
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chiho-Tiande Group Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.



USUM INVESTMENT GROUP HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

CHIHO-TIANDE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 976)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY GENERAL CASH OFFERS
BY CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES,
ALL OUTSTANDING CONVERTIBLE BONDS AND IN EXCHANGE FOR CASH,
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF CHIHO-TIANDE
GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



A letter from China Galaxy containing, amongst other things, details of the terms and conditions of the Offers is set out on pages 11 to 23 of this Composite Document. A letter from the Board is set out on pages 24 to 31 of this Composite Document. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance of the Share Offer, and to the Convertible Bondholders and Optionholders as to its views on the Convertible Bond Offer and Option Offer, respectively is set out on pages 32 to 33 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offers is set out on pages 34 to 58 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance.

Acceptance of the Offers should be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Convertible Bond Offer and the Option Offer) by no later than 4:00 p.m. on Monday, 15 February 2016 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Code.

Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

25 January 2016

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EXPECTED TIMETABLE

The timetable set out below is indicative and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all the time and date references contained in this Composite Document refer to Hong Kong time and dates.

Event	Time & Date
Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement of the Offers (<i>Note 1</i>)	Monday, 25 January 2016
Latest time and date for acceptance of the Offers (<i>Notes 2, 3 and 4</i>)	4:00 p.m. on Monday, 15 February 2016
Closing Date of the Offers (<i>Notes 3 and 4</i>)	Monday, 15 February 2016
Announcement of the results of the Offers on the website of the Stock Exchange (<i>Note 4</i>)	by 7:00 p.m. on Monday, 15 February 2016
Latest date of posting of remittances for the amounts due in respect of valid acceptances received under the Offers (<i>Note 5</i>)	Wednesday, 24 February 2016

Notes:

- (1) The Offers, which are unconditional in all respects, are made on Monday, 25 January 2016, being the date of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.
- (2) The latest time and date for acceptance is 4:00 p.m. on Monday, 15 February 2016, unless the Offeror revises or extends the Offers, with the consent of the Executive, in accordance with the Code. Beneficial owners of Share(s) who hold their Share(s) in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptance of the Offers shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Code.
- (3) Acceptance of the Offers shall be irrevocable and is not capable of being withdrawn, except in the circumstances as set out in paragraph 7 headed “Right of withdrawal” in Appendix I to this Composite Document.
- (4) In accordance with the Code, the Offers must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed at 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offers in accordance with the Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers has been revised or extended or has expired. In the event that the Offeror decides that the Offers will remain open, the announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least 14 days’ notice in writing will be given, before the Offers are closed, to those Independent Shareholders, the Convertible Bondholders and the Optionholders who have not accepted the Offers. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force on the Closing Date and it is (i) not cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day

EXPECTED TIMETABLE

as the Executive may approve; or (ii) cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will remain the same, i.e. at 4:00 p.m. on the Closing Date.

- (5) Remittances in respect of the cash consideration (after deducting the sellers' ad valorem stamp duty) payable for the Shares, the Share Options or the Convertible Bonds tendered under the Offers will be posted to the accepting Independent Shareholders, the accepting Optionholders and the accepting Convertible Bondholders at his/her/its own risk as soon as possible but in any event within seven Business Days of the date of receipt by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offer and the Convertible Bond Offer) of all the relevant documents to render the acceptance under the Offers complete and valid.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS HOLDERS

