 and 18 March 2015; (iii) the unutilised borrowing facilities of approximately HK\$975,158,000 as at 31 December 2014; (iv) the estimated future cash flows of the Group; and (v) assets available to pledge for obtaining further banking facilities. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

Except as described below, the application of the new interpretation and the other amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlements.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group’s consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ⁵
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at FVTPL, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities based on the analysis of the Group's financial assets and financial liabilities as at 31 December 2014.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not yet effective will not have material impact on the Group’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of Group's entities are translated into the presentation currency of the Group (i.e. HK\$) using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (“MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 37.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits/losses.

Taxation

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

Current tax

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and are capitalised in accordance with the Group's accounting policy. Such property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of assets (other than construction in progress) less their residual value over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined by the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables and available-for-sale (“AFS”) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item. Fair value is determined in the manner described in Note 6.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL or (b) loans and receivables.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the fair value of AFS equity investments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the instrument is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bills receivables, pledged bank deposits, margin deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit periods, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities classified as FVTPL are derivative that are not designated and effective as hedging instruments.

Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 6.

Other financial liabilities

Other financial liabilities (including trade and other payables and bank borrowings and overdrafts) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL.

Convertible bonds and warrants*Convertible bonds*

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and derivative in accordance with the substance of the contractual arrangements on its initial recognition. Derivative that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

At the date of issue, both the liability and derivative components are recognised at fair value. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivatives together with other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the lives of the convertible loan notes using the effective interest method.

Warrants

Warrants that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as derivatives and are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivative financial instruments

The Group's derivative financial instruments include commodity futures, provisional pricing arrangements and foreign currency forwards contracts.

Contracts to buy or sell a non-financial item at a future date that can be settled net in cash are accounted for as derivatives unless they were entered into and continue to be held for the purpose of the receipt of the non-finance item in accordance with the Group's expected purchase, sale or usage requirement.

Such derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held-for-trading or financial liabilities held-for-trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Write down on inventories

Management of the Group reviews the inventories listing on a category-by-category basis at the end of the reporting period, and assesses whether the cost of the finished products will exceed their net realisable value. Management estimates the net realisable value for such inventories based primarily on the latest resale value and quoted prices on applicable commodity exchanges. If the market price of inventories are to decline, additional write down may be required. The Group's inventories are stated at the lower of cost and net realisable value in the consolidated statement of financial position at the end of the reporting period. The carrying amount of inventories is disclosed in Note 21.

Estimated impairment of property, plant and equipment, and prepaid lease payments

When there is indication that an item of property, plant and equipment, or prepaid lease payments has suffered an impairment loss, management of the Group takes into consideration of the estimation of its recoverable amount. The recoverable amount calculation requires the Group to estimate the higher of fair value less costs of disposal and value in use expected to arise from the property, plant and equipment, and prepaid lease payments and a suitable discount rate in order to calculate the present

value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of property, plant and equipment, and prepaid lease payments are disclosed in Notes 17 and 18 respectively.

The management conducts an impairment review of the property, plant and equipment, and prepaid lease payments and assesses the recoverable amount for cash-generating units. As explained in Note 7, the Group has three operating segments and each segment represents the lowest level cash-generating unit with the Group for internal management purpose. With the segment loss is identified in the metal recycling business segment (the “Recycling CGU”), for the purpose of the impairment testing, the management reviews the impairment in property, plant and equipment, and prepaid lease payments are allocated to the Recycling CGU.

The recoverable amount of the Recycling CGU has been determined based on the value in use calculation. The calculation for the Recycling CGU uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and a discount rate of 11%. The cash flows beyond the 5-year period are extrapolated using zero growth rate. The key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and budgeted gross margin, which are determined based on the Recycling CGU’s past performance and management’s expectation for the market development. The estimated recoverable amount exceed the carrying amount of the Recycling CGU. The management believes that any reasonably possible change in any of the above assumptions would not cause the carrying amount to exceed the recoverable amount. No impairment loss is recognised for the year ended 31 December 2014.

Depreciation of property, plant and equipment

Property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation charge in the year in which such estimate is changed.

Fair value of embedded derivative components of convertible bonds and warrants

As described in Notes 31 and 32, the directors of the Company use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of the embedded derivative components of convertible bonds and warrants are determined using the Binomial Option Pricing Model adjusted for specific terms and conditions of the respective instruments. Major inputs into the model include quoted market prices, risk free rates, expected volatility, dividend yields and the option’s life.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group’s overall strategy remained unchanged from prior years.

The capital structure of the Group consists of debt, which includes bank borrowings and overdrafts and convertible bonds disclosed in Note 28 and Note 31, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising capital, various reserves and accumulated profits/losses.

The directors of the Company review the capital structure periodically. The directors of the Company also balance the overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt. No changes were made in the objectives, policies or processes during the year ended 31 December 2014.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Financial assets		
Derivative financial instruments	391,476	132,688
Loans and receivables (including cash and cash equivalents)	860,668	915,988
AFS investment	–	14,053
	<u> </u>	<u> </u>
Financial liabilities		
Derivative financial instruments	402,932	33,303
Embedded derivative components of convertible bonds	–	13,353
Warrants	–	1,331
Amortised cost	2,455,290	3,033,070
	<u> </u>	<u> </u>

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivables, derivative financial assets, pledged bank deposits, margin deposits, bank balances and cash, AFS investment, trade and other payables, derivative financial liabilities, bank borrowings and overdrafts, convertible bonds, embedded derivative components of convertible bonds and warrants. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*(i) Currency risk*

The Group has foreign currency sales, purchases, trade and other receivables, pledged bank deposits, margin deposits, bank balances and cash, AFS investment, trade and other payables, derivative financial instruments, bank borrowings, which expose the Group to market risk arising from changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors its foreign currency risk exposure and considers any foreign currency forward contracts should the need arise.

In addition, the Group had entered into several foreign currency forward contracts with a bank to reduce its exposure to currency fluctuation risk of payments for trade payables which were denominated in United States dollars ("USD"). The derivatives were not accounted for under hedge accounting. The Group was required to estimate the fair value of the foreign currency forward contracts at the end of the reporting period, which therefore also exposed the Group to currency risk.

The carrying amounts of the Group's monetary assets and liabilities which are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Monetary assets		
HK\$	2,562	13,496
USD	118,287	136,861
Euro ("EUR")	24,490	7,575
RMB	244	300
	<u> </u>	<u> </u>
Monetary liabilities		
HK\$	12,496	830
USD	1,068,551	1,815,277
EUR	1,147	28,705
	<u> </u>	<u> </u>
Net monetary assets (liabilities)		
HK\$	(9,934)	12,666
USD	(950,264)	(1,678,416)
EUR	23,343	(21,130)
RMB	244	300
	<u> </u>	<u> </u>

Sensitivity analysis

The Group is mainly exposed to the foreign currencies of HK\$, RMB, USD and EUR when such currencies are different from the functional currency of the relevant group entities.

A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel because it represents management's assessment of the possible change in foreign exchange rates. On this basis, if the foreign currencies strengthen/weaken against the functional currency of the relevant group entities by 5%, the Group's post-tax loss for the year would increase/decrease by the following magnitude, and vice versa:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Increase) decrease in loss:		
Monetary assets and liabilities		
HK\$ strengthening against		
RMB	(415)	529
USD strengthening against		
RMB	(35,621)	(62,865)
EUR strengthening against		
RMB/USD	975	(882)
RMB strengthening against		
USD	10	13
	<u> </u>	<u> </u>

The sensitivity analysis below had been determined based on the exposure to the Group's forward buying rate risk at the end of the reporting period. If the forward exchange rate of USD strengthens/weakens 5% against RMB while all other input variables of the valuation models were held constant, the Group's post-tax loss for the year would increase/decrease by the following magnitude:

	2014 HK\$'000	2013 HK\$'000
Increase/decrease in loss:		
USD strengthening against		
RMB	855	99

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Other than HK\$, USD, EUR and RMB, the Group does not have any other major exposure to foreign currency risk.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate arising from the Group's USD denominated borrowings.

The Group considers that the variable-rate bank balances are within short maturity period, and the fluctuation in interest rate and the cash flow interest rate risk arising from the bank balances are insignificant.

The Group's fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, bank borrowings and overdrafts and convertible bonds. It is the Group's policy to maintain a majority of borrowings at fixed rate of interest so as to reduce the cash flow interest rate risk.

The Group has not entered into any interest rate hedging contracts. Management monitors the Group's related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

Sensitivity analysis

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

	2014 HK\$'000	2013 HK\$'000
Liabilities	291,783	1,086,913

The sensitivity analysis below was determined based on the exposure to risk of interest rate changes for variable-rate bank borrowings at the end of the reporting period and management considered that such exposure for variable-rate bank deposits was minimal as the amount involved was not significant.

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by the following magnitude:

	2014 HK\$'000	2013 HK\$'000
Increase/decrease in loss	<u>2,188</u>	<u>8,152</u>

(iii) Equity, debt and commodity price risks

At 31 December 2014, the Group was exposed to equity, debt and commodity price risks through its AFS investment and metal commodities future contracts. At 31 December 2013, the Group was also exposed to the provisional pricing arrangements embedded in sales contracts.

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to commodity price risk of metal commodities future contracts and the provisional pricing arrangements embedded in sales contract of copper scrap at the end of the reporting period. If the commodity price risk of metal commodities future contracts and the quoted copper future price for the valuation of provisional pricing arrangements had been 5% higher/lower, the Group's post-tax loss for the year would decrease/increase by the following magnitude:

	2014 HK\$'000	2013 HK\$'000
Decrease/increase in loss	<u>171,841</u>	<u>173,844</u>

The sensitivity analysis above excluded the price risks on AFS investment as the management considers the price sensitivity on AFS investment is not significant.

(iv) Equity price risk on the Company's shares

At 31 December 2014, the Group was also exposed to equity price risk as a result of the fair value change on the embedded derivative components of convertible bonds and the warrants the Company had issued as set out in Notes 31 and 32.

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to the Company's shares' equity price risk of embedded derivative components of convertible bonds and warrants. If the share price of the Company inputted to the valuation model for assessing the fair values of the embedded derivative components of convertible bonds and warrants had been 10% higher/lower while all other variables were held constant, the Group's post-tax loss for the year would be changed by the following magnitude:

	Company's share price 10% higher		Company's share price 10% lower	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Increase) decrease in loss	(5)	(7,163)	-	5,470

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent market risk as the pricing model used in the fair value valuation of the embedded derivative components of convertible bonds and warrants involves multiple variable where certain variables are interdependent.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

At 31 December 2014, the Group had concentration of credit risk as 66% and 81% (2013: 61% and 79%) of its total trade receivables was due from its largest customer and the five largest customers respectively. The five largest customers have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The Group is also exposed to concentration of credit risk arising on the deposit paid to a shareholder with significant influence over the Group for purchase of raw materials of HK\$4,294,000 (2013: HK\$36,442,000) as at 31 December 2014, and deposits with several banks and commodities future brokers with high credit ratings. The substantial shareholder has good repayment history and credit quality with reference to the track records under internal assessment by the Group.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The objective of the Group is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings.

As set out in Note 1, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

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

In addition, the following table details the Group's liquidity analysis for its derivative financial liabilities. The table was drawn up based on the undiscounted contractual net cash outflows on derivative liabilities that are settled on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that required gross settlement. The liquidity analysis for the Group's derivative financial liabilities were prepared based on the contractual maturities as the management considered that the contractual maturities were essential for an understanding of the timing of the cash flows of derivatives.

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at the end of the reporting period HK\$'000
At 31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	-	313,736	-	302	-	314,038	314,038
Bank borrowings and overdrafts							
- fixed rate	3.74	933,387	89,096	12,862	-	1,035,345	1,033,048
- variable rate	3.35	292,184	-	-	-	292,184	291,783
Convertible bonds							
- fixed rate	4.00	-	832,116	-	-	832,116	816,421
		<u>1,539,307</u>	<u>921,212</u>	<u>13,164</u>	<u>-</u>	<u>2,473,683</u>	<u>2,455,290</u>
Derivatives – net settlement							
Metal commodities future contracts	-	266,853	126,349	9,715	-	402,917	402,917
Derivatives – gross settlement							
Foreign currency forward contracts							
- inflow	-	-	-	(8,057)	-	(8,057)	(8,057)
- outflow	-	-	-	8,072	-	8,072	8,072
		<u>-</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>	<u>15</u>
Derivative financial liabilities		<u>266,853</u>	<u>126,349</u>	<u>9,730</u>	<u>-</u>	<u>402,932</u>	<u>402,932</u>

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at the end of the reporting period HK\$'000
At 31 December 2013							
Non-derivative financial liabilities							
Trade and other payables	-	314,440	-	544	-	314,984	314,984
Bank borrowings and overdrafts							
- fixed rate	1.51	438,653	60,984	375,463	-	875,100	871,767
- variable rate	2.53	838,893	1,038	251,790	-	1,091,721	1,086,913
Convertible bonds							
- fixed rate	4.00	-	16,316	16,316	832,116	864,748	759,406
		<u>1,591,986</u>	<u>78,338</u>	<u>644,113</u>	<u>832,116</u>	<u>3,146,553</u>	<u>3,033,070</u>
Derivatives – net settlement							
Metal commodities future contracts	-	18,816	12,632	1,235	-	32,683	32,683
Provisional pricing arrangements	-	-	-	181	-	181	181
		<u>18,816</u>	<u>12,632</u>	<u>1,416</u>	<u>-</u>	<u>32,864</u>	<u>32,864</u>
Derivatives – gross settlement							
Foreign currency forward contracts							
- inflow	-	-	-	-	(16,222)	(16,222)	(16,222)
- outflow	-	-	-	-	16,661	16,661	16,661
		<u>-</u>	<u>-</u>	<u>-</u>	<u>439</u>	<u>439</u>	<u>439</u>
Derivative financial liabilities		<u>18,816</u>	<u>12,632</u>	<u>1,416</u>	<u>439</u>	<u>33,303</u>	<u>33,303</u>

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2014, the aggregate carrying amounts of these bank borrowings amounted to HK\$1,186,895,000 (2013: HK\$1,275,158,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within one year (2013: within two years) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements and the facility letters. At that time, the aggregate principal and interest cash outflows of HK\$1,206,900,000 will be repaid within one year (2013: HK\$1,274,788,000 and HK\$15,785,000 within one year and one to two years respectively).

The amounts included above for the variable interest rate instruments are subject to change if changes in actual interest rates differ to those estimated at the end of the reporting period.

6c. Fair value

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets (financial liabilities)	Fair value as at 31 December 2014 HK\$'000	Fair value as at 31 December 2013 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Listed equity securities in Hong Kong classified as AFS investment in the consolidated statement of financial position	-	14,053	Level 1	Quoted bid price on the Stock Exchange	N/A	N/A
2) Metal commodities future contracts classified as derivative financial instruments in the consolidated statement of financial position	390,786 (402,917)	130,272 (32,683)	Level 1	Quoted bid commodity futures prices on the London Metal Exchange and the Shanghai Futures Exchange	N/A	N/A
3) Provisional pricing arrangements classified as derivative financial instruments in the consolidated statement of financial position	- -	2,149 (181)	Level 2	Computation of difference between quoted bid market price of copper futures with the adjustments for the purity of the copper scraps sold and contract prices. The key inputs were quoted copper futures price on the London Metal Exchange and the Shanghai Futures Exchange and purity rates of copper scrap.	N/A	N/A
4) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	690 (15)	267 (439)	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates.	N/A	N/A

Financial assets (financial liabilities)	Fair value as at	Fair value as at	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2014 HK\$'000	31 December 2013 HK\$'000				
5) Embedded derivative component of convertible bonds (note i)	-	(13,353)	Level 3	Binomial Option Pricing Model. The key inputs are the Company's share price, expected volatility, dividend yield, option life and risk free rate.	Expected volatility, taking into account the average historical volatility of the Company's share price as at the date of valuation. Dividend yield, taking into account the Company's most recent dividends payout ratio and management's experience.	The higher the expected volatility, the higher the fair value. The higher the dividend yield, the lower the fair value.
6) Detachable warrants to the convertible bonds classified as warrants in the consolidated statement of financial position (note ii)	-	(1,331)	Level 3	Binomial Option Pricing Model. The key inputs are the Company's share price, expected volatility, dividend yield, warrant life and risk free rate.	Expected volatility, taking into account the average historical volatility of the Company's share price as at the date of valuation. Dividend yield, taking into account the Company's most recent dividends payout ratio and management's experience.	The higher the expected volatility, the higher the fair value. The higher the dividend yield, the lower the fair value.

notes:

- (i) If the expected volatility to the Binomial Option Pricing Model was 10% higher and lower while all other variables were held constant, the carrying amount of the embedded derivative component of convertible bonds would increase by HK\$2,000 (2013: HK\$5,497,000) and decrease by nil (2013: HK\$4,615,000) respectively.

No dividend was paid or proposed during the year ended 31 December 2014. Dividend yield as at validation date of 31 December 2014 is nil (31 December 2013: 0.739%), no sensitivity analysis for dividend yield was performed in current year (31 December 2013: if the dividend yield to the Binomial Option Pricing Model was 10% higher/lower while all other variables were held constant, the carrying amount of the embedded derivative component of convertible bonds would decrease/increase by HK\$45,000).

- (ii) If the expected volatility to the Binomial Option Pricing Model was 10% higher and lower while all other variables were held constant, the carrying amount of the Warrants (as defined in Note 31) would increase by HK\$1,000 (2013: HK\$539,000) and decrease by nil (2013: HK\$452,000) respectively.

No dividend was paid or proposed during the year ended 31 December 2014. Dividend yield as at validation date of 31 December 2014 is nil (31 December 2013: 0.739%), no sensitivity analysis for dividend yield was performed in current year (31 December 2013: if the dividend yield to the Binomial Option Pricing Model was 10% higher/lower while all other variables were held constant, the carrying amount of the Warrants (as defined in Note 31) would decrease/increase by HK\$5,000).

In management's opinion, the sensitivity analyses are not necessarily representative of the fair value as the pricing model used in the fair value valuation of the embedded derivative components of convertible bonds and warrants involves multiple variable where certain variables are interdependent.

Fair value measurements recognised in the consolidated statement of financial position

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2014				
Financial assets at FVTPL				
Derivative financial assets	390,786	690	–	391,476
Financial liabilities at FVTPL				
Derivative financial liabilities	402,917	15	–	402,932
As at 31 December 2013				
AFS financial assets				
Listed equity securities	14,053	–	–	14,053
Financial assets at FVTPL				
Derivative financial assets	130,272	2,416	–	132,688
Financial liabilities at FVTPL				
Derivative financial liabilities	32,683	620	–	33,303
Derivative components of convertible bonds	–	–	13,353	13,353
Warrants	–	–	1,331	1,331

There were no transfers between the three levels during either of the years ended 31 December 2013 or 2014.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative components of convertible bonds HK\$'000	Warrants HK\$'000
At 1 January 2013	85,290	8,046
Gain recognised in profit or loss	(71,937)	(6,715)
At 31 December 2013	13,353	1,331
Gain recognised in profit or loss	(13,353)	(1,331)
At 31 December 2014	–	–

Financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values which is at Level 3 and determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements and valuation process

The Chief Financial Officer of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Group engages third party qualified valuers to perform the valuation for financial instruments that are measured at fair value on a recurring basis. The Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Chief Financial Officer engages the external valuers to perform the valuations of the convertible bonds and the Warrants required for financial reporting purposes, including Level 3 fair value measurements of financial instruments. As a part of the valuation process, the Chief Financial Officer reports the findings to the board of directors of the Company semi-annually, in line with the Group's interim and annual reporting dates.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

Business and economic circumstances affecting fair value of measurements

During the current year, the Group experienced the adverse impact of the prolonged volatility and the overall downward movement of the global metal prices. The Group entered into metal commodities future contracts in order to manage its exposure to the volatility in metals' price risks. The decline in the commodity market prices led to a realised loss in the fair value change of derivative financial instruments.

6d. Financial instruments under enforceable master netting agreements

The following table sets out financial assets and financial liabilities that are under enforceable master netting agreements and similar agreements, which are not offset in the Group's consolidated statement of financial position.

The amounts recognised for the provisional pricing arrangements classified under derivative financial assets and liabilities are excluded since these transactions are not under any master netting arrangements or similar agreements.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2014

Description	Gross amounts of recognised financial assets HK\$'000	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
Margin deposits	253,292	–	253,292	(28,451)	–	224,841
Pledged bank deposits	92,556	–	92,556	–	–	92,556
Derivative financial assets						
– Metal commodities future contracts	390,786	–	390,786	(374,466)	–	16,320
– Foreign currency forward contracts	690	–	690	(15)	–	675

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2014

Description	Gross amounts of recognised financial liabilities HK\$'000	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
Derivative financial liabilities						
– Metal commodities future contracts	402,917	–	402,917	(374,466)	(28,451)	–
– Foreign currency forward contracts	15	–	15	(15)	–	–

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2013

Description	Gross amounts of recognised financial assets HK\$'000	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
Margin deposits	175,405	–	175,405	(67)	–	175,338
Pledged bank deposits	102,170	–	102,170	(439)	–	101,731
Derivative financial assets						
– Metal commodities future contracts	130,272	–	130,272	(32,616)	–	97,656
– Foreign currency forward contracts	267	–	267	–	–	267

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2013

Description	Gross amounts of recognised financial liabilities HK\$'000	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
Derivative financial liabilities						
– Metal commodities future contracts	32,683	–	32,683	(32,616)	(67)	–
– Foreign currency forward contracts	439	–	439	–	(439)	–

The gross amounts of the recognised financial assets and financial liabilities as presented in the Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as follows:

- Margin deposits and pledged bank deposits – amortised cost
- Derivatives – fair value

The disclosures set out in the tables above include commodities futures contracts traded on the London Metal Exchange or the Shanghai Futures Exchange through brokers and foreign currency contracts contracted with banks. The related collaterals are included in margin deposits and pledged bank deposits. If a default event (included but not limited to default payment, liquidation, bankruptcy or insolvency) occurs, the brokers and the banks are able to exercise the right to offset against any favourable contracts and/or the collaterals placed.

7. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amounts received or receivable for the sales of metal scrap, net of sales related taxes, during the year.

Operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. The executive directors of the Company are identified as the CODM and they regularly review the internal report on gross profit derived (or gross loss incurred) from different business activities and different products to assess performance and allocate resources of the Group.

The Group is mainly engaged in the principal business of metal recycling, involving the recycling of mixed metal scrap into copper scrap, steel scrap, aluminium scrap, iron scrap and other metal scrap. The Group is also engaged in the foundry business which involves the production and sale of aluminium-alloy ingots and copper rod and wire, and wholesales business which involves trading of other metal scrap without processing and copper cathode. The operating and reportable segments are identified based on major products under three categories of business activities:

- (i) metal recycling business (including sales of copper scrap, steel scrap, aluminium scrap, iron scrap and other metal scrap);
- (ii) foundry business (including sales of aluminium-alloy ingots and copper rod and wire); and
- (iii) wholesales business (including sales of other metal scrap without processing and copper cathode).

Segment revenues and segment results

An analysis of the Group's segment revenues and segment results by operating and reportable segment is as below.

For the year ended 31 December 2014

	Metal recycling business					Foundry business		Wholesales business			Total HK\$'000
	Copper scrap HK\$'000	Steel scrap HK\$'000	Aluminium scrap HK\$'000	Iron scrap HK\$'000	Other metal scrap HK\$'000	Aluminium- alloy ingots HK\$'000	Copper rod and wire HK\$'000	Other metal scrap without processing HK\$'000	Copper cathode HK\$'000	Elimination HK\$'000	
REVENUE											
External sales	3,661,650	719,266	138,339	154,192	49,259	304,115	33,052	507,055	311,042	-	5,877,970
Inter-segment sales	101,887	30,667	201,513	-	2,571	-	-	1,991,776	-	(2,328,414)	-
Total segment revenue	<u>3,763,537</u>	<u>749,933</u>	<u>339,852</u>	<u>154,192</u>	<u>51,830</u>	<u>304,115</u>	<u>33,052</u>	<u>2,498,831</u>	<u>311,042</u>	<u>(2,328,414)</u>	<u>5,877,970</u>
Segment (loss) profit	<u>(54,323)</u>	<u>1,686</u>	<u>(2,138)</u>	<u>(2,120)</u>	<u>(6,390)</u>	<u>15,754</u>	<u>(5,725)</u>	<u>68,920</u>	<u>(16,266)</u>	<u>(16,764)</u>	<u>(17,366)</u>
Other income											27,977
Other gains and losses											(770,923)
Distribution and selling expenses											(23,722)
Administrative expenses											(130,534)
Finance costs											(153,327)
Share of profit of an associate											284
Loss before tax											(1,067,611)
Income tax expense											(3,629)
Loss for the year											<u>(1,071,240)</u>
Reversal of allowance (allowance) for inventories included in segment (loss) profit	<u>11,495</u>	<u>2,301</u>	<u>1,117</u>	<u>3</u>	<u>(2,025)</u>	<u>-</u>	<u>846</u>	<u>-</u>	<u>(1,831)</u>	<u>-</u>	<u>11,906</u>

For the year ended 31 December 2013

	Metal recycling business				Foundry business		Wholesales business			Elimination	Total
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap	Aluminium-alloy ingots	Copper rod and wire	Other metal scrap without processing	Copper cathode		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
REVENUE											
External sales	3,854,404	961,499	238,261	201,023	59,022	366,552	24,335	1,005,234	511,673	-	7,222,003
Inter-segment sales	193,093	26,464	279,365	-	3,390	26,099	-	3,775,353	5,963	(4,309,727)	-
Total segment revenue	<u>4,047,497</u>	<u>987,963</u>	<u>517,626</u>	<u>201,023</u>	<u>62,412</u>	<u>392,651</u>	<u>24,335</u>	<u>4,780,587</u>	<u>517,636</u>	<u>(4,309,727)</u>	<u>7,222,003</u>
Segment (loss) profit	<u>(71,772)</u>	<u>(14,878)</u>	<u>10,464</u>	<u>429</u>	<u>(5,868)</u>	<u>9,025</u>	<u>(8,175)</u>	<u>72,716</u>	<u>(13,674)</u>	<u>(2,077)</u>	<u>(23,810)</u>
Other income											43,665
Other gains and losses											(60,558)
Distribution and selling expenses											(35,481)
Administrative expenses											(133,250)
Finance costs											(172,342)
Loss before tax											(381,776)
Income tax expense											(25,742)
Loss for the year											<u>(407,518)</u>
Reversal of allowance (allowance) for inventories included in segment (loss) profit	<u>5,113</u>	<u>11,412</u>	<u>(819)</u>	<u>-</u>	<u>(4,875)</u>	<u>-</u>	<u>(5,063)</u>	<u>-</u>	<u>475</u>	<u>-</u>	<u>6,243</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the gross (loss) profit resulted in each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, finance costs, share of profit of an associate and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

Segment assets and segment liabilities

Information on segment assets and segment liabilities of the Group are not reviewed by the CODM for the purpose of resource allocation and performance assessment nor otherwise regularly provided to the CODM. As a result, no analysis of segment assets and segment liabilities is presented.

Geographical information

Approximately 92% of external revenue of the Group during the year ended 31 December 2014 (2013: 90%) are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. The remaining revenue is immaterial for separate disclosure of the Group's geographical information. Majority of the Group's non-current assets are located in the PRC.

Information about a major customer

No single customer contributed 10% or more to the Group's revenue in during the year ended 31 December 2014. During the year ended 31 December 2013, included in revenue arising from metal recycling business of HK\$5,314,209,000 was revenue of HK\$818,333,000 which arose from sales to the Group's largest customer and no other single customer contributed 10% or more to the Group's revenue.

8. COST OF SALES

Included in cost of sales is the following reversal of allowance for inventories:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Allowance of inventories to net realisable value recognised	23,887	35,793
Reversal of prior year's inventories allowance	<u>(35,793)</u>	<u>(42,036)</u>
Reversal of allowance for inventories	<u><u>(11,906)</u></u>	<u><u>(6,243)</u></u>

Management assesses whether the carrying value of inventories exceed their net realisable value at the end of the reporting period. Management estimates the net realisable value for inventories with reference to the ask price of metal scrap in the relevant markets and the quoted prices of metal on applicable commodity exchanges at the end of the reporting period.

9. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income	<u>7,671</u>	<u>6,207</u>
Gross rental income from investment properties	1,530	2,115
Less: direct operating expenses	<u>(11)</u>	<u>(5)</u>
Net rental income from investment properties	<u>1,519</u>	<u>2,110</u>
Government grants (<i>note</i>)	15,181	33,910
Transportation and scale income	2,116	83
Dividend income from listed AFS investment	301	428
Others	<u>1,189</u>	<u>927</u>
	<u><u>27,977</u></u>	<u><u>43,665</u></u>

note: The Group received unconditional government grants from a local municipal government as an encouragement for the development and advancement of business. No other contingencies attach to the government grants that have been recognised.

10. OTHER GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
Gain (loss) on fair value changes of:		
– derivative financial instruments (<i>note</i>)		
– realised	(762,372)	(315,311)
– unrealised	(11,456)	99,385
	(773,828)	(215,926)
– derivative components of convertible bonds (<i>Note 31</i>)	13,353	71,937
– warrants (<i>Note 32</i>)	1,331	6,715
Net foreign exchange (losses) gains	(34,005)	99,881
Impairment loss on trade and other receivables	(1,807)	(2,911)
Recovery of doubtful debts	–	12
Gain on fair value change of investment at FVTPL	–	34
Gain on disposal of an investment property (<i>Note 19 (iii)</i>)	29,216	–
Gain (loss) on disposal of property, plant and equipment	335	(90)
Reclassified to profit or loss		
– on disposal of AFS investment	(499)	–
Handling charges on disposal of AFS investment	(54)	–
Net compensation paid	(4,965)	(1,224)
Others	–	(18,986)
	<u>(770,923)</u>	<u>(60,558)</u>

note: The amounts arose from aluminium, copper, lead, zinc, steel rebar and nickel future contracts, provisional pricing arrangements embedded in sales contracts and foreign currency forward contracts.

11. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
– bank borrowings wholly repayable within five years	63,680	88,847
– bank overdrafts	–	4
Effective interest expense on convertible bonds (<i>Note 31</i>)	89,647	83,491
	<u>153,327</u>	<u>172,342</u>

12. LOSS FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments	3,913	4,579
Other staff costs	179,213	209,560
Retirement benefit scheme contributions, excluding those of directors	3,158	3,952
Share-based payments, excluding those of directors	3,390	9,900
Total staff costs	<u>189,674</u>	<u>227,991</u>
Cost of inventories recognised as an expense	5,895,336	7,245,813
Depreciation of investment properties	1,631	1,866
Depreciation of property, plant and equipment	36,122	34,308
Amortisation of prepaid lease payments	10,593	8,829
Total depreciation and amortisation	<u>48,346</u>	<u>45,003</u>
Auditor's remuneration	<u>2,430</u>	<u>2,310</u>

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid by the Group to the directors of the Company for the year are as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Share-based payments HK\$'000	Total HK\$'000
Year ended 31 December 2014:					
Executive directors:					
Mr. Fang Ankong ("Mr. Fang")	–	1,200	11	–	1,211
Mr. Stephanus Maria van Ooijen (note ii)	–	1,080	–	–	1,080
Mr. Gu Liyong	–	947	48	82	1,077
Non-Executive directors:					
Mr. Li Xikui (note i)	144	–	–	31	175
Dr. Loke Yu	150	–	–	32	182
Ms. Zhang Jingdong	150	–	–	32	182
Mr. Michael Charles Lion (note ii)	–	–	–	–	–
Mr. Zhu Dajian (note i)	6	–	–	–	6
	<u>450</u>	<u>3,227</u>	<u>59</u>	<u>177</u>	<u>3,913</u>

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Share-based payments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2013:					
Executive directors:					
Mr. Fang Ankong ("Mr. Fang")	24	1,195	8	190	1,417
Mr. Stephanus Maria van Ooijen	24	1,056	–	54	1,134
Mr. Gu Liyong	24	927	9	351	1,311
Non-Executive directors:					
Mr. Li Xikui	150	–	–	89	239
Dr. Loke Yu	150	–	–	89	239
Ms. Zhang Jingdong	150	–	–	89	239
Mr. Michael Charles Lion	–	–	–	–	–
	<u>522</u>	<u>3,178</u>	<u>17</u>	<u>862</u>	<u>4,579</u>

Mr. Fang is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Employees

Of the five highest paid individuals of the Group, three (2013: three) were directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and other allowances	2,170	2,170
Share-based payments	366	971
Retirement benefit scheme contributions	28	23
	<u>2,564</u>	<u>3,164</u>

Analysed into the following bands:

	Number of individual	Number of individual
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	–	1
	<u>2</u>	<u>2</u>

notes:

- (i) Mr. Li Xikui resigned and Mr. Zhu Dajian was appointed as non-executive director on 17 December 2014.
- (ii) Mr. Michael Charles Lion and Mr. Stephanus Maria van Ooijen resigned on 16 February 2015 and 12 March 2015 respectively.
- (iii) During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

14. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Current tax:		
PRC Enterprises Income Tax ("EIT")	2,435	7,354
Hong Kong	471	6,697
Other jurisdictions	138	(24)
	<u>3,044</u>	<u>14,027</u>
Under(over) provision in prior years:		
PRC EIT	11	2,073
Hong Kong	507	(11)
	<u>518</u>	<u>2,062</u>
Deferred tax (<i>Note 33</i>)	<u>67</u>	<u>9,653</u>
	<u><u>3,629</u></u>	<u><u>25,742</u></u>

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK\$'000	2013 HK\$'000
Loss before tax	<u>(1,067,611)</u>	<u>(381,776)</u>
Tax at applicable tax rates (<i>note iv</i>)	(244,864)	(81,219)
Tax effect of expenses not deductible for tax purpose	41,312	33,326
Tax effect of income not taxable for tax purpose	(10,121)	(14,052)
Tax effect of deductible temporary differences not recognised	1,362	537
Tax effect of tax losses not recognised	215,332	86,289
Tax effect of utilisation of tax losses previously not recognised	–	(1,481)
Deferred tax provided on dividends withholding tax on PRC subsidiaries	90	280
Underprovision in prior years	<u>518</u>	<u>2,062</u>
Tax charge for the year	<u><u>3,629</u></u>	<u><u>25,742</u></u>

notes:

- (i) The Group's PRC subsidiaries are subject to PRC EIT at the rate of 25%.
- (ii) All Hong Kong subsidiaries are subject to Hong Kong Profits Tax at the rate of 16.5%.
- (iii) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.
- (iv) As the Group operates in different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated and presented.

15. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividend recognised as distribution during the year:		
nil (2013: 2012 final dividend paid – HK2.12 cents per share)	–	22,143

No dividend was paid or proposed during 2014, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the year ended 31 December 2014 (2013: no final dividend was proposed).

16. LOSS PER SHARE

The calculations of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2014 HK\$'000	2013 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	(1,057,980)	(382,920)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,047,387,288	1,044,166,684

In current and prior years, the potential ordinary shares attributable to the Company's outstanding convertible bonds, warrants and certain share options have anti-dilutive effect as the assumed conversion and exercise would result in a decrease in loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST							
At 1 January 2013	101,090	192,044	19,325	9,026	56,246	57,256	434,987
Exchange realignment	3,164	4,963	541	212	1,474	2,560	12,914
Additions	–	6,642	2,619	187	353	50,068	59,869
Transfers	–	(132)	408	–	219	(495)	–
Disposal	–	(2,809)	(62)	(303)	–	–	(3,174)
At 31 December 2013	104,254	200,708	22,831	9,122	58,292	109,389	504,596
Exchange realignment	(352)	(569)	(93)	(88)	(165)	459	(808)
Additions	–	9,644	1,041	3,012	1,919	198,527	214,143
Transfers	–	677	123	–	–	(800)	–
Disposal	–	(2,057)	(41)	(768)	–	–	(2,866)
At 31 December 2014	103,902	208,403	23,861	11,278	60,046	307,575	715,065
DEPRECIATION							
At 1 January 2013	32,858	49,396	9,453	2,928	41,889	–	136,524
Exchange realignment	1,101	1,511	321	92	1,285	–	4,310
Charge for the year	4,700	21,589	3,140	1,345	3,534	–	34,308
Transfer	–	(106)	106	–	–	–	–
Disposal	–	(1,908)	(54)	(114)	–	–	(2,076)
At 31 December 2013	38,659	70,482	12,966	4,251	46,708	–	173,066
Exchange realignment	(111)	(156)	(46)	(16)	(139)	–	(468)
Charge for the year	4,688	22,849	3,169	1,650	3,766	–	36,122
Disposal	–	(1,503)	(30)	(387)	–	–	(1,920)
At 31 December 2014	43,236	91,672	16,059	5,498	50,335	–	206,800
CARRYING VALUES							
At 31 December 2014	<u>60,666</u>	<u>116,731</u>	<u>7,802</u>	<u>5,780</u>	<u>9,711</u>	<u>307,575</u>	<u>508,265</u>
At 31 December 2013	<u>65,595</u>	<u>130,226</u>	<u>9,865</u>	<u>4,871</u>	<u>11,584</u>	<u>109,389</u>	<u>331,530</u>

notes:

- (i) As at 31 December 2014, certain plant and buildings with an aggregate carrying amount of HK\$68,258,000 (2013: HK\$43,056,000) were pledged as security for bank borrowings granted to the Group.
- (ii) As at 31 December 2014 and 2013, all buildings were situated in the PRC under medium-term leases.