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, the Company, China Galaxy, Somerley Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see “Availability of the Offers to Overseas Holders” in the “Letter from China Galaxy” in this Composite Document.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto in the Code;
“Announcement”	means the announcement of the Company dated 23 October 2015 in relation to the Facility Agreement, the Option and the Deed;
“associate(s)”	has the meaning ascribed thereto under the Code;
“ BLUE Form of Convertible Bond Offer Acceptance”	means the blue form of acceptance and transfer of Convertible Bonds in respect of the Convertible Bond Offer;
“Board”	means the board of Directors;
“Business Day”	means a day on which the Stock Exchange is open for the transaction of business;
“CCASS”	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“CCBI”	means CCB International Securities Limited;
“CCBI Facility”	means a credit facility in the sum of HK\$2,000 million granted by CCBI in favor of the Offeror;
“China Galaxy”	means China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offers;
“Closing Date”	means 15 February 2016, being the closing date of the Offers which is 21 days following the date on which this Composite Document is posted (or such other date as revised or extended by the Offeror, with the consent of the Executive, in accordance with the Code);
“Code”	means the Hong Kong Code on Takeovers and Mergers;
“Collateral Shares”	means the 389,787,256 Shares charged by HWH to the Offeror under the Share Charge;

DEFINITIONS

“Company”	means Chiho-Tiande Group Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange with Stock Code 976;
“Completion”	means completion of the transfer of the Option Shares from HWH to the Offeror under the Deed resulting in an obligation to make an unconditional mandatory general offer under the Code;
“Composite Document”	means this composite offer and response document issued jointly by the Offeror and the Company in relation to the Offers;
“Concert Parties”	means, in relation to a person, parties acting in concert with the person, as determined in accordance with the Code and each a “ Concert Party ”;
“Convertible Bondholders”	means the holders of the Convertible Bonds from time to time;
“Convertible Bonds”	means the outstanding 4% coupon convertible bonds issued by the Company on 1 March 2012, having an aggregate outstanding principal amount of HK\$380,200,000 as at the Latest Practicable Date;
“Convertible Bond Offer”	means the unconditional mandatory general cash offer made by China Galaxy on behalf of the Offeror in accordance with the Code to acquire the Convertible Bonds in accordance with the terms described in this Composite Document;
“Deed”	means the deed dated 23 October 2015 and entered into between HWH and the Offeror in respect of the Option Shares;
“Delco”	means Delco Participation B.V., a company incorporated in the Netherlands;
“Delco Supplemental Undertaking”	means the supplemental undertaking dated 18 March 2015 entered into by the Company and Delco to amend and supplement the Delco Undertaking;
“Delco Undertaking”	means 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;

DEFINITIONS

“Directors”	means the directors of the Company from time to time;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Facility Agreement”	means the facility agreement dated 23 October 2015 entered into between HWH and the Offeror, under which the Offeror made available to HWH a credit facility of HK\$1,360,000,000 on the terms and subject to the conditions therein;
“Form(s) of Acceptance”	means the WHITE Form of Share Offer Acceptance, the BLUE Form of Convertible Bond Offer Acceptance and the PINK Form of Option Offer Acceptance (as the context may require) in respect of the Offers which accompany(ies) this Composite Document;
“Group”	means the Company and its subsidiaries from time to time and “ Group Company ” means any of them;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC Nominees Limited”	means a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited;
“HWH”	means HWH Holdings Limited, a limited liability company incorporated in the British Virgin Islands that is wholly-owned by Mr. Fang;
“Holding Announcement”	means the announcement of the Company dated 29 December 2015;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means the committee comprising all the independent non-executive Directors (none of whom have any direct or indirect interest in the Offers) which has been established for the purpose of recommendations to the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance of the Share Offer, and to the Convertible Bondholders and Optionholders as to its views on the Convertible Bond Offer and Option Offer respectively;

DEFINITIONS

“Independent Financial Adviser” or “Somerley Capital”	means Somerley Capital Limited, a corporation licensed by SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Offers;
“Independent Shareholder(s)”	means Shareholder(s) other than the Offeror and its Concert Parties and Mr. Zhang who has given the Irrevocable Undertaking;
“Interim Report”	means the interim report of the Company for the six months ended 30 June 2015;
“Irrevocable Undertaking”	means the irrevocable undertaking given by Mr. Zhang in respect of non-acceptance of the Share Offer;
“Joint Announcement”	means the joint announcement of the Company and the Offeror dated 4 January 2016 regarding, among other things, the exercise of the Option and the Offers;
“Last Trading Date”	means 17 December 2015, being the last trading day prior to the publication of the Joint