- (iii) The property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account their residual value, as follows:

Buildings	20 years or the relevant lease term, whichever is shorter
Plant and machinery	9%-20%
Office furniture and equipment	18%-30%
Motor vehicles	18%-30%
Leasehold improvements	30%-50%, the relevant lease term or the estimated useful lives, whichever is shorter

18. PREPAID LEASE PAYMENTS

	2014 HK\$'000	2013 HK\$'000
The prepaid lease payments comprise leasehold land		
– in Hong Kong held under medium-term leases	140,425	144,746
– in the PRC held under medium-term leases	291,656	298,965
	<u>432,081</u>	<u>443,711</u>
Analysed for reporting purposes as:		
Current asset	10,620	10,642
Non-current asset	421,461	433,069
	<u>432,081</u>	<u>443,711</u>

notes:

- (i) The leasehold land in Hong Kong is under a medium-term lease and for specific usage.
- (ii) As at 31 December 2014, prepaid lease payments with carrying amount of HK\$304,746,000 (2013: HK\$238,967,000) were pledged as security for bank borrowings granted to the Group.
- (iii) During the year ended 31 December 2014, the Group did not acquire any leasehold land. During the year ended 31 December 2013, the Group acquired certain leasehold land in the PRC held under medium term lease amounting to HK\$89,537,000.

19. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
COST	
At 1 January 2013 and 31 December 2013	32,052
Disposal	<u>(5,975)</u>
At 31 December 2014	<u>26,077</u>
DEPRECIATION	
At 1 January 2013	1,244
Provided for the year	<u>1,866</u>
At 31 December 2013	3,110
Provided for the year	1,631
Disposal	<u>(1,015)</u>
At 31 December 2014	<u>3,726</u>
CARRYING VALUE	
At 31 December 2014	<u><u>22,351</u></u>
At 31 December 2013	<u><u>28,942</u></u>

notes:

- (i) The above investment properties, which are situated in Hong Kong and held under medium-term leases, are depreciated on a straight-line basis over the remaining useful lives.
- (ii) As at 31 December 2014, investment properties with carrying amount of HK\$22,351,000 (2013: HK\$23,748,000) were pledged as security for bank borrowings granted to the Group.
- (iii) On 19 June 2014, the Group entered into a sale and purchase agreement with an independent third party for the disposal of an investment property at a consideration of HK\$34,560,000 with a gain on disposal of HK\$29,216,000 after deducting the transaction cost of HK\$384,000. The disposal was completed during the year and the consideration was settled in full upon completion.
- (iv) The fair value of the Group's investment properties at 31 December 2014 was HK\$40,300,000 (2013: HK\$71,600,000). The fair value has been arrived at based on a valuation carried out by Roma Appraisals Limited, independent qualified professional valuers not connected with the Group.

As at 31 December 2013 and 2014, the fair value was determined based on direct comparison approach which is by reference to recent market prices for similar properties in similar locations and conditions.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key input used in the valuation of the investment properties is transaction prices for similar properties after accounting for floor areas and floor level.

Description	Fair value at 31 December 2014 <i>HK\$'000</i>	Fair value at 31 December 2013 <i>HK\$'000</i>	Valuation techniques	Unobservable input
Investment properties Commercial – Hong Kong	40,300	71,600	Direct comparison approach	Transaction prices for similar properties after adjusting for floor areas and floor level.

- (v) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 and 2014 are as follows:

	2014 Level 3 <i>HK\$'000</i>	2013 Level 3 <i>HK\$'000</i>
Commercial property units located in Hong Kong	40,300	71,600

There were no transfers into or out of Level 3 during both years.

20. AVAILABLE-FOR-SALE INVESTMENT

At 31 December 2013, the available-for-sale investment represented an investment of equity securities listed in Hong Kong and was stated at fair value which was determined based on the bid price quoted in an active market. During the year ended 31 December 2014, the Company disposed of all of its available-for-sale investment.

21. INVENTORIES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Raw materials	574,724	1,032,564
Finished goods	533,065	1,537,709
	<u>1,107,789</u>	<u>2,570,273</u>

22. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables:		
0-30 days	62,366	129,659
31-60 days	–	11,486
61-90 days	5,572	24,300
91-180 days	17,413	58,580
Over 180 days	56,546	57,702
	<u>141,897</u>	<u>281,727</u>
Other receivables:		
Deposits and prepayments	29,140	37,300
Deposits paid for purchase of raw materials (<i>note iii</i>)	221,534	214,734
VAT recoverable	28,485	206,762
Others	10,260	3,954
	<u>289,419</u>	<u>462,750</u>
	<u><u>431,316</u></u>	<u><u>744,477</u></u>

notes:

- (i) Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limit. Credit limits to customers are reviewed regularly.

The Group generally allows its trade customers a credit period of 30 to 90 days. A longer credit period may be granted to trade customers with good credit quality upon the approval of management.

- (ii) The aged analysis of the Group's trade receivables at the end of the reporting period, net of allowance for doubtful debts, was prepared based on the invoice date which approximate to the date of revenue recognition.
- (iii) Included an amount of HK\$4,294,000 (2013: HK\$36,442,000) paid to Sims Metal Management Dragon Holdings Limited ("Sims"), a shareholder with significant influence over the Company.
- (iv) Included in the trade receivable balance are debtors with an aggregate carrying amount of HK\$73,959,000 (2013: HK\$116,282,000) which were past due at the end of the reporting period but for which the Group has not provided impairment loss.

The Group does not hold any collateral against the above amounts. However, management believes that the carrying amounts are recoverable given that adequate impairment allowance has been recognised as follows:

Movement in the allowance for doubtful debts

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Balance at beginning of the year	7,817	7,332
Recognition of impairment loss on trade and other receivables	1,807	2,911
Recovery of bad debts	–	(12)
Amounts written off as uncollectible	(113)	(2,414)
	<u>9,511</u>	<u>7,817</u>
Balance at end of the year	<u><u>9,511</u></u>	<u><u>7,817</u></u>

- (v) Trade receivables that were denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
USD	6,187	1,305
HK\$	–	12,219
EUR	28	17
	<u><u>28</u></u>	<u><u>17</u></u>

23. BILLS RECEIVABLES

An analysis of the Group's bills receivables by age at the end of the reporting period, based on their invoice dates which approximate to the date of revenue recognition, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0-30 days	<u>127</u>	<u>6,614</u>

24. INTEREST IN AN ASSOCIATE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of investment in an associate:		
Unlisted (<i>Note</i>)	2,325	–
Share of post-acquisition profits and other comprehensive income	<u>284</u>	<u>–</u>
	<u><u>2,609</u></u>	<u><u>–</u></u>

Note: Included in cost of investment is goodwill of HK\$1,548,000.

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
					2014	2013	2014	2013	
Poly Metals Company Limited ("Poly Metals")	Incorporated	Hong Kong	Hong Kong	Ordinary	20%	-	20%	-	Trading of metal scrap

Summarised financial information in respect of Poly Metals is set out below. The summarised financial information below represents amounts shown in Poly Metals' financial statements prepared in accordance with HKFRSs.

Poly Metals is accounted for using the equity method in these consolidated financial statements.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current assets	10,690	-
Non-current assets	270	-
Current liabilities	(5,656)	-
Non-current liabilities	-	-
Revenue	129,901	-
Profit for the year	1,419	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1,419	-
Dividends received from Poly Metals during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in Poly Metals recognised in the consolidated financial statements:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net assets of Poly Metals	5,304	–
Proportion of the Group's ownership interest in Poly Metals	20%	–
Share of net assets of Poly Metals	1,061	–
Goodwill	1,548	–
	<u>2,609</u>	<u>–</u>
Carrying amount of the Group's interest in Poly Metals	<u><u>2,609</u></u>	<u><u>–</u></u>

25. DERIVATIVE FINANCIAL INSTRUMENTS

	<i>notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Derivative financial assets			
Metal commodities future contracts	<i>(i)</i>	390,786	130,272
Provisional pricing arrangements	<i>(ii)</i>	–	2,149
Foreign currency forward contracts	<i>(iii)</i>	690	267
		<u>391,476</u>	<u>132,688</u>
Derivative financial liabilities			
Metal commodities future contracts	<i>(i)</i>	402,917	32,683
Provisional pricing arrangements	<i>(ii)</i>	–	181
Foreign currency forward contracts	<i>(iii)</i>	15	439
		<u>402,932</u>	<u>33,303</u>

notes:

- (i) Metal commodities future contracts (net settlement)

The Group enters into aluminium, copper, lead, zinc, steel rebar and nickel future contracts in order to manage its exposure to the price risk of aluminium, copper and other metal inventories. These contracts are actively traded in an active market and are measured at fair values based on unadjusted quoted price at the end of the reporting period, with gain or loss recognised directly in profit or loss.

Major terms of the metal commodities future contracts outstanding at the end of the reporting period are set out below:

31 December 2014

Contract price	Standard trading unit	Total unit	Maturity date
<i>Aluminium future contracts:</i>			
Buy at prices ranging from RMB13,000 to RMB13,525 per tonne	5 tonnes	420	From 15 January 2015 to 13 March 2015
Buy at prices ranging from USD1,854 to USD2,075 per tonne	25 tonnes	2,982	From 2 January 2015 to 31 March 2015
Sell at prices ranging from USD1,870 to USD2,075 per tonne	25 tonnes	2,602	From 2 January 2015 to 30 March 2015
<i>Copper future contracts:</i>			
Buy at prices ranging from RMB44,760 to RMB47,770 per tonne	5 tonnes	3,595	From 15 January 2015 to 15 April 2015
Buy at prices ranging from USD6,235 to USD6,843 per tonne	25 tonnes	3,966	From 2 January 2015 to 31 March 2015
Sell at prices ranging from USD6,276 to USD6,843 per tonne	25 tonnes	3,366	From 2 January 2015 to 30 March 2015
<i>Zinc future contracts:</i>			
Buy at prices ranging from USD2,203 to USD2,220 per tonne	25 tonnes	80	21 January 2015
Sell at prices ranging from USD2,203 to USD2,220 per tonne	25 tonnes	80	21 January 2015
<i>Steel rebar future contracts:</i>			
Buy at prices ranging from RMB2,480 to RMB2,641 per tonne	10 tonnes	69,267	15 May 2015
<i>Nickel future contracts:</i>			
Buy at prices ranging from USD15,195 to USD16,398 per tonne	6 tonnes	487	From 14 January 2015 to 18 March 2015
Sell at prices ranging from USD15,195 to USD16,398 per tonne	6 tonnes	487	From 14 January 2015 to 18 March 2015
<i>Lead future contracts:</i>			
Buy at prices ranging from USD1,838 to USD2,056 per tonne	25 tonnes	1,553	From 14 January 2015 to 31 March 2015
Sell at prices ranging from USD1,864 to USD2,070 per tonne	25 tonnes	1,410	From 14 January 2015 to 24 March 2015

31 December 2013

Contract price	Standard trading unit	Total unit	Maturity date
<i>Aluminium future contracts:</i>			
Buy at prices ranging from RMB13,945 per tonne	5 tonnes	40	15 May 2014
Buy at prices ranging from USD1,762 to USD1,895 per tonne	25 tonnes	1,242	From 2 January 2014 to 31 March 2014
Sell at prices ranging from USD1,778 to USD1,895 per tonne	25 tonnes	700	From 2 January 2014 to 31 March 2014
<i>Copper future contracts:</i>			
Buy at prices ranging from RMB50,000 to RMB52,600 per tonne	5 tonnes	6,589	From 15 January 2014 to 15 April 2014
Buy at prices ranging from USD6,921 to USD7,389 per tonne	25 tonnes	2,142	From 2 January 2014 to 27 March 2014
Sell at prices ranging from USD6,921 to USD7,415 per tonne	25 tonnes	1,128	From 2 January 2014 to 27 March 2014
<i>Zinc future contracts:</i>			
Buy at prices ranging from USD1,867 to USD2,096 per tonne	25 tonnes	1,120	From 2 January 2014 to 31 March 2014
Sell at prices ranging from USD1,867 to USD2,105 per tonne	25 tonnes	1,128	From 2 January 2014 to 31 March 2014
<i>Steel rebar future contracts:</i>			
Buy at prices ranging from RMB3,570 to RMB3,700 per tonne	10 tonnes	1,700	15 May 2014
<i>Nickel future contracts:</i>			
Buy at prices ranging from USD13,425 to USD14,705 per tonne	6 tonnes	190	From 2 January 2014 to 27 March 2014
Sell at prices ranging from USD13,518 to USD14,850 per tonne	6 tonnes	112	From 2 January 2014 to 20 March 2014

(ii) Provisional pricing arrangements (net settlement)

During the year ended 31 December 2013, the Group entered into copper scrap sales contracts that contain provisional pricing arrangements with certain customers. The Group recognised sales revenue, upon delivery of goods once the significant risks and rewards of ownership had been transferred to the customers, based on the quoted copper prices on the Shanghai Futures Exchange or the London Metal Exchange as at date of delivery with a fixed discount on the purity of copper scrap (“Provisional Selling Price”). The Group would receive the payments from the customers ranging from 70% to 90% of the Provisional Selling Price in accordance with its normal trade terms (“Provisional Payments”). All outstanding provisional pricing arrangements contracts as at 31 December 2013 were settled during the year ended 31 December 2014.

In general, the provisional pricing arrangements allow the Group to choose a date (“Price-fixing Date”) within a period of two to twelve months after delivery to, or upon receipt of sales invoice by, the customers, whichever is applicable, (“Pricing-fixing Period”) to fix the final selling price of the copper scrap sold with reference to the copper future prices as quoted on the London Metal Exchange and the Shanghai Futures Exchange with similar terms as the provisional pricing arrangement on the Pricing-fixing Date, as adjusted for the agreed purity of the copper scrap sold (“Final Selling Price”). If the Group does not choose the Price-fixing Date within the Price-fixing Period, then the last date in the Pricing-fixing Period is deemed to be the Price-fixing Date for the purpose of determining the Final Selling Price. The difference between the Final Selling Price and the Provisional Payments, once determined, will be settled within a specified period.

For accounting purposes, the provisional price arrangements are separated from the host contract for sales of copper scrap and are accounted for as derivative instruments, the fair value change of which is recognised in profit or loss.

At 31 December 2014, the Group did not have any copper scrap sales contracts that contain provisional pricing arrangements.

Major terms of the provisional pricing arrangements contracts outstanding at 31 December 2013 were as follows:

31 December 2013

Notional amount	Provisional Selling Prices	Last date in the Price-fixing Periods
2 contracts to sell 1,144 tonnes of copper scrap in total	Sell at prices ranging from RMB49,882 to RMB50,885 per tonne	30 September 2014
1 contract to sell 766 tonnes of copper scrap in total	Sell at prices ranging from USD6,367 to USD6,752 per tonne	From 2 February 2014 to 22 February 2014

(iii) Foreign currency forward contracts (gross settlement)

The Group entered into foreign currency forward contracts in order to minimise its exposure to the foreign currency risk. These contracts were measured at fair value using quoted forward exchange rates at the end of the reporting period, with gain or loss recognised directly in profit or loss.

Major terms of the foreign currency forward contracts outstanding at the end of the reporting period are as follows:

31 December 2014

Notional amount	Forward contract rates	Maturity date
2 contracts to buy USD2,091,848 in total	USD1: RMB6.3064 to RMB6.3194	From 29 May 2015 to 3 September 2015
2 contracts to sell USD6,888,000 in total	USD1: RMB6.2969 to RMB6.3315	From 30 April 2015 to 11 May 2015

31 December 2013

Notional amount	Forward contract rates	Maturity date
2 contracts to buy USD2,091,848 in total	USD1: RMB6.3064 to RMB6.3194	From 29 May 2015 to 3 September 2015
3 contracts to sell USD6,207,000 in total	USD1: RMB6.2376 to RMB6.2549	From 30 July 2014 to 13 August 2014

26. PLEDGED BANK DEPOSITS/MARGIN DEPOSITS/BANK BALANCES AND CASH**Pledged bank deposits**

These represent deposits pledged to banks to secure banking facilities granted to the Group. Bank deposits of HK\$182,559,000 (2013: HK\$141,841,000) were pledged to secure short-term bank borrowings, of which HK\$92,556,000 (2013: HK\$102,170,000) were used as collaterals for foreign currency forward contracts, and are therefore classified as current assets.

At the end of the reporting period, the pledged bank deposits carried fixed interest rates as follows:

	2014	2013
Interest rate per annum	<u>2.80% to 3.75%</u>	<u>2.17% to 3.75%</u>

Margin deposits

The balance represents deposits placed with financial institutions to secure the Group's margin accounts with these financial institutions for trading metal commodities future contracts. The margin deposits are non-interest bearing.

Bank balances and cash

These represent cash and short-term bank deposits with an original maturity of three months or less. At the end of the reporting period, the bank balances carried interest rates as follows:

	2014	2013
Interest rate per annum	0.01% to 1.15%	0.01% to 1.15%

Pledged bank deposits, margin deposits and bank balances and cash held in the PRC with an aggregate amount of HK\$447,057,000 (2013: HK\$425,132,000) were denominated in RMB and were subject to foreign exchange control.

Pledged bank deposits, margin deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
RMB	244	300
HK\$	631	1,276
USD	108,067	124,810
EUR	24,462	7,558

27. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables:		
Sims	71,077	78,721
Third parties	106,924	130,820
	178,001	209,541
Other payables:		
Other payables and accruals (<i>note ii</i>)	160,839	112,068
Provision for pending legal litigation (<i>Note 40</i>)	51,464	51,638
Interest payable	6,253	5,409
Receipts in advance from customers	15,652	28,349
	234,208	197,464
	412,209	407,005

notes:

- (i) Trade payables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
EUR	3,050	28,705
USD	—	209
	<u> </u>	<u> </u>

- (ii) Included in other payables and accruals are import declaration, freight charges, accrued salaries and audit fee.

An analysis of trade payables by age at the end of the reporting period, presented based on the invoice date, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables:		
0-30 days	113,241	177,776
31-60 days	56,525	26,376
61-90 days	253	—
91-180 days	92	4,391
Over 180 days	7,890	998
	<u> </u>	<u> </u>
	<u>178,001</u>	<u>209,541</u>

28. BANK BORROWINGS AND OVERDRAFTS

	2014 HK\$'000	2013 HK\$'000
Fixed-rate borrowings:		
Secured bank loans	797,526	706,562
Unsecured bank loans	234,801	164,889
Unsecured bank overdrafts	721	316
Variable-rate borrowings:		
Secured bank loans	264,146	234,703
Unsecured bank loans	27,637	852,210
	<u>1,324,831</u>	<u>1,958,680</u>
Carrying amount repayable (<i>note (i)</i>):		
Within one year	1,324,831	1,943,089
More than one year, but not more than two years	<u>–</u>	<u>15,591</u>
	1,324,831	1,958,680
Less:		
Amounts due within one year shown under current liabilities without repayment on demand clause	(137,936)	(683,522)
Amounts due within one year shown under current liabilities with repayment on demand clause	(1,186,895)	(1,259,567)
Amounts due over one year shown under current liabilities with repayment on demand clause	<u>–</u>	<u>(15,591)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

notes:

- (i) The amounts due are based on scheduled repayment dates set out in the loan agreements.
- (ii) At the end of the reporting period, the effective interest rates of the borrowings are as follows:

	2014	2013
Effective interest rate per annum:		
Fixed-rate borrowings	1.50% to 6.44%	1.50% to 6.16%
Variable-rate borrowings	<u>2.02% to 3.66%</u>	<u>3.14% to 5.20%</u>

- (iii) The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
HK\$	830	830
USD	1,062,259	1,813,979
	<u>1,062,259</u>	<u>1,813,979</u>

- (iv) For the year ended 31 December 2013, a subsidiary exceeded the loan-to-equity ratio specified in a bank loan agreement in relation to certain bank loans with a repayment on demand clause. The relevant subsidiary had obtained a waiver from the relevant bank that it would not demand immediate repayment of the bank loan as a result of the breach of the financial covenant.

29. SHARE CAPITAL

	<i>notes</i>	Number of shares	Amount <i>HK\$</i>
Authorised:			
Ordinary shares of HK\$0.01			
at 1 January 2013, 31 December 2013 and 2014		5,000,000,000	50,000,000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each at 1 January 2013			
		1,043,506,206	10,435,062
Exercise of share options	<i>(i)</i>	1,512,500	15,125
Shares repurchased and cancelled	<i>(ii)</i>	(406,000)	(4,060)
At 31 December 2013			
		1,044,612,706	10,446,127
Exercise of share options	<i>(i)</i>	4,830,000	48,300
At 31 December 2014			
		1,049,442,706	10,494,427

notes:

- (i) During the year ended 31 December 2014, 3,978,000 and 852,000 (2013: 1,448,000 and 64,500) share options under the Pre-IPO Scheme and the Scheme (as defined in Note 37) were exercised at a subscription price of HK\$2.43 and HK\$3.38 (2013: HK\$2.43 and HK\$3.38) per share respectively, resulting in the issue of 3,978,000 and 852,000 (2013: 1,448,000 and 64,500) ordinary shares of HK\$0.01 each in the Company.
- (ii) During the year ended 31 December 2013, the Company repurchased 406,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$1,324,000 pursuant to the general mandate granted to the directors at its annual general meeting. The highest and lowest prices paid for the repurchased shares were HK\$3.28 and HK\$3.20, respectively.

Details of the repurchases are as follows:

Month of the repurchases	Total number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$'000
Year ended 31 December 2013:				
June 2013	<u>406,000</u>	3.28	3.20	<u>1,324</u>

All of the above shares were cancelled upon repurchase. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the reserves of the Company.

None of the Company's subsidiaries purchased, sold and redeemed any of the Company's listed securities during both years.

- (iii) All the above-mentioned new shares issued ranked pari passu in all respects with other shares in issue.
- (iv) On 21 March 2015, the Company entered into the first subscription agreement with an independent third party (the "Subscriber") to allot and issue 203,900,000 ordinary shares, rank pari passu, at the first subscription price of HK\$9.01 per first subscription share. Upon the completion, the net proceeds from the first subscription of new shares are estimated to be approximately HK\$1,835,640,000. Details of this are set out in the Company's announcement dated 27 March 2015.
- (v) On 21 March 2015, the Company also entered into the second subscription agreement (as amended and restated by a supplemental agreement dated 27 March 2015) with the Subscriber conditionally allot and issue additional 253,000,000 ordinary shares for an aggregate amount of HK\$2,279,530,000 at the initial second subscription price of HK\$9.01 per second subscription share. Details are set out in the Company's announcement dated 27 March 2015.

30. NON-CONTROLLING INTERESTS

	Share of net liabilities of subsidiaries	
	2014 HK\$'000	2013 HK\$'000
At 1 January	(67,671)	(41,463)
Share of loss for the year	(13,260)	(24,598)
Share of foreign currency translation reserve	237	(1,610)
At 31 December	<u>(80,694)</u>	<u>(67,671)</u>

31. CONVERTIBLE BONDS

	Debt component <i>HK\$'000</i>	Derivative component <i>HK\$'000</i>
At 1 January 2013	708,547	85,290
Interest charge	83,491	–
Interest paid	(32,632)	–
Changes in fair value	–	(71,937)
Carrying amount at 31 December 2013	759,406	13,353
Interest charge	89,647	–
Interest paid	(32,632)	–
Changes in fair value	–	(13,353)
Carrying amount at 31 December 2014	<u>816,421</u>	<u>–</u>

notes:

- (i) On 1 March 2012 (the “Issue Date”), the Company issued convertible bonds to HWH Holding Limited (“HWH”), Delco Participation B.V. (“Delco”) and Sims Metal Management Dragon Holdings Limited (“Sims”) (collectively the “Subscribers”) with an aggregate principal sum of HK\$815,800,000 (the “Convertible Bonds”) with detachable three-year warrants (the “Warrants”) at total consideration of HK\$815,800,000 (the “Subscription”). Details of the Warrants are set out in Note 32.
- (ii) The major terms of the Convertible Bonds are as below:
- (a) The Convertible Bonds carry 4% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the Convertible Bonds will be fully redeemed by the Company at its principal amount upon maturity on 1 March 2015 (the “Maturity Date”). No early redemption of the Convertible Bonds is allowed unless the Company commits an event of default under the terms and conditions of the Convertible Bonds.
 - (b) The Maturity Date shall be extended to the fifth anniversary of the Issue Date, if any of the Subscribers is not able to exercise any conversion rights on or before the Maturity Date solely because of the minimum public float restriction under the Listing Rules.
 - (c) The holders of the Convertible Bonds have the right to convert the principal amount of the Convertible Bonds into shares of HK\$0.01 each of the Company at an initial conversion price of HK\$6 per share (subject to anti-dilutive adjustments) at any time during the period from the second anniversary of Issue Date up to 10 business days prior to Maturity Date, subject to the minimum public float requirement.
- (iii) The Convertible Bonds comprise debt component and derivative component (including conversion, extension and early redemption options), which are measured at fair value of HK\$659,611,000 and HK\$142,771,000, respectively, on initial recognition. In the opinion of the directors of the Company, the Company will be able to maintain the minimum public float of Company’s shares required under the Listing Rules and will not trigger the condition of the extension of the Convertible Bonds. Also, the event of default is unlikely to occur and will not trigger the early redemption of Convertible Bonds, therefore the fair values of the extension and early redemption options were considered insignificant on initial recognition and as at 31 December 2014.

- (iv) The fair value of the debt component on initial recognition was calculated using the present value of contractually determined stream of future cash flows discounted at the effective interest rate of 11.756%.

In subsequent periods, the debt component of the Convertible Bonds is carried at amortised cost using the effective interest method.

- (v) The fair value of the derivative component was determined using the Binomial Option Pricing Model and the major inputs into the model are as follows:

	At Issue Date	At 31 December 2013	At 31 December 2014
Stock price	HK\$4.33	HK\$2.87	HK\$2.80
Exercise price	HK\$6.00	HK\$6.00	HK\$6.00
Expected volatility (<i>note a</i>)	53.189%	53.189%	53.189%
Dividend yield	0.855%	0.739%	0.000%
Option life	35.5 months	13.5 months	1.5 months
Risk free rate (<i>note b</i>)	0.277%	0.201%	0.028%

notes:

- (a) The expected volatility was determined with reference to the implied volatility of the Company's shares as at the date of valuation.
- (b) The risk free rate was determined with reference to the Hong Kong Government Bond's and treasury bill's yield.
- (c) In subsequent periods, the derivative component is measured at fair value with changes in fair value recognised in profit or loss.
- (vi) No conversion of the Convertible Bonds took place since the Issue Date.
- (vii) On 3 and 4 March 2015, the existing holders of the Convertible Bonds agreed to extend the maturity date, subject to the certain undertakings given by the Company, for a further two years to 1 March 2017. Convertible Bonds held by HWH with principal amount of HK\$67,600,000 were extended to 1 March 2017, subject to the approval from the independent shareholders of Company before 31 July 2015. Convertible Bonds of HK\$312,600,000 held by Delco would be repaid in seven quarterly instalments commencing on 1 September 2015 subject to the approval from the independent shareholders of the Company before 31 July 2015. The Company will repurchase the Convertible Bonds held by Sims with principal amount of HK\$315,600,000 (the "Sims Convertible Bonds") on or before 30 June 2015 if the Company unable to procure independent third parties to purchase the Sims Convertible Bonds. The remaining Convertible Bonds of HK\$120,000,000 held by Greenwoods China Alpha Master Fund ("Greenwood") which Greenwoods shall have the right to demand for full repayment on any of these dates: 1 September 2015, 1 March 2016 or 1 September 2016. Details of these are set out in the Company's announcements dated 5 March 2015, 10 March 2015 and 18 March 2015.

32. WARRANTS

The Warrants are exercisable to subscribe for an aggregate amount of HK\$75,830,646 for fully paid shares of HK\$0.01 each in the Company at an initial subscription price of HK\$6 per share (subject to anti-dilutive adjustments) on and after the first business day immediately following the second anniversary of the Issue Date up to the Maturity Date. HWH and Delco also agreed to assign the Warrants to Sims that they were entitled as a result of the Subscription.

The Maturity Date shall be extended to the fifth anniversary of the Issue Date of the Warrants if any of the Warrant holders is not able to exercise any subscription rights on or before the Maturity Date solely because of the minimum public float restriction under the Listing Rules (the “Extension”).

The Warrants are classified as a derivative and recognised at fair value on initial recognition and subsequent measurement dates. Changes in the fair value of the Warrants are recognised in profit and loss. The fair value of Warrants as at 31 December 2013 and 2014 were HK\$1,331,000 and nil, respectively.

During the year ended 31 December 2014, the gain from change in fair value of HK\$1,331,000 (2013: HK\$6,715,000) was recognised in profit or loss. In the opinion of the directors of the Company, the Company will be able to maintain the minimum public float of the Company’s shares under the Listing Rules and will not trigger the condition of the extension of the Warrants, therefore, the fair value of the Warrants did not take into account the Extension.

The fair value of the Warrants was determined using the Binomial Option Pricing Model and the major inputs into the model are as follows:

	At Issue Date	At 31 December 2013	At 31 December 2014
Stock price	HK\$4.33	HK\$2.87	HK\$2.80
Exercise price	HK\$6.00	HK\$6.00	HK\$6.00
Expected volatility (<i>note a</i>)	53.189%	53.189%	53.189%
Dividend yield	0.855%	0.739%	0.000%
Warrant life	36.0 months	14.0 months	2 months
Risk free rate (<i>note b</i>)	0.281%	0.208%	0.032%

notes:

- (a) The expected volatility was determined with reference to the implied volatility of the Company’s shares as at the date of valuation.
- (b) The risk free rate was determined with reference to the Hong Kong Government Bond’s and treasury bill’s yield.

No exercise of the Warrants took place since the Issue Date. On 1 March 2015, the Warrants are expired.

33. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2014 HK\$'000	2013 HK\$'000
Deferred tax liabilities	37,505	35,257
Deferred tax assets	(8,189)	(5,997)
	<u>29,316</u>	<u>29,260</u>

The deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Inventories provision HK\$'000	Allowance for doubtful debts HK\$'000	Unrealised profit on inventories HK\$'000	Change in fair value of derivative financial instruments HK\$'000	Distributable profits of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2013	3,034	(2,323)	(10,190)	(1,029)	(1,402)	2,248	29,406	19,744
(Credit) charge to profit or loss for the year	6,985	(7,576)	7,227	(335)	965	2,107	280	9,653
Exchange realignment	4	-	(207)	(37)	-	103	-	(137)
At 31 December 2013	10,023	(9,899)	(3,170)	(1,401)	(437)	4,458	29,686	29,260
(Credit) charge to profit or loss for the year	794	(812)	715	(428)	(64)	(228)	90	67
Exchange realignment	(12)	-	14	3	-	(16)	-	(11)
At 31 December 2014	<u>10,805</u>	<u>(10,711)</u>	<u>(2,441)</u>	<u>(1,826)</u>	<u>(501)</u>	<u>4,214</u>	<u>29,776</u>	<u>29,316</u>

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$513,510,000 (2013: HK\$508,096,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2014, the Group had unrecognised deferred tax asset on inventories provision of HK\$3,531,000 (2013: HK\$5,690,000) due to the unpredictability of future profit streams. All the unrecognised deferred tax assets may be carried forward indefinitely.

At 31 December 2014, the Group had unused tax losses of HK\$1,552,691,000 (2013: HK\$659,638,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$64,912,000 (2013: HK\$59,992,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$1,487,779,000 (2013: HK\$599,646,000) due to the unpredictability of future profit streams. All the tax losses may be carried forward indefinitely except for those amounting to HK\$1,300,285,000 (2013: HK\$490,986,000) arising from the PRC which may be carried forward for five years.

34. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks to secure general banking facilities granted to the Group:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Property, plant and equipment (<i>Note 17</i>)	68,258	43,056
Prepaid lease payments (<i>Note 18</i>)	304,746	238,967
Investment properties (<i>Note 19</i>)	22,351	23,748
Bank deposits (<i>Note 26</i>)	182,559	141,841
	<u>577,914</u>	<u>447,612</u>

35. CAPITAL COMMITMENTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment, and prepaid lease payments	<u>257,155</u>	<u>82,211</u>
Capital expenditure authorised but not contracted for in respect of acquisition of a subsidiary	<u>81,126</u>	<u>–</u>

36. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

37. SHARE-BASED PAYMENT TRANSACTIONS**(i) Pre-IPO Share Option Scheme**

Pursuant to a written resolution of all shareholders of the Company on 23 June 2010, a pre-IPO share option scheme (the “Pre-IPO Scheme”) was adopted by the Company. Pursuant to the Pre-IPO Scheme, the Company could grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group (“Participants”) to subscribe for shares in the Company. The purpose of the Pre-IPO Scheme was to recognise the contribution that Participants made or might have made to the growth of the Group. It aimed to give Participants an opportunity to acquire a personal stake in the Company and helped motivate Participants to optimise their performance and efficiency, and also to help attract or retain Participants whose contributions are important to the long-term growth and profitability of the Group.

The maximum number of shares in respect of which options could be granted is 12,140,000 shares, representing 1.214% of shares of the issued share capital of the Company immediately upon the listing of the Company’s shares on the Stock Exchange (the “Listing”), but excluding any shares which could fall to be issued upon the exercise of the options granted or to be granted under the Pre-IPO Scheme, the other schemes and shares that could fall to be issued upon the exercise of the over-allotment option in connection with the Listing.

Share options granted under the Pre-IPO Scheme are exercisable at the initial offer price to the public (i.e. HK\$2.43 per share). Each of the holders of the share options under the Pre-IPO Scheme shall be entitled to exercise his/her options in the following manner:

Service period that share options can be vested after the date of Listing	Maximum percentage of share options exercisable
Attaining 1 year	30% of the total number of options granted
Attaining 2 years	30% of the total number of options granted
Attaining 3 years	40% of the total number of options granted

The following table discloses details of the Company's options granted in 2010 under the Pre-IPO Share Option Scheme held by the directors of the Company and employees and the movements during both years:

Category of Eligible Participants	Date of grant (note a)	Exercise price per share	Exercisable period	Vesting date	2013			2014			
					Number of options outstanding as at 1.1.2013	Exercised during the year (note b)	Lapsed/forfeited during the year	Number of options outstanding as at 31.12.2013	Exercised during the year (note b)	Lapsed/forfeited during the year (note c)	Number of options outstanding as at 31.12.2014
Directors	12.7.2010	HK\$2.43	13.7.2012-12.7.2013	13.7.2012	1,477,500	(127,500)	(1,350,000)	-	-	-	-
			13.7.2013-12.7.2014	13.7.2013	1,970,000	-	-	1,970,000	(1,970,000)	-	-
					<u>3,447,500</u>	<u>(127,500)</u>	<u>(1,350,000)</u>	<u>1,970,000</u>	<u>(1,970,000)</u>	<u>-</u>	<u>-</u>
Employees and other participants	12.7.2010	HK\$2.43	13.7.2012-12.7.2013	13.7.2012	1,560,500	(1,138,500)	(422,000)	-	-	-	-
			13.7.2013-12.7.2014	13.7.2013	2,790,000	(182,000)	-	2,608,000	(2,008,000)	(600,000)	-
					<u>4,350,500</u>	<u>(1,320,500)</u>	<u>(422,000)</u>	<u>2,608,000</u>	<u>(2,008,000)</u>	<u>(600,000)</u>	<u>-</u>
				<u>7,798,000</u>	<u>(1,448,000)</u>	<u>(1,722,000)</u>	<u>4,578,000</u>	<u>(3,978,000)</u>	<u>(600,000)</u>	<u>-</u>	
Number of options exercisable at the end of the year				<u>3,038,000</u>			<u>4,578,000</u>			<u>-</u>	
Weighted average exercise price				<u>HK\$2.43</u>	<u>HK\$2.43</u>	<u>HK\$2.43</u>	<u>HK\$2.43</u>	<u>HK\$2.43</u>	<u>HK\$2.43</u>	<u>HK\$2.43</u>	

notes:

- The date of grant was the date when Participants accepted the offer of options under the Pre-IPO Scheme.
- In respect of the share options exercised during the year, the share prices at the dates of exercise ranged from HK\$2.84 to HK\$4.47 (2013: HK\$2.86 to HK\$3.68).
- 600,000 share options granted to employees, lapsed due to maturity of unexercised options in 2014.

- (d) The fair value of the options was calculated using the Binomial model. The inputs into the model were as follows:

	Lot 1	Lot 2	Lot 3
Grant date share price	HK\$2.39	HK\$2.39	HK\$2.39
Exercise price	HK\$2.43	HK\$2.43	HK\$2.43
Expected volatility	49.798%	54.803%	51.954%
Expected option period	1.492 years	2.495 years	3.495 years
Risk-free rate	0.514%	0.776%	1.109%
Expected dividend yield	3.557%	3.557%	3.557%

Expected volatility was determined with reference to the historical volatility of certain comparable listed companies.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

- (e) All of these options were fully vested in 2013, no share-based payment expense is recognised for the year ended 31 December 2014 in relation to share options granted by the Company under the Pre-IPO Scheme. For the year ended 31 December 2013, share-based payment expense amounting to HK\$646,000 was recognised in relation to share options granted by the Company under the Pre-IPO Scheme.

(ii) Post-IPO Share Option Scheme

In addition, pursuant to a written resolution of all shareholders of the Company on 23 June 2010, a post-IPO share option scheme (the "Scheme") was adopted.

Pursuant to the Scheme, the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board considers, in its sole discretion, have contributed or will contribute to the Group ("Eligible Scheme Participants"). The Scheme is a share incentive scheme and is established to reward Eligible Scheme Participants who have contributed to the Group and to encourage Eligible Scheme Participants to work towards enhancing the value of the Company and the shares for the benefit of the Company and the shareholders as a whole. The Scheme is valid and effective for a period of ten years from 23 June 2010.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of shares of the Company as of the date of the approval by the shareholders in general meeting, without approval from the Company's shareholders. The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Scheme Participant in any twelve-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant.

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates is required to be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where granting of options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant exceed of 0.1% of the total number of shares in issue and have an aggregate value in excess of HK\$5 million, based on the official closing price of the shares at the date of each grant, such proposed grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

Options granted have to be taken up within a period of 28 days from the date of offer upon payment of HK\$1.

The exercise price is determined by the board of directors and but in any event shall not be less than the highest of:

- (a) the official closing price of the shares on the Stock Exchange as stated in the daily quotation sheets of the Stock Exchange on the offer date, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (b) the average of the official closing price of the shares on the Stock Exchange as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date; and
- (c) the nominal value of the shares.

Options granted are exercisable for a period to be notified by the board of directors to each grantee and such period shall expire not later than 4 years from the date of grant of options.

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Details of the share options granted under the Scheme and their subsequent movements are as follows:

Category of Eligible Scheme Participants	Date of grant	Exercise price per share	Exercisable period	Vesting date	Number of options	Granted during the year	Exercised during the year	Lapsed/	Number of options	Reclassified during the year	Exercised during the year	Lapsed/	Number of options
					outstanding as at 1.1.2013			forfeited during the year	outstanding as at 31.12.2013			forfeited during the year	outstanding as at 31.12.2014
								(note a)	(note b)		(note c)		
Directors	3.5.2011	HK\$6.388	3.5.2012-3.5.2013	3.5.2012	397,500	-	-	(397,500)	-	-	-	-	-
			4.5.2013-3.5.2014	4.5.2013	397,500	-	-	-	397,500	-	-	(397,500)	-
			4.5.2014-3.5.2015	4.5.2014	530,000	-	-	-	530,000	(60,000)	-	-	-
Directors	28.3.2012	HK\$4.186	28.3.2013-27.3.2016	28.3.2013	262,500	-	-	(195,000)	67,500	(22,500)	-	-	45,000
			28.3.2014-27.3.2016	28.3.2014	262,500	-	-	(195,000)	67,500	(22,500)	-	-	45,000
			28.3.2015-27.3.2016	28.3.2015	350,000	-	-	(260,000)	90,000	(30,000)	-	-	60,000
Directors	24.5.2012 (note d)	HK\$4.186	28.3.2013-27.3.2016	28.3.2013	5,550,000	-	-	(5,550,000)	-	-	-	-	-
			28.3.2014-27.3.2016	28.3.2014	5,550,000	-	-	(5,550,000)	-	-	-	-	-
			28.3.2015-27.3.2016	28.3.2015	7,400,000	-	-	(7,400,000)	-	-	-	-	-
Directors	22.3.2013	HK\$3.75	22.3.2014-21.3.2017	22.3.2014	-	195,000	-	-	195,000	-	-	(195,000)	-
			22.3.2015-21.3.2017	22.3.2015	-	195,000	-	-	195,000	-	-	(195,000)	-
			22.3.2016-21.3.2017	22.3.2016	-	260,000	-	-	260,000	-	-	(260,000)	-
Directors	23.5.2013 (note e)	HK\$3.75	22.3.2014-21.3.2017	22.3.2014	-	5,550,000	-	-	5,550,000	-	-	(5,550,000)	-
			22.3.2015-21.3.2017	22.3.2015	-	5,550,000	-	-	5,550,000	-	-	(5,550,000)	-
			22.3.2016-21.3.2017	22.3.2016	-	7,400,000	-	-	7,400,000	-	-	(7,400,000)	-
					<u>20,700,000</u>	<u>19,150,000</u>	<u>-</u>	<u>(19,547,500)</u>	<u>20,302,500</u>	<u>(135,000)</u>	<u>-</u>	<u>(19,547,500)</u>	<u>620,000</u>

Category of Eligible Scheme Participants	Date of grant	Exercise price per share	Exercisable period	Vesting date	Number of options	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year (note a)	Number of options	Reclassified during the year (note b)	Exercised during the year	Lapsed/ forfeited during the year (note c)	Number of options
					outstanding as at 1.1.2013				outstanding as at 31.12.2013				outstanding as at 31.12.2014
Employees and other participants	22.9.2010	HK\$3.38	23.9.2012-22.9.2013	23.9.2012	1,086,000	-	(64,500)	(1,021,500)	-	-	-	-	-
			23.9.2013-22.9.2014	23.9.2013	1,448,000	-	-	(20,000)	1,428,000	-	(852,000)	(576,000)	-
Employees and other participants	3.5.2011	HK\$6.388	3.5.2012-3.5.2013	3.5.2012	3,477,000	-	-	(3,477,000)	-	-	-	-	-
			4.5.2013-3.5.2014	4.5.2013	3,477,000	-	-	(96,000)	3,381,000	-	-	(3,381,000)	-
			4.5.2014-3.5.2015	4.5.2014	4,636,000	-	-	(128,000)	4,508,000	60,000	-	(388,000)	4,180,000
Employees and other participants	28.3.2012	HK\$4.186	28.3.2013-27.3.2016	28.3.2013	3,343,500	-	-	(180,000)	3,163,500	22,500	-	(381,000)	2,805,000
			28.3.2014-27.3.2016	28.3.2014	3,343,500	-	-	(180,000)	3,163,500	22,500	-	(381,000)	2,805,000
			28.3.2015-27.3.2016	28.3.2015	4,458,000	-	-	(240,000)	4,218,000	30,000	-	(508,000)	3,740,000
					25,269,000	-	(64,500)	(5,342,500)	19,862,000	135,000	(852,000)	(5,615,000)	13,530,000
					45,969,000	19,150,000	(64,500)	(24,890,000)	40,164,500	-	(852,000)	(25,162,500)	14,150,000
Number of options exercisable at the end of the year					4,960,500				8,437,500				10,350,000
Weighted average exercise price					HK\$4.76	HK\$3.75	HK\$3.38	HK\$4.51	HK\$4.43	-	HK\$3.38	HK\$4.20	HK\$4.91

notes:

- (a) 19,150,000 share options granted to directors were cancelled by forfeiture in 2013 as the Profit Target 2012 (explained and defined below) was not met. In addition, 397,500 and 5,342,500 share options granted to directors and employees, respectively, were forfeited due to resignation of certain employees and maturity of unexercised options in 2013.
- (b) In 2014, an independent non-executive director resigned from the Company but was retained as a consultant to the Group to provide consultancy services similar to those rendered by employees.
- (c) 19,150,000 share options granted to directors were cancelled by forfeiture in 2014 as the Profit Target 2013 (explained and defined below) was not met. In addition, 397,500 and 5,615,000 share options granted to directors and employees, respectively, were forfeited due to resignation of certain employees and maturity of unexercised options in 2014.

- (d) This represents the date when the grant of share options under the Scheme to the relevant directors of the Company (namely Mr. Fang and Mr. Stephanus Maria van Ooijen) was approved by the independent shareholders of the Company. Under the Scheme, however, the date of grant is taken to be the date when the board of directors of the Company resolved to make the offer of grant of share options to the relevant directors of the Company, which was 28 March 2012.
- (e) This represents the date when the grant of share options under the Scheme to the relevant directors of the Company (namely Mr. Fang and Mr. Stephanus Maria van Ooijen) was approved by the independent shareholders of the Company. Under the Scheme, however, the date of grant is taken to be the date when the board of directors of the Company resolved to make the offer of grant of share options to the relevant directors of the Company, which was 22 March 2013.

Service period that share options can be vested after date of grant	Maximum percentage of share options exercisable
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Attaining 1 year	30% of the total number of options granted
Attaining 2 years	30% of the total number of options granted
Attaining 3 years	40% of the total number of options granted

In addition to satisfying the above service period requirement, 650,000 and 18,500,000 share options granted to the executive directors on 22 March 2013 and 23 May 2013 respectively would only be vested if the Group's profit for the year ended 31 December 2013 was equal to or exceed 130% of the Group's profit for the financial year ended 31 December 2010 ("Profit Target 2013"). 650,000 and 18,500,000 share options granted to executive directors on 28 March 2012 and 24 May 2012, respectively, would only be vested if the Group's profit for the year ended 31 December 2012 was equal to or exceed 130% of the Group's profit for the year ended 31 December 2010 ("Profit Target 2012").

The fair value of the options was calculated using the Binomial model. The inputs into the model were as follows:

	Share options granted on 22.9.2010		
	Lot 1	Lot 2	Lot 3
Grant date share price	HK\$3.38	HK\$3.38	HK\$3.38
Exercise price	HK\$3.38	HK\$3.38	HK\$3.38
Expected volatility	47.816%	55.886%	53.523%
Expected option period	1.503 years	2.503 years	3.503 years
Risk-free rate	0.430%	0.625%	0.847%
Expected dividend yield	2.515%	2.515%	2.515%

	Share options granted on 3.5.2011		
	Lot 1	Lot 2	Lot 3
Grant date share price	HK\$6.20	HK\$6.20	HK\$6.20
Exercise price	HK\$6.388	HK\$6.388	HK\$6.388
Expected volatility	42.747%	53.510%	51.323%
Expected option period	1.503 years	2.503 years	3.503 years
Risk-free rate	0.406%	0.778%	1.195%
Expected dividend yield	1.448%	1.448%	1.448%

	Share options granted on 28.3.2012		
	Lot 1	Lot 2	Lot 3
Grant date share price	HK\$4.10	HK\$4.10	HK\$4.10
Exercise price	HK\$4.186	HK\$4.186	HK\$4.186
Expected volatility	44.334%	46.651%	51.539%
Expected option period	2.500 years	3.000 years	3.500 years
Risk-free rate	0.276%	0.338%	0.373%
Expected dividend yield	0.902%	0.902%	0.902%

	Share options granted on 24.5.2012		
	Lot 1	Lot 2	Lot 3
Grant date share price	HK\$4.06	HK\$4.06	HK\$4.06
Exercise price	HK\$4.186	HK\$4.186	HK\$4.186
Expected volatility	40.696%	44.958%	47.450%
Expected option period	2.344 years	2.844 years	3.344 years
Risk-free rate	0.263%	0.279%	0.307%
Expected dividend yield	0.911%	0.911%	0.911%

	Share options granted on 22.3.2013		
	Lot 1	Lot 2	Lot 3
Grant date share price	HK\$3.728	HK\$3.728	HK\$3.728
Exercise price	HK\$3.75	HK\$3.75	HK\$3.75
Expected volatility	38.439%	43.385%	45.104%
Expected option period	2.500 years	3.000 years	3.501 years
Risk-free rate	0.194%	0.213%	0.300%
Expected dividend yield	0.569%	0.569%	0.569%

	Share options granted on 23.5.2013		
	Lot 1	Lot 2	Lot 3
Grant date share price	HK\$3.529	HK\$3.529	HK\$3.529
Exercise price	HK\$3.75	HK\$3.75	HK\$3.75
Expected volatility	38.370%	38.431%	43.517%
Expected option period	2.330 years	2.830 years	3.332 years
Risk-free rate	0.212%	0.250%	0.300%
Expected dividend yield	0.601%	0.601%	0.601%

Expected volatility was determined with reference to the historical volatility of certain comparable listed companies.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The aggregate fair value of the share options granted on 22 March 2013 and 23 May 2013 is HK\$16,293,000 which is related to the share options granted to directors with a performance condition in terms of Profit Target 2013. The Group did not recognise share-based payment expenses during the year ended 31 December 2013 as none of the options was ultimately vested.

In respect of the share options granted without a performance condition, taking into account of (i) the applicable vesting period and (ii) the number of options expected to ultimately vest, the Group recognised share-based payment expense of HK\$3,567,000 for the year (2013: HK\$10,116,000).

38. CONNECTED TRANSACTIONS AND RELATED PARTY DISCLOSURES

(i) Transactions

During the year, the Group had the following transactions with related parties, certain of which are also deemed to be connected persons pursuant to Chapter 14A of the Listing Rules:

Name of party	<i>notes</i>	Nature of transaction	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Connected transactions and related party transactions				
Sims	<i>(a) & (b)</i>	Purchase of scrap metals	524,714	853,148
		Interest expense on convertible bonds	34,681	32,300
		Compensation received	451	474
		Compensation paid	3	315
De Leeuw Metalen B.V.	<i>(b)</i>	Purchase of scrap metals	–	8,950
Delco	<i>(c)</i>	Interest expense on convertible bonds	34,351	31,992
HWH	<i>(c)</i>	Interest expense on convertible bonds	7,428	7,423
Related party transaction				
Poly Metals	<i>(d)</i>	Purchase of scrap metals	<u>25,222</u>	<u>–</u>

notes:

- (a) These represent transactions between the Group and a substantial shareholder with significant influence over the Company.
- (b) De Leeuw Metalen B.V. is controlled by a close family member of Mr. Herman Maurits de Leeuw, a shareholder with significant influence over the Company.
- (c) As set out in Notes 31 and 32, in March 2012, the Company issued the Convertible Bonds and the Warrants to Sims, Delco and HWH, all of which are shareholders with significant influences over the Company.
- (d) In April 2014, the Group invested in an associate with significant influence over Poly Metals. This represents transactions between the Group and Poly Metals since April 2014.

(ii) Balances

The Group had the following balances with connected persons and related parties at the end of the reporting period:

Name of parties	Nature of balance	At	At
		31 December 2014 <i>HK\$ '000</i>	31 December 2013 <i>HK\$ '000</i>
Balances with connected and related parties			
Sims	Deposit paid for purchase of raw materials	4,294	36,442
	Trade payables	71,077	78,721
	Warrants	75,831	75,831
	Convertible Bonds	315,600	315,600
Delco	Convertible Bonds	312,600	312,600
HWH	Convertible Bonds	67,600	67,600

All the above amounts are unsecured and interest-free. The average credit period for the trade purchases is 60 days and the amounts were aged less than 60 days.

(iii) Compensation of key management personnel

The directors of the Company and the five highest paid employees are identified as key management members of the Group, details of their compensation during the year are set out in Note 13.

39. OPERATING LEASES

The Group as lessee

	2014 <i>HK\$ '000</i>	2013 <i>HK\$ '000</i>
Minimum lease payments paid under operating leases during the year:		
Premises	<u>16,328</u>	<u>16,106</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 <i>HK\$ '000</i>	2013 <i>HK\$ '000</i>
Within one year	12,649	12,201
In the second to fifth years inclusive	<u>6,147</u>	<u>3,068</u>
	<u>18,796</u>	<u>15,269</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and production premises. Leases are negotiated for terms ranging from one to five years with fixed rentals.

The Group as lessor

Rental income of leasing investment properties during the year ended 31 December 2014 was HK\$1,530,000 (2013: HK\$2,115,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>403</u>	<u>725</u>

40. PENDING LEGAL LITIGATION

The Group is a defendant in legal claims filed by the lessor of certain properties in Shanghai, the PRC for unpaid rent, management fees, early termination fee and reinstatement costs totalling approximately RMB40.6 million (equivalent to approximately HK\$51.5 million). The Group filed a counter-claim against the lessor of overall expected direct economic loss of approximately RMB108 million (equivalent to approximately HK\$136.9 million) as a result of alleged misrepresentation by the lessor.

The People's Court in Baoshan District, Shanghai, the PRC ("Baoshan District Court") delivered an initial judgment in December 2013 but both the Group and the lessor had applied for an appeal against this judgment. On 12 January 2015, the Baoshan District Court delivered the revised judgment in relation to these legal claims. The Group has applied for an appeal against the judgment given on 12 January 2015.

The court case is still in progress, the directors of the Company, after obtaining legal advice and considering the provision already made by the Group, are of the opinion that the eventual resolution of the above litigations will not have any material adverse impact to the Group's future results and financial position.

41. Deposits Paid for Acquisition of Property, Plant and Equipment

As at 31 December 2014, the balance mainly represents the deposits paid by the Group in connection with the acquisition of plant and machinery for new production site in Taizhou, the PRC.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The summarised financial position of the Company at the end of the reporting period is as follows:

	<i>note</i>	2014 HK\$'000	2013 HK\$'000
Investment in a subsidiary, unlisted		–	–
Available-for-sale investment		–	14,053
Amounts due from subsidiaries		1,652,441	2,012,782
Other receivables		487	563
Bank balance		133	450
		<u>1,653,061</u>	<u>2,027,848</u>
Total assets			
Other current liabilities		6,106	11,131
Convertible bonds		816,421	759,406
Embedded derivative components of convertible bonds		–	13,353
Warrants		–	1,331
		<u>822,527</u>	<u>785,221</u>
Total liabilities			
Net assets		<u>830,534</u>	<u>1,242,627</u>
Share capital (<i>Note 29</i>)		10,494	10,446
Reserves	<i>(i)</i>	<u>820,040</u>	<u>1,232,181</u>
Total equity		<u>830,534</u>	<u>1,242,627</u>

(i) Movement in reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000 (note a)	Investment revaluation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2013	888,986	220	29,987	216,208	–	62,994	1,198,395
Profit for the year	–	–	–	–	–	44,182	44,182
Fair value loss on available- for-sale investment	–	–	–	–	(1,417)	–	(1,417)
Total comprehensive income for the year	–	–	–	–	(1,417)	44,182	42,765
Cash dividend paid (Note 15)	–	–	–	–	–	(22,143)	(22,143)
Share options exercised (Note 29 (note i))	4,827	–	(1,105)	–	–	–	3,722
Lapse of share options	–	–	(7,809)	–	–	7,809	–
Recognition of equity- settled share-based payments (Note 37)	–	–	10,762	–	–	–	10,762
Shares repurchased and cancelled (Note 29 (note ii))	(1,320)	4	–	–	–	(4)	(1,320)
At 31 December 2013	892,493	224	31,835	216,208	(1,417)	92,838	1,232,181
Loss for the year	–	–	–	–	–	(429,623)	(429,623)
Fair value gain on available- for-sale investment	–	–	–	–	918	–	918
Reclassified to profit or loss on disposal of available- for-sale investment	–	–	–	–	499	–	499
Total comprehensive expense for the year	–	–	–	–	1,417	(429,623)	(428,206)
Share options exercised (Note 29 (note i))	16,568	–	(4,070)	–	–	–	12,498
Lapse of share options	–	–	(10,949)	–	–	10,949	–
Recognition of equity- settled share-based payments (Note 37)	–	–	3,567	–	–	–	3,567
At 31 December 2014	909,061	224	20,383	216,208	–	(325,836)	820,040

note:

- (a) Capital reserve of the Company represents the net effect of (i) the capitalisation of shareholders' loans of HK\$223,708,000 and (ii) the Company issued and allotted an aggregate of 749,999,900 shares of HK\$0.01 each in the Company out of the capital reserve to its shareholders, credited as fully paid at par, in 2010.

43. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

43a. General information of subsidiaries

Name of subsidiary	notes	Place/ country of operation	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest and voting power held by the Group		Principal activities
					2014	2013	
Chiho-Tiande International Limited ("CT International")	(i)	Hong Kong	British Virgin Islands	US\$2	100%	100%	Investment holding
Chiho-Tiande Investments Limited		Hong Kong	Hong Kong	HK\$10,000	100%	100%	Investment holding
Delco Europe B.V.		The Netherlands	The Netherlands	EUR18,151	100%	100%	Purchasing agent of the Group
Chiho-Tiande (HK) Limited		Hong Kong	Hong Kong	HK\$100,000	100%	100%	Purchasing agent of the Group and wholesales of metal scrap without processing
Hefast Holding Corporation Limited		Hong Kong	Hong Kong	HK\$100,000	100%	100%	Investment holding
Chiho-Tiande (Hong Kong) Copper Industry Company Limited		Hong Kong	Hong Kong	HK\$10,000	100%	100%	Investment holding
Chiho-Tiande (HK) Metals Recycling Co., Limited ("CTHK Metals")		Hong Kong	Hong Kong	HK\$35,000,000	70%	70%	Trading of metal scrap
Chiho-Tiande (HK) Logistics Co. Limited ("CTHK Logistics")	(ii)	Hong Kong	Hong Kong	HK\$10,000	36.4%	36.4%	Provide logistics services
Chiho-Tiande Investments (BVI) Limited		Hong Kong	British Virgin Islands	US\$1	100%	100%	Investment holding
Chiho-Tiande Metals Investment Limited		Hong Kong	Hong Kong	HK\$10,000	100%	100%	Inactive
Chiho-Tiande Resources Limited		Hong Kong	British Virgin Islands	US\$1	100%	100%	Inactive
Chiho-Tiande (Ningbo) Metals Recycling Co., Limited	(iii)	The PRC	The PRC	US\$20,000,000 (2013: US\$12,000,000)	100%	100%	Processing and sales of metal scrap

Name of subsidiary	notes	Place/ country of operation	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest and voting power held by the Group		Principal activities
					2014	2013	
Taizhou Chiho-Tiande Foundry Company Limited	(iii)	The PRC	The PRC	US\$7,500,000	100%	100%	Processing and sales of metal scrap, production and sales of metal products
Taizhou Chiho-Tiande Metals Company Limited	(iii)	The PRC	The PRC	US\$52,682,000	100%	100%	Processing and sales of metal scrap, production and sales of metal products
Shanghai Chiho-Tiande Resource Recycling Co., Limited ("CT Shanghai")		The PRC	The PRC	RMB52,000,000	51%	51%	Processing and sales of metal scrap
Chiho-Tiande (YanTai) Resources Recycling Co. Limited	(iii)	The PRC	The PRC	US\$40,000,000	100%	100%	Processing and sales of metal scrap
Chiho-Tiande (Yantai) Environmental Technology Co., Limited	(iii)	The PRC	The PRC	US\$7,000,000	100%	–	Processing and sales of metal scrap

None of the subsidiaries had issued any debt securities at 31 December 2014 and 2013.

notes:

- (i) The Company holds CT International directly and all other subsidiaries indirectly.
- (ii) Although the Group has 36.4% attributable interest in CTHK Logistics, the Group held 52% equity interest in CTHK Logistics through a 70% owned subsidiary, CTHK Metals. The directors concluded that the Group has the power to direct the relevant activities of CTHK Logistics.
- (iii) These entities are wholly-foreign owned enterprises established in the PRC.

43b. Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting right held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014	2013	2014	2013
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
CTHK Metals	Hong Kong	30%	30%	(4,634)	560	5,752	10,386
Individually immaterial subsidiaries with non-controlling interests (<i>note</i>)						(86,446)	(78,057)
						<u>(80,694)</u>	<u>(67,671)</u>

note: Since these subsidiaries did not have significant assets and liabilities, the major balance of accumulated non-controlling interests arose from the share of losses in CT Shanghai.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests as set out below. The summarised financial information below represents amounts before intragroup eliminations.

CTHK Metals

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current assets	180,198	278,285
Non-current assets	7,170	6,029
Current liabilities	(168,196)	(249,695)
Equity attributable to owners of the Company	13,420	24,233
Non-controlling interests	5,752	10,386
Revenue	557,047	981,799
Expenses	(572,494)	(979,932)
(Loss) profit for the year	(15,447)	1,867
(Loss) profit attributable to owners of the Company	(10,813)	1,307
(Loss) profit attributable to non-controlling interests	(4,634)	560
Total comprehensive (expense) income attributable to owners of the Company	(10,813)	1,307
Total comprehensive (expense) income attributable to non-controlling interests	(4,634)	560
Total comprehensive (expense) income for the year	(15,447)	1,867
Net cash inflow (outflow) from operating activities	85,977	(134,312)
Net cash outflow from investing activities	(3,069)	(2,249)
Net cash (outflow) inflow from financing activities	(91,713)	145,454
Net cash (outflow) inflow	(8,805)	8,893

III. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the net proceeds from the Subscription, its presently available financial resources, including funds internally generated from operation and the available financing facilities, the Group will have sufficient working capital for its operation for at least the next twelve months from the date of this circular.

IV. STATEMENT OF INDEBTEDNESS

At the close of business on 28 February 2015, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

Borrowings

As at close of business on 28 February 2015, the Group had outstanding borrowings of approximately HK\$1,423,159,000. These borrowings comprised (i) secured bank borrowings of approximately HK\$1,147,449,000; (ii) unsecured bank borrowings of approximately HK\$213,689,000; and (iii) unsecured and unguaranteed loan from a substantial shareholder of HK\$62,021,000. Bank borrowings of approximately HK\$936,654,000 were guaranteed by the entities within the Group.

The aforesaid secured bank borrowings of approximately HK\$1,147,449,000 were secured by the Group's property, plant and equipment, prepaid lease payments, investment property and pledged bank deposits with a carrying amount of approximately HK\$67,106,000, HK\$340,928,000, HK\$22,119,000 and HK\$210,565,000, respectively, as at 28 February 2015.

Convertible Bonds

As at close of business on 28 February 2015, the Group had issued unsecured and unguaranteed convertible bonds with an aggregate principal sum of approximately HK\$815,800,000.

Contingent Liabilities

As at close of business on 28 February 2015, there is a pending legal litigation shown as follows:

Shanghai Chiho-Tiande Resource Recycling Co., Limited ("**CT Shanghai**"), a non wholly-owned subsidiary of the Company, is a defendant in legal claims brought by Shanghai Science and Technology Co., Ltd. (the "**Lessor**"), the lessor of certain properties in Shanghai, the PRC for unpaid rent, management fees, early termination fee and reinstatement costs totalling approximately RMB40,600,000 (equivalent to approximately HK\$51,200,000).

CT Shanghai filed a counterclaim against the Lessor in respect of an overall expected direct economic loss of approximately RMB108,000,000 (equivalent to approximately HK\$136,300,000) as a result of alleged misrepresentation by the Lessor.

The People's Court in Baoshan District, Shanghai, the PRC ("**Baoshan People's Court**") delivered an initial judgment in December 2013 but both CT Shanghai and the Lessor had applied for an appeal against this judgment. On 12 January 2015, the Baoshan People's Court delivered the revised judgment in relation to these legal claims. On 27 January 2015, CT Shanghai has applied to the Second Intermediate People's Court of Shanghai, the PRC for an appeal against the judgment given by the Baoshan People's Court on 12 January 2015.

The above legal proceedings were still in progress and there was no further update on the above legal proceedings up to 28 February 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular. The Directors, after obtaining legal advice and considering the provision of RMB40,600,000 already made by the Group, are of the opinion that the eventual resolution of the above legal proceedings will not have any material adverse impact to the Group's future results and financial position.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 28 February 2015, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other contingent liabilities.

V. MATERIAL CHANGE

The Directors have confirmed that they are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2014, the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date, save for the deposit of US\$50 million (equivalent to approximately HK\$388 million) received by the Company in relation to the possible fund raising as disclosed in the announcement of the Company dated 16 February 2015, which is material given the amount of such deposit represents approximately 60.34% of 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. The deposit was paid by the Subscriber as refundable deposit immediately prior to the commencement of negotiation of the Subscription between the Company and the Subscriber, which will be applied towards the Subscription.

VI. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT**Business Review and Outlook**

With the significant volatility in the global metal market and the reduction in worldwide supply seen in 2014, the management continued to face exceptional challenges resulting in a net loss for the whole year in 2014. Despite current weakness and volatility in primary metals prices, which has a knock-on effect on the global metals recycling industry, the Directors believe that the longer prospect of the metals recycling industry in the PRC remains very robust.

The PRC is the world's leading consumer of many basic metals including copper and aluminium. The demand for these basic metals is not likely to reduce drastically in the short term. Given the PRC's increasing concern with environmental pollution, the Directors believe that demand for recycled metals will continue to rise and it is only a matter of whether or not Chinese recyclers can produce recycled metals at economically viable costs. Thus, the management continues to be cautiously optimistic about the Group's performance in the coming year.

In 2014, the Group continued to face difficult business environment including the highly volatile global metal market and the expected slowing economic growth in the PRC. During the year, the Group's revenue decreased from HK\$7.2 billion in 2013 to HK\$5.9 billion, representing a decrease of 18.1%. The gross loss of HK\$17.4 million recorded during the year was due to the adverse impact of the prolonged volatility and the overall downward movement of the global metal prices throughout the year. The prolonged volatility and the overall downward movement of commodity prices had a negative impact on gross margin of the Group in 2014. As for the net loss, the Group recorded a loss attributable to the owners of the Company of HK\$1,058.0 million while comparing to the loss attributable to the owners of the Company of HK\$382.9 million recorded in 2013. Loss on fair value changes of derivative financial instruments of HK\$773.8 million was recognised in 2014. The Group does not see any immediate respite to the difficult business environment. As a result, the Group expects trading conditions to remain challenging until global metal prices improve and the volatility of metal prices stabilizes. Nonetheless, the Group is optimistic about the longer term sustainability of the industry.

With a number of unforeseeable circumstances including (i) a significant volatility in commodities prices at the beginning of 2014, particularly a sharp decline from July 2014 to January 2015; (ii) fluctuation in currency exchange rate; (iii) slowdown in the PRC economy; and (iv) the competitive landscape of the metal recycling industry in the PRC, which impact the global supply of scrap materials, the Group experienced a reduction of scrap materials purchased. During the year, the reduction in mixed metal scrap supply was in the region of 20-25% when compared with last year. During the year, the Group sold in aggregate over 587,400 tonnes of processed products within its three business segments, namely (i) metal recycling business; (ii) foundry business; and (iii) wholesales business. This represented a decrease of 15.8% when compared to 697,800 tonnes in 2013.

During the year, the Group continued to follow its usual practices of consistently buying mixed metal scrap and selling its recycled products in accordance with its processing ability so as to mitigate the short-term impact of price volatility on the overall performance of the Group.

As disclosed in the paragraphs under the sub-section headed “Contingent Liabilities” in Appendix I to this circular on pages 155 and 156, CT Shanghai has applied to the Second Intermediate People’s Court of Shanghai, the PRC for an appeal against the judgment given by the Baoshan People’s Court on 12 January 2015 in relation to the legal proceedings brought about by the Lessor. The Board takes the view that the legal proceedings will not have any material adverse effect on the business, operations or financial results of the Group. The Company will keep its shareholders and the investors informed of the development of the legal proceedings as and when appropriate.

Our Procurement Network

The Group is the largest importer of mixed metal scrap used for recycling, reuse and processing in terms of the total import volume as approved by the Ministry of Environmental Protection in the PRC. The Group imports nearly all of our mixed metal scrap and has, over the years, developed a strong international procurement network which covers Europe, North America, Oceania and Asia. Our network of suppliers was mostly established and developed by the Group leveraging on its experience in the industry. With our good business practices, we have enjoyed good business relationship with the suppliers over the years.

Corporate and Business Development

Following the establishment of our Hong Kong operations in 2012, the Group’s Hong Kong operations together with the Hong Kong joint venture company continued to gain strong presence in Hong Kong. The Group is now in a well-placed position to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong. We continued to be confident that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

With regard to the investment in establishing new processing facilities in the Development Zone in Yantai City, PRC, we have completed the first stage of the development and the new processing facilities are now progressively operational.

Further to our announcement dated 1 December 2014 in relation to the proposed acquisition of 80% equity interest in Yantai Liheng Environmental Protection Technology Co., Limited, we will conduct our due diligence review as soon as the evaluation report on environment protection is obtained from the Yantai Environmental Bureau. The Company will keep its shareholders and the investors informed of the status of the proposed acquisition as and when appropriate.

As part of the Group’s future developments, on 21 March 2015, the Company entered into the First Subscription Agreement and the Second Subscription Agreement (as amended and restated on 27 March 2015) in relation to the placing of new Shares.

Going forward, we remain committed to further expanding our processing capability, and at the same time improving our profitability and return on equity. Our focus will continue to cover our existing facilities including Taizhou, Ningbo and Hong Kong. We will continue to be on the lookout for any potential opportunity, especially the activities within the scrap metal resources supply chain in the PRC and other countries.

Prospects

With the continued strong support from the PRC Government to develop the recycling industry, we remain confident that the metal recycling industry in the PRC will continue to grow and will become an important source and an integral part of the metal resource supply chain of the PRC in the future.

On the basis that metal recycling industry contributes significantly to the protection of environment and to the preservation of valuable natural resources, we continue to place heavy emphasis on our procurement volume to ensure that it is in line with our processing needs and to cater for our expansion strategy for scrap materials in the PRC. With this in mind and in accordance with our expansion strategy, the Group is aiming to procure 40,000 to 60,000 tonnes of mixed metal scrap materials per month to cater for its processing needs. This purchase volume is expected to increase as the Group continues to expand.

The management will continue making efforts to capitalise on such direction in achieving satisfactory returns to the Shareholders.

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 28 February 2015 of the properties.



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<http://www.romagroup.com>

28 April 2015

Chiho-Tiande Group Limited

48 Wang Lok Street,
Yuen Long Industrial Estate,
Hong Kong

Dear Sir/Madam,

Re: Various Properties in Hong Kong and the People's Republic of China

In accordance with your instructions for us to value the properties held by Chiho-Tiande Group Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 28 February 2015 for the purpose of incorporation in the circular of the Company dated 28 April 2015.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the properties held by the Group are categorized into the following groups:

- Group I – Property held by the Group in Hong Kong;

- Group II – Properties held by the Group in the PRC; and
- Group III – Property contracted to be acquired by the Group in the PRC.

3. VALUATION METHODOLOGIES

For the property in Group I, we have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the properties in Group II, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“DRC”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

4. TITLE INVESTIGATION

For the property in Hong Kong, we have carried out title search at the land registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal advisor – Zhong Lun Law Firm (中倫律師事務所) regarding the titles of the properties in the PRC. All documents have been used for reference only.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30%-60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant properties. According to our established practice, in the course of our valuations, we have neither verified nor taken into account such tax liability. Except for applicable stamp duties, the potential gain arising from the sales of the property in Hong Kong shall be capital in nature and not subject to any taxation.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong Dollars (HK\$) and Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of

Roma Appraisals Limited

Dr. Alan W K Lee

BCom(Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Associate Director

Frank F Wong

BA (Business Admin) MSc (Real Estate)
MRICS Registered Valuer
Associate Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 11 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Note: Mr. Frank F Wong is a Chartered Surveyor and Registered Valuer who has 16 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 8 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

SUMMARY OF VALUES

Group I – Property held by the Group in Hong Kong

No.	Property	Market Value in Existing State as at 28 February 2015
1.	Unit No. 1412 on 14th Floor of West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	HK\$40,300,000
Total:		<u>HK\$40,300,000</u>

Group II – Properties held by the Group in the PRC

No.	Property	Market Value in Existing State as at 28 February 2015
2.	Three industrial complexes located at Industrial Zone of Fengjiang Road, Luqiao District, Taizhou City, Zhejiang Province, The PRC 中國浙江省台州市 路橋區峰江街道 三個工業園區之工廠區	RMB563,700,000
3.	An industrial complex under construction located at Section C-61, Yantai Development Zone, Yantai City, Shandong Province, The PRC 中國山東省煙台市開發區C-61小區之地塊 一個在建中工廠區	RMB102,200,000
Total:		<u>RMB665,900,000</u>

Group III – Property contracted to be acquired by the Group in the PRC

No.	Property	Market Value in Existing State as at 28 February 2015
4.	A land parcel (Land No.Yan G[2014]5048) located at Section C-61, Yantai Development Zone, Yantai City, Shandong Province, The PRC 中國山東省煙台市開發區C-61小區之地塊 (煙G[2014]5048號宗地)	No Commercial Value
Total:		<u><u>Nil</u></u>

VALUATION CERTIFICATE

Group I – Property held by the Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2015
1.	Unit No. 1412 on 14th Floor of West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	Shun Tak Centre comprises 2 office blocks, named China Merchants Tower (East Tower) and West Tower, which were built over a commercial podium.	As advised by the Group, the property is subject to a tenancy agreement for a term of 1 year commencing on 1 May 2014 and expiring on 30 April 2015 with an option to renew for a year and a monthly rent of HK\$100,650 exclusive of rates and management fees.	HK\$40,300,000
	31/33888th equal and undivided shares of and in Inland Lot No. 8517	West Tower comprises a 30-storey office building, over a 12-storey (including 3 levels of basement) commercial/ carparking/podium, completed in 1985. The property comprises an office unit on the 14th Floor. As per our measurement of the assignment plan obtained from the Land Registry, the saleable area of the property is about 1,549 sq.ft. (or about 143.91 sq.m.). Inland Lot No. 8517 is held under Conditions of Grant No. UB11612 for a term of 75 years commencing on 31 December 1980 renewable for a further term of 75 years.		

Notes:

- The registered owner of the property is Hefast Holding Corporation Limited vide Memorial No. 10111702310013 dated 1 November 2010.
- The property is subject to a legal charge in favour of OCBC Wing Hong Bank Limited (formerly known as Wing Hang Bank Limited) vide Memorial No. 10113001910030 dated 17 November 2010.
- The property is subject to a tenancy agreement in favour of Changhong (Hongkong) Trading Limited for a year from 1 May 2014 to 30 April 2015 with an option to renew for a year and the rent is HK\$100,650 per month.
- Hefast Holding Corporation Limited is a wholly-owned subsidiary of the Company.
- The town planning zoning of the property is “Commercial” as per Central District Outline Zoning Plan No.S/H4/14.
- Our inspection was performed by Jeffrey Wong, B.Eng. in April 2015.

Group II – Properties held by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2015
2.	Three industrial complexes located at Industrial Zone of Fengjiang Road, Luqiao District, Taizhou City, Zhejiang Province, The PRC 中國浙江省台州市 路橋區峰江街道 三個工業園區之工廠區	The property comprises 9 parcels of land with a total site area of approximately 500,874.58 sq.m. (or about 5,391,414 sq.ft.) with various buildings erected thereon which were completed between about 2003 and 2008. The total gross floor area (“GFA”) of the property is approximately 103,709.53 sq.m. (or about 1,116,329 sq.ft.). For the portion of the property under construction, the proposed gross floor area is approximately 170,136.50 sq.m. (or about 1,831,349 sq.ft.). It is scheduled to complete in about 2017. The land use rights of the property have been granted for various terms with the latest expiring on 17 December 2063 for industrial use.	As advised by the Group, the property is owner-occupied.	RMB563,700,000

Notes:

- Pursuant to various State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of approximately 500,874.58 sq.m. have been granted to Taizhou Chiho-Tiande Metals Company Limited (台州齊合天地金屬有限公司) (“Chiho-Tiande Metals”) and Taizhou Chiho-Tiande Foundry Company Limited (台州齊合天地鑄造有限公司) (“Chiho-Tiande Foundry”), both are wholly-owned subsidiaries of the Group, for a term of 50 years for industrial use. The details of which are as follows:

Item	Land Use Rights Certificate No.	Owner	Expiry Date	Site Area (sq.m.)
1	Lu Guo Yong (2002) Zi Di No.10-135	Chiho-Tiande Metals	15-Oct-2048	26,195.20
2	Lu Guo Yong (2001) Zi Di No.10-2877	Chiho-Tiande Metals	29-Jul-2050	2,878.30
3	Lu Guo Yong (2005) Di No.000034	Chiho-Tiande Metals	15-Oct-2048	38,215.00
4	Lu Guo Yong (2005) Di No.000035	Chiho-Tiande Metals	01-Nov-2052	49,059.00
5	Lu Guo Yong (2005) Di No.000033	Chiho-Tiande Metals	01-Nov-2052	49,357.00
6	Lu Guo Yong (2012) Di No.00061	Chiho-Tiande Metals	30-May-2062	71,627.00
7	Lu Guo Yong (2012) Di No.00062	Chiho-Tiande Metals	30-May-2062	103,023.00
8	Lu Guo Yong (2013) Di No.00196	Chiho-Tiande Metals	17-Dec-2063	130,136.00
9	Lu Guo Yong (2008) Di No.00040	Chiho-Tiande Foundry	07-Dec-2053	30,384.08
Total:				500,874.58

2. Pursuant to various Building Ownership Certificates, the property with a total gross floor area of approximately 103,709.53 sq.m. is held by Chiho-Tiande Metals and Chiho-Tiande Foundry. The details of which are as follows:

Item	Building Ownership Certificate No.	Owner	No. of Storey	Gross Floor Area (sq.m.)
1	Tai Fang Quan Zheng Lu Zi Di No.319913	Chiho-Tiande Metals	2	723.94
2	Tai Fang Quan Zheng Lu Zi Di No.315926	Chiho-Tiande Metals	2	287.36
3	Tai Fang Quan Zheng Lu Zi Di No.315926	Chiho-Tiande Metals	6	3,304.28
4	Tai Fang Quan Zheng Lu Zi Di No.347317	Chiho-Tiande Metals	1	632.30
5	Tai Fang Quan Zheng Lu Zi Di No.347318	Chiho-Tiande Metals	3	1,675.75
6	Tai Fang Quan Zheng Lu Zi Di No.347319	Chiho-Tiande Metals	2	1,332.91
7	Tai Fang Quan Zheng Lu Zi Di No.347320	Chiho-Tiande Metals	2	1,870.17
8	Tai Fang Quan Zheng Lu Zi Di No.347321	Chiho-Tiande Metals	1	5,824.24
9	Tai Fang Quan Zheng Lu Zi Di No.347322	Chiho-Tiande Metals	1	12,905.43
10	Tai Fang Quan Zheng Lu Zi Di No.347322	Chiho-Tiande Metals	2	117.10
11	Tai Fang Quan Zheng Lu Zi Di No.347323	Chiho-Tiande Metals	1	8,693.80
12	Tai Fang Quan Zheng Lu Zi Di No.347324	Chiho-Tiande Metals	1	569.97
13	Tai Fang Quan Zheng Lu Zi Di No.347325	Chiho-Tiande Metals	1	2,799.07
14	Tai Fang Quan Zheng Lu Zi Di No.347326	Chiho-Tiande Metals	1	2,002.29
15	Tai Fang Quan Zheng Lu Zi Di No.347327	Chiho-Tiande Metals	1	1,845.15
16	Tai Fang Quan Zheng Lu Zi Di No.347328	Chiho-Tiande Metals	1	4,220.62
17	Tai Fang Quan Zheng Lu Zi Di No.347329	Chiho-Tiande Metals	1	8,076.98
18	Tai Fang Quan Zheng Lu Zi Di No.347330	Chiho-Tiande Metals	1	8,830.60
19	Tai Fang Quan Zheng Lu Zi Di No.347330	Chiho-Tiande Metals	2	260.66
20	Tai Fang Quan Zheng Lu Zi Di No.347331	Chiho-Tiande Metals	1	2,501.25
21	Tai Fang Quan Zheng Lu Zi Di No.347332	Chiho-Tiande Metals	1	8,306.77
22	Tai Fang Quan Zheng Lu Zi Di No.347333	Chiho-Tiande Metals	1	2,551.51
23	Tai Fang Quan Zheng Lu Zi Di No.347333	Chiho-Tiande Metals	3	402.35
24	Tai Fang Quan Zheng Lu Zi Di No.347349	Chiho-Tiande Foundry	1	1,978.71
25	Tai Fang Quan Zheng Lu Zi Di No.347350	Chiho-Tiande Foundry	1	3,785.58
26	Tai Fang Quan Zheng Lu Zi Di No.347351	Chiho-Tiande Foundry	1	6,699.78
27	Tai Fang Quan Zheng Lu Zi Di No.347352	Chiho-Tiande Foundry	1	1,901.83
28	Tai Fang Quan Zheng Lu Zi Di No.347353	Chiho-Tiande Foundry	1	2,156.76
29	Tai Fang Quan Zheng Lu Zi Di No.347354	Chiho-Tiande Foundry	1	1,696.08
30	Tai Fang Quan Zheng Lu Zi Di No.S0017279	Chiho-Tiande Foundry	6	5,756.29
			Total:	<u>103,709.53</u>

3. Pursuant to a Construction Land Planning Permit Di Zi Di No.331001201345025 dated 29 October 2013, the construction planning permit of the property with a site area of approximately 305,002.00 sq.m. have been granted to Chiho-Tiande Metals for industrial use.
4. Pursuant to 4 Construction Works Planning Permits, Jian Zi Di Nos.331001201345050, 331001201445006, 331001201445007 and 331001201445002, the construction planning permit of property with a total gross floor area of approximately 173,074.47 sq.m. have been granted to Chiho-Tiande Metals.

5. Pursuant to 5 Construction Works Commencement Permits, the commencement of construction of property with a total gross floor area of approximately 170,136.50 sq.m. have been granted permission to Chiho-Tiande Metals. The Details of which are as follows:

Item	Construction Works Commencement Permit No.	Construction Party	Construction Period	Gross Floor Area (sq.m.)
1	331004201312250101	Chiho-Tiande Metals	25 December 2013 – 25 May 2014	49,603.04
2	331004201404020101	Chiho-Tiande Metals	2 April 2014 – 4 September 2014	31,175.31
3	331004201407310101	Chiho-Tiande Metals	31 July 2014 – 13 December 2014	47,222.91
4	331004201410140201	Chiho-Tiande Metals	15 October 2014 – 16 April 2015	21,919.68
5	331004201404030201	Chiho-Tiande Metals	3 April 2014 – 20 November 2014	20,215.56
Total:				170,136.50

6. Pursuant to a Mortgage Contract of Maximum Amount – 2014 Nian Lu (Qi Di) Zi No.199, portion of the land use rights of the property with a total site area of approximately 103,023.00 sq.m., is subject to a mortgage in favour of Bank of China Taizhou City Luqiao District branch, as security to guarantee the credit line for a maximum amount of RMB91,800,000.
7. Pursuant to a Mortgage Contract of Maximum Amount – 2013 Nian Lu (Qi Di) Zi No.099, portion of the land use rights of the property with a total site area of approximately 30,384.08 sq.m., together with various portion of the property with a total GFA of approximately 23,975.03 sq.m. are subject to a mortgage in favour of Bank of China Taizhou City Luqiao District branch, as security to guarantee the credit line for a maximum amount of RMB57,860,000.
8. Pursuant to a Mortgage Contract of Maximum Amount – 2013 Nian Lu (Qi Di) Zi No.098, portion of various land use rights of the property with a total site area of approximately 29,073.50 sq.m., together with various portion of the property with a total GFA of approximately 4,947.88 sq.m. are subject to a mortgage in favour of Bank of China Taizhou City Luqiao District branch, as security to guarantee the credit line for a maximum amount of RMB49,280,000.
9. Pursuant to a Mortgage Contract of Maximum Amount – No.33100620140017251, portion of various land use rights of the property with a total site area of approximately 136,631.00 sq.m., together with various portion of the property with a total GFA of approximately 74,786.62 sq.m. are subject to a mortgage in favour of Agricultural Bank of China Taizhou Luqiao branch, as security to guarantee the credit line for a maximum amount of RMB312,076,000.
10. Pursuant to a Mortgage Contract of Maximum Amount – No.ZD8103201500000004, portion of the land use rights of the property with a total site area of approximately 71,627.00 sq.m., together with various portion of the property with a total GFA of approximately 37,008.83 sq.m. are subject to a mortgage in favour of Shanghai Pudong Development Bank Taizhou Luqiao branch, as security to guarantee the credit line for a maximum amount of RMB53,720,000.
11. The status of title in accordance with the information provided by the Group is as follows:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes

12. As advised by the Group, the estimated outstanding construction costs of the property is RMB120,000,000.
13. As advised by the Group, the total construction costs of the property incurred as at 28 February 2015 is RMB206,820,335.
14. Our inspection was performed by Jeffrey Wong, B.Eng. in April 2015.
15. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:
 - a. Chiho-Tiande Metals and Chiho-Tiande Foundry are in possession of a proper legal title to the property;
 - b. Chiho-Tiande Metals and Chiho-Tiande Foundry are entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government, except for 3 parcels of land, Lu Guo Yong (2005) Di No.000033, Lu Guo Yong (2005) Di No.000034 and Lu Guo Yong (2005) Di No.000035, which are entitled to transfer the property with its residual term of land use rights at an extra land premium of RMB11,213,998 for to the government;
 - c. The aforesaid land and buildings of the property are subject to mortgage. Within the terms of mortgages, Chiho-Tiande Metals and Chiho-Tiande Foundry have to either obtain approval from mortgagee or follow the terms of the mortgage contract to lease, transfer, occupy, manage and dispose the land use rights of the lands and the ownership of buildings;
 - d. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - e. Chiho-Tiande Metals and Chiho-Tiande Foundry are wholly-owned subsidiaries of the Group.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2015
3.	An industrial complex under construction located at Section C-61, Yantai Development Zone, Yantai City, Shandong Province, The PRC 中國山東省煙台市開發區 C-61小區之地塊 一個在建中工廠區	The property comprises a parcel of land with a site area of approximately 180,001.20 sq.m. (or about 1,937,533 sq.ft.). The property will be developed into an industrial complex with a maximum gross floor area of approximately 94,853.50 sq.m. (or about 1,021,003 sq.ft.). It is scheduled to complete in phases from about 2018 to 2020. The land use rights of the property have been granted for a term of 50 years expiring on 5 December 2061 for industrial use.	As advised by the Group, the property is under development.	RMB102,200,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Yan Guo Yong (2012) Di No.50105, the land use rights of the property with a total site area of approximately 180,001.20 sq.m. have been granted to Chiho-Tiande (YanTai) Resources Recycling Co. Limited (齊合天地(烟台)再生資源有限公司) ("Chiho-Tiande (YanTai)") for a term of 50 years expiring on 5 December 2061 for industrial use.
- Pursuant to a Construction Land Planning Permit Di Zi Di No.370601201200013 dated 30 March 2012, the construction planning permit of the land with a site area of approximately 180,001.20 sq.m. and a total gross floor area of approximately 94,853.50 sq.m. have been granted to Chiho-Tiande (YanTai) for industrial use.
- Pursuant to 2 Construction Works Planning Permits, Jian Zi Di Nos.370601201200074 and 370601201200075 dated 13 July 2012, the construction planning permit of property with a total gross floor area of approximately 89,452.30 sq.m. have been granted to Chiho-Tiande (YanTai).
- Pursuant to 2 Construction Works Commencement Permits, the commencement of construction permit of property with a total gross floor area of approximately 39,656.00 sq.m. have been granted to Chiho-Tiande (YanTai). The Details of which are as follows:

Item	Construction Works Commencement			Gross Floor Area (sq.m.)
	Permit No.	Construction Party	Construction Period	
1	Yan Kai Jian Shi (2013) No.016	Chiho-Tiande (YanTai)	16 February 2013 – 15 July 2013	34,932.00
2	Yan Kai Jian Shi (2014) No.165	Chiho-Tiande (YanTai)	24 July 2014 – 30 September 2015	4,724.00
Total:				<u>39,656.00</u>

5. Pursuant to a Mortgage Contract of Maximum Amount – No.37100620140007925, the land use rights of the property with a total site area of approximately 180,001.20 sq.m., is subject to a mortgage in favour of Agricultural Bank of China Yantai Development Zone branch, as security to guarantee the credit line for a maximum amount of RMB40,480,000.
6. The status of title in accordance with the information provided by the Group is as follows:
- | | |
|--|-----|
| Land Use Rights Certificate | Yes |
| Construction Land Planning Permit | Yes |
| Construction Works Planning Permit | Yes |
| Construction Works Commencement Permit | Yes |
7. As advised by the Group, the estimated outstanding construction costs of the property is about RMB190,983,750.
8. As advised by the Group, the total construction costs of the property incurred as at 28 February 2015 is about RMB46,150,000.
9. The value of the property after the development has been completed is RMB293,200,000.
10. Our inspection was performed by Dr. Alan Lee in April 2015.
11. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:
- Chiho-Tiande (YanTai) is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - The property is subject to a mortgage. Within the terms of mortgages, Chiho-Tiande (YanTai) has to either obtain approval from mortgagee or follow the terms of the mortgage contract to lease, transfer, occupy, manage and dispose the land use rights of the land;
 - The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - Chiho-Tiande (YanTai) is a wholly-owned subsidiary of the Group.

Group III – Property contracted to be acquired by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2015
4.	A land parcel (Land No. Yan G[2014]5048) located at Section C-61, Yantai Development Zone, Yantai City, Shandong Province, The PRC	The property comprises a parcel of land with a site area of approximately 308,784.40 sq.m. (or about 3,323,755 sq.ft.). The land use rights of the property have been granted for industrial use.	As advised to the Group, the property is a bare site.	No Commercial Value

中國山東省煙台市
開發區C-61小區之地塊
(煙G[2014]5048號宗地)

Notes:

1. Pursuant to a State-owned Land Use Rights Auction Confirmation Letter, Yan Guo Tu Zi Pai No. Yan G[2014]5048 dated 16 December 2014, Chiho-Tiande Investments Limited (齊合天地投資有限公司) won the bids for the land use rights of the land parcel (Land No. Yan G[2014]5048) with a site area of approximately 308,784.40 sq.m. at a consideration of RMB101,950,000. Chiho-Tiande Investments Limited is expected to enter into a Land Use Rights Grant Contract with Yantai City Land and Resources Bureau (煙台市國土資源局) after signing of the State-owned Land Use Rights Auction Confirmation Letter.
2. Our inspection was performed by Dr. Alan Lee in April 2015.
3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:
 - (a) Chilo-Tiande Investment Limited and its subsidiaries should pay the full land premium and enter into the State-owned Land Use Rights Grant Contract within 60 working days and 10 workings from the date of the State-owned Land Use Rights Auction Confirmation Letter;

Yantai City Land and Resources Bureau has the rights to resume the land of the property and Chilo-Tiande Investment Limited should compensate the price difference in re-sale; and
 - (b) If Chilo-Tiande Investment Limited settles the land premium and entered into the State-owned Land Use Rights Grant Contract with Yantai City Land and Resources Bureau, Chilo-Tiande Investment Limited can register the land use rights and apply for the State-owned Land Use Rights Certificate.

I. 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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy information contained in this circular (other than information relation to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The information in relation to the Subscriber contained in this circular has been supplied by the sole director of the Subscriber and the directors of USUM. The sole director of the Subscriber and the directors of USUM jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Group) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

II. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last trading date of each of the six months immediately preceding the date of the First Announcement and ending on the Latest Practicable Date; (ii) 20 March 2015 (being the Last Trading Day); and (iii) 24 April 2015 (being the Latest Practicable Date).

Date	Closing price per share HK\$
30 September 2014	2.91
31 October 2014	2.89
28 November 2014	2.85
31 December 2014	2.80
30 January 2015	3.82
27 February 2015	5.70
20 March 2015	6.73
31 March 2015	7.30
24 April 2015	7.20

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the last trading date of each of the six months immediately preceding the date of the First Announcement and ending on the Latest Practicable Date were HK\$2.80 per Share (recorded on 31 December 2014) and HK\$7.30 per Share (recorded on 31 March 2015) respectively.

III. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

(a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the completion of the First Subscription Agreement and the Second Subscription Agreement are set out below:

(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 completion of the First Subscription Agreement and the Second Subscription Agreement

<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
203,900,000	First Subscription Shares	2,039,000.00
<u>253,000,000</u>	Second Subscription Shares	<u>2,530,000.00</u>
<u>1,506,848,706</u>	Shares	<u>15,068,487.06</u>

Since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, the Company has issued 506,000 new Shares as fully paid as a result of the exercise of share options granted under the Post-IPO Share Option Scheme by the holders thereof. Save as disclosed above, the Company has not issued nor agreed to issue any new Shares other than under the First Subscription Agreement, the Second Subscription Agreement and the Convertible Bonds.

(b) Share options

At as the Latest Practicable Date, the Company had outstanding options granted pursuant to the Post-IPO Share Option Scheme conferring rights to subscriber for an aggregate of 20,192,000 new Shares at the exercise prices ranging from HK\$4.186 to HK\$6.388 per Share.

(c) Convertible Bonds

As at the Latest Practicable Date, the Company had outstanding Convertible Bonds which entitled the Bondholders to convert into an aggregate of 135,966,667 new Shares at an initial conversion price of HK\$6 per Share upon exercise of the conversion right thereof.

Save as disclosed above, the Company has no other outstanding options, warrants or conversion rights affecting the Shares.

IV. 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 are (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; or (d) required to be disclosed in this circular pursuant to the requirements of the Takeovers Code are as follows:

(i) Long positions in Shares and underlying Shares:

<u>Name of Director</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares interested</u>	<u>Number of underlying Shares interested</u>	<u>Total number of Shares interested</u>	<u>Approximate percentage shareholding in the Company</u>
Mr. Fang	Beneficial owner	7,014,000	6,600,000 <i>(Note 1)</i>	13,614,000	
	Interest in controlled corporations	434,103,256 <i>(Note 2)</i>	31,266,667 <i>(Note 2)</i>	465,369,923	
	Interest of the other parties to an agreement under section 317 of the SFO	700,000 <i>(Note 3)</i>	104,700,000 <i>(Note 3)</i>	105,400,000	
			Total:	<u>584,383,923</u>	55.66%

Name of Director	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
Mr. Gu Liyong	Beneficial owner	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 are held by HWH, a company wholly-owned by Mr. Fang, as beneficial owner. 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 Greenwood and Greenwood 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 Greenwood is obliged to deliver to HWH upon exercise of the HWH-Greenwoods 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 700,000 Shares are held by Mr. van Ooijen as beneficial owner. 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 105,400,000 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 and debentures of the Company or any of its Associated Corporations which are (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; or (d) required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

V. 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 which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code; 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 (Note 1)	31,266,667 (Note 1)	465,369,923	
	Interest of the other parties to an agreement under section 317 of the SFO	7,714,000 (Note 2)	111,300,000 (Note 2)	119,014,000	
			Total:	<u>584,383,923</u>	55.66%
Mr. van Ooijen	Beneficial owner	700,000	–	700,000	
	Interest in controlled corporations	–	52,100,000 (Note 3)	52,100,000	
	Interest of the other parties to an agreement under section 317 of the SFO	441,117,256 (Note 4)	90,466,667 (Note 4)	531,583,923	
			Total:	<u>584,383,923</u>	55.66%
Delco	Beneficial owner	–	52,100,000 (Note 3)	52,100,000	
	Interest of the other parties to an agreement under section 317 of the SFO	441,817,256 (Note 4)	90,466,667 (Note 4)	532,283,923	
			Total:	<u>584,383,923</u>	55.66%

APPENDIX III
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
Mr. de Leeuw	Interest in controlled corporations	–	52,100,000 <i>(Notes 3 & 5)</i>	52,100,000	
	Interest of the other parties to an agreement under section 317 of the SFO	441,817,256 <i>(Notes 4 & 5)</i>	90,466,667 <i>(Notes 4 & 5)</i>	532,283,923	
Total:				<u>584,383,923</u>	55.66%
SVO Company B.V.	Interest in controlled corporations	441,817,256 <i>(Notes 3, 4 & 5)</i>	142,566,667 <i>(Notes 3, 4 & 5)</i>	584,383,923	55.66%
H.P.L. Metals B.V.	Interest in controlled corporations	441,817,256 <i>(Notes 3, 4 & 5)</i>	142,566,667 <i>(Notes 3, 4 & 5)</i>	584,383,923	55.66%
Stichting Beheer Aandelen H.P.L. Metals	Interest in controlled corporations	441,817,256 <i>(Notes 3, 4 & 5)</i>	142,566,667 <i>(Notes 3, 4 & 5)</i>	584,383,923	55.66%
Sims	Beneficial owner	–	52,600,000 <i>(Note 6)</i>	52,600,000	
	Interest of the other parties to an agreement under section 317 of the SFO	441,817,256 <i>(Note 7)</i>	89,966,667 <i>(Note 7)</i>	531,783,923	
Total:				<u>584,383,923</u>	55.66%
Sims Metal Management China Holdings Limited	Interest in controlled corporations	441,817,256 <i>(Notes 7 & 8)</i>	142,566,667 <i>(Notes 6, 7 & 8)</i>	584,383,923	55.66%
Sims Asia	Interest in controlled corporations	441,817,256 <i>(Notes 7 & 8)</i>	142,566,667 <i>(Notes 6, 7 & 8)</i>	584,383,923	55.66%
SMM	Interest in controlled corporations	441,817,256 <i>(Notes 7 & 8)</i>	142,566,667 <i>(Notes 6, 7 & 8)</i>	584,383,923	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
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%
The Subscriber	Beneficial owner	456,900,000 (Note 11)	52,600,000 (Note 11)	509,500,000	48.53%
USUM	Interest in controlled corporations	456,900,000 (Note 11)	52,600,000 (Note 11)	509,500,000	48.53%
Loncin Holdings	Interest in controlled corporations	456,900,000 (Note 11)	52,600,000 (Note 11)	509,500,000	48.53%
Loncin Group	Beneficial owner	456,900,000 (Note 11)	52,600,000 (Note 11)	509,500,000	48.53%
Mr. Tu Jianhua	Interest in controlled corporations	456,900,000 (Note 11)	52,600,000 (Note 11)	509,500,000	48.53%

(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	–	52,100,000 (Note 12)	52,100,000	4.96%
Delco	Beneficial owner	–	52,100,000 (Notes 5 & 12)	52,100,000	4.96%

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. de Leeuw	Interest in controlled corporations	–	52,100,000 (Notes 5 & 12)	52,100,000	4.96%
SVO Company B.V.	Interest in controlled corporations	–	52,100,000 (Notes 5 & 12)	52,100,000	4.96%
H.P.L. Metals B.V.	Interest in controlled corporations	–	52,100,000 (Notes 5 & 12)	52,100,000	4.96%
Stichting Beheer Aandelen H.P.L. Metals	Interest in controlled corporations	–	52,100,000 (Notes 5 & 12)	52,100,000	4.96%

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

Name of the member of the Group	Name of shareholder(s)	Capacity/Nature of Interest	Number of shares/ Amount of equity interest held	Approximate percentage shareholding/ equity interest
Chiho-Tiande (HK) Metals Recycling Co. Limited	Capitol Ocean Limited	Beneficial owner	10,500,000 shares of HK\$1.00 each	30%
Chiho-Tiande (HK) Logistics Co. Limited	Kwok Kam Sun	Beneficial owner	2,400 shares of HK\$1.00 each	24%
	Chen Maicheng	Beneficial owner	2,400 shares of HK\$1.00 each	24%
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 are held by HWH as beneficial owner. 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 7,714,000 Shares comprise (i) 7,014,000 Shares held by Mr. Fang as beneficial owner; and (ii) 700,000 Shares held by Mr. van Ooijen as beneficial owner. 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 119,014,000 Shares and underlying Shares held by the other parties to an agreement under section 317 of the SFO.
- (3) 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 52,100,000 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. 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; and (iii) 434,103,256 Shares held by HWH as beneficial owner. 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 the Subscriber as beneficial owner by virtue of the First Subscription Agreement and the Second Subscription Agreement. The 52,600,000 underlying Shares are held by the Subscriber as beneficial owner by virtue of the CB Purchase Agreement. The Subscriber 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 and underlying Shares as held by the Subscriber.
- (12) 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 herein, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no other persons (other than a Director or chief executive of the Company) (a) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or which were required to be disclosed in this circular pursuant to the requirements of the Takeover Code; 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.

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.

VI. DEALING AND INTEREST OF THE SUBSCRIBER AND PARTIES ACTING IN CONCERT WITH IT IN THE SECURITIES OF THE COMPANY

Pursuant to paragraph 3 of Schedule VI to the Takeovers Code, the Executive will not normally waive an obligation to make a mandatory general offer with respect to a company under Rule 26 of the Takeovers Code if there occurs any disqualifying transaction prior to the grant of such waiver. Disqualifying transactions include transactions where the person seeking a waiver or any person acting in concert with it has acquired voting rights in such company in the six months prior to the announcement of the proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of such company in relation to the relevant proposal. Further, a waiver will not be granted or if granted will be invalidated if, without the prior consent of the Executive, any non-exempt acquisitions or disposals of voting rights are made by such persons between the time of announcement of the proposals and the completion of the subscription.

As at the Latest Practicable Date, save for the First Subscription Shares and the Second Subscription Shares to be acquired upon the completion of the First Subscription Agreement and the Second Subscription Agreement, respectively, the Sims Bonds to be acquired upon the completion of the CB Purchase Agreement and the Sims Conversion Shares to be acquired upon exercise of the conversion rights attaching to the Sims Bonds, the Subscriber has confirmed that none of the Subscriber and parties acting in concert with it:

- (a) holds, controls or has direction over any outstanding Shares, options, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or has entered into any derivatives in respect of the securities of the Company;
- (b) has received any irrevocable commitment to vote for or against the Second Subscription Agreement, the Subscription Whitewash Waiver or the CB Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Second Subscription Agreement, the Subscription Whitewash Waiver and/or the CB Whitewash Waiver, with any other persons;
- (e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Second Subscription Agreement, the Subscription Whitewash Waiver and/or the CB Whitewash Waiver; or
- (f) has dealt in Shares, outstanding options, derivatives or other securities convertible or exchangeable into Shares, during the Relevant Period.

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

As at the Latest Practicable Date, other than the Lock-up Undertaking, no Director was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting and 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.

VIII. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) no Shares to be acquired by the Subscriber in pursuance of the First Subscription Agreement and the Second Subscription Agreement have been transferred, charged or pledged to any other persons, and save for the purpose of providing securities to banks or financial institutions for possible financing in the future, no Shares to be acquired by the Subscriber in pursuance of the First Subscription Agreement and the Second Subscription Agreement will be transferred, charged or pledged to any other persons;
- (b) none of the Independent Shareholders had irrevocably committed themselves to vote for or against any of the resolutions to be proposed at the EGM to approve the Transactions;
- (c) the sole director of the Subscriber was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (d) other than the Lock-up Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any person acting in concert with it and any of the Directors, recent Directors, Shareholders and recent Shareholders having connection with or dependence upon the outcome of the Transactions;
- (e) there were no benefits to be given to any Directors as compensation for loss of office or otherwise in connection with the Transactions;
- (f) other than the Lock-up Undertaking, there was no agreement or arrangement between any Directors and any other person which is conditional on or depend upon the outcome of the Transactions or otherwise connected therewith;
- (g) none of the Company and its Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;
- (i) none of the Directors intended, in respect of their shareholdings in the Company, to vote for or against any of the resolutions to be proposed at the EGM to approve the Transactions, Mr. Fang was involved in the negotiation in his capacity as an executive Director and is hence required to abstain from voting on the resolutions to be proposed at the EGM to approve the Transactions;

- (j) there was no material contract entered into by the Subscriber in which any Director has a material personal interest;
- (k) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription, the Subscription Whitewash Waiver and/or the CB Whitewash Waiver;
- (l) save as disclosed in the section headed “Effect of the First Subscription, the Second Subscription and the CB Purchase Agreement on the Shareholding Structure of the Company” in the letter from the Board of and “Directors’ and Chief Executives’ Disclosure of Interests” in this appendix to this circular, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (m) other than (i) the Extension of the Convertible Bonds held by HWH (a company wholly-owned by Mr. Fang, an executive Director) as contemplated under the HWH Undertaking; and (ii) the acquisition of 115,197,991 Shares by HWH from Delco pursuant to the HWH-Delco SPA, which was completed on 17 April 2015, none of the Directors had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (n) none of the subsidiaries of the Company and none of the pension funds of the Company or its subsidiaries, nor any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code, owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (o) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code; and
- (p) no fund which was managed on a discretionary basis by any fund manager connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

IX. 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:

- (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of the First Announcement;
- (b) was a continuous contract with a notice period of twelve months or more;
- (c) was a fixed term contract with more than twelve months to run irrespective of the notice period; or

- (d) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

X. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by members of the Group within two years preceding the date of the First Announcement and up to and including the Latest Practicable Date and are or may be material:

- (a) the First Subscription Agreement;
- (b) the Second Subscription Agreement (as amended and restated on 27 March 2015);
- (c) the Sims Undertaking;
- (d) the Greenwoods Undertaking;
- (e) the HWH Undertaking;
- (f) the Delco Undertaking;
- (g) the Delco Supplemental Undertaking;
- (h) the agreement for assignment of lease dated 20 June 2013 (the “**Agreement for Assignment**”) entered into between Chiho-Tiande (HK) Limited as purchaser and China Dyeing Holdings, Limited as vendor relating to the assignment of the leasehold interest of the piece or parcel of land registered in the Land Registry of Hong Kong as subsection 2 of section E of Yuen Long Town Lot No. 313 and the extensions thereto together with the messuages erections and buildings erected thereon and/or thereunder now known as 50-68 Wang Lok Street, Yuen Long, New Territories, Hong Kong for the purchase price of HK\$200 million. Further details of the Agreement for Assignment are set out in the announcement of the Company dated 20 June 2013;
- (i) the supplemental agreement dated 20 June 2013 entered into between Chiho-Tiande (HK) Limited and China Dyeing Holdings, Limited to amend certain terms of the Agreement for Assignment (the “**Supplemental Agreement**”). Further details of the Supplemental Agreement are set out in the announcement of the Company dated 20 June 2013;
- (j) the cancellation agreement dated 25 November 2013 entered into between Chiho-Tiande (HK) Limited and China Dyeing Holdings, Limited to cancel the Agreement for Assignment and the Supplemental Agreement, details of which are set out in the announcement of the Company dated 8 November 2013;

- (k) the letter of intent dated 1 December 2014 entered into between 煙台立衡環保科技有限公司 (Yantai Liheng Environmental Protection Technology Co., Ltd.*) (“**Yantai Liheng**”), Chiho-Tiande Investments Limited, Mr. Li Yuhu and 煙台力揚工貿有限公司 (Yantai Liyang Industrial Co., Ltd.*) in respect of the proposed acquisition of an aggregate of 80% equity interest in Yantai Liheng, further details of which are set out in the announcement of the Company dated 1 December 2014; and
- (l) the letter of intent dated 1 December 2014 entered into between Chiho-Tiande Investments Limited and Mr. Li Yuhu in respect of proposed establishment of a company as an investment vehicle for the proposed acquisition of an aggregate of 80% equity interest in Yantai Liheng, further details of which are set out in the announcement of the Company dated 1 December 2014.

XI. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

XII. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

XIII. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which is contained in this circular:

Name	Qualification
BOCOM International	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Zhong Lun Law Firm	PRC legal advisers
Roma Appraisals Limited	Property valuer

* for identification purpose only

Each of BOCOM International, Roma Appraisals Limited and Zhong Lun Law Firm 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.

Each of BOCOM International, Roma Appraisals Limited and Zhong Lun Law Firm 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.

XIV. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.chiho-tiande.com); (ii) on the website of the SFC (www.sfc.hk); and (iii) during normal business hours at any weekday (public holiday 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 in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code:

- (a) the memorandum of association and articles of association of the Company;
- (b) the articles of association of the Subscriber;
- (c) the annual reports of the Company for each of two financial years ended 31 December 2013 and 31 December 2014;
- (d) the letter from the Board, the text of which is set out on pages 11 to 38 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 41 to 66 of this circular;
- (g) the property valuation report, the text of which is set out on pages 160 to 173 of this circular;
- (h) the CB Purchase Agreement;
- (i) the material contracts referred to in the section headed “Material Contracts” in this Appendix;

- (j) the written consents referred to in the section headed “Experts and Consents” in this Appendix;
- (k) the CB Extension Circular; and
- (l) this circular.

XV. MISCELLANEOUS

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the place of business of the Company is at 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited and its registered office is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Yu Miu Cheung, who is a member of Hong Kong Institute of Chartered Secretaries.
- (d) The registered address of the Subscriber is Suite 3304, 33/F., Block 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.
- (e) As at the Latest Practicable Date, the sole director of the Subscriber is Ms. Danni Chan. The Subscriber is directly wholly owned by USUM, a limited liability company incorporated in the PRC. 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. Loncin Group is 98% owned by Mr. Tu Jianhua.
- (f) As at the Latest Practicable Date, the directors of USUM comprise Tu Jianhua, Yue Longqiang, Duan Xiaohua, Yang Weimin, Xiao Hua’an, Peng Jianqiang, Huang Hongyun, Xiang Hua, Song Xiaoping, Liao Changguang and Wang Huadong.
- (g) As at the Latest Practicable Date, the directors of each of Loncin Holdings and Loncin Group are Tu Jianhua, Tu Jianmin and Tu Jianrong.
- (h) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

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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 OF EXTRAORDINARY GENERAL MEETING

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 Friday, 15 May 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) the subscription agreement dated 21 March 2015 (as amended and restated on 27 March 2015) (the “**Second Subscription Agreement**”, a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification), entered into between the Company as issuer and USUM Investment Group Hong Kong Limited (“**USUMHK**”) as subscriber, pursuant to which the Company has conditionally agreed to issue and allot and the Subscriber has agreed to subscribe an aggregate amount of HK\$2,279.53 million for 253 million new shares (the “**Second Subscription Shares**”) of HK\$0.01 each of the Company (“**Shares**”) at the subscription price of HK\$9.01 per Share (subject to adjustments) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (B) the allotment and issue of the Second Subscription Shares to the Subscriber pursuant to the terms of the Second Subscription Agreement be and is hereby approved;
- (C) any one or more of the directors of the Company be and is/are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue up to 253 million new Shares (or such greater number as may be required to be issued as a result of an adjustment to the subscription price as provided for in accordance with the terms and conditions in the Second Subscription Agreement) in the share capital of the Company as may be required to be allotted and issued upon the completion of the Second Subscription Agreement; and

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- (D) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things as they consider necessary or expedient for the purpose of giving effect to the Second Subscription Agreement and completing the transactions contemplated thereunder.”
2. “**THAT** subject to the passing of resolution no. 1 above and the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) granting to USUMHK and parties acting in concert with it the waiver (the “**Subscription Whitewash Waiver**”) pursuant to Note 1 to the Notes on dispensation from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) waiving any obligation on the part of USUMHK and parties acting in concert with it to make a mandatory general offer for all 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 under Rule 26.1 of the Takeovers Code as a result of the allotment and the issue of the Second Subscription Shares, and the satisfaction of any condition(s) attached to the Subscription Whitewash Waiver as may be imposed by the Executive, the Subscription Whitewash Waiver be and is hereby approved and any one director of the Company be and is hereby authorised to do all such acts and things as he/she considers necessary or expedient for the purpose of giving effect to any matters relating to or incidental to the Subscription Whitewash Waiver.”
3. “**THAT**
- (A) subject to the passing of resolutions no. 1 and 2 above and the Executive granting to USUMHK and parties acting in concert with it the waiver (the “**CB Whitewash Waiver**”) pursuant to Note 1 to the Notes on dispensation from Rule 26 of the Takeovers Code waiving any obligation on the part of USUMHK and parties acting in concert with it to make a mandatory general offer for all 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 under Rule 26.1 of the Takeovers Code as a result of USUMHK exercising the conversion rights attaching to the Sims Bonds (as defined below), and the satisfaction of any condition(s) attached to the CB Whitewash Waiver as may be imposed by the Executive, the CB Whitewash Waiver be and is hereby approved and any one director of the Company be and is hereby authorised to do all such acts and things as he/she considers necessary or expedient for the purpose of giving effect to any matters relating to or incidental to the CB Whitewash Waiver; and
- (B) for the purpose of this resolution no. 3, “**Sims Bonds**” means the convertible bonds in the aggregate principal amount of HK\$315,600,000 owned by Sims Metal Management Dragon Holdings Limited (“**Sims**”) and comprised in the 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 issued by the Company on 1 March 2012 and which Sims has conditionally agreed to sell, and USUMHK has conditionally agreed to

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purchase, on the terms and conditions of a sale and purchase agreement dated 9 April 2015 entered into between Sims as seller and USUMHK as purchaser.”

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

Hong Kong, 28 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 hereto, 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 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 from Thursday, 14 May 2015 to Friday, 15 May 2015, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 13 May 2015.
- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 28 April 2015 which contains information concerning the resolutions to be proposed in this notice.

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- (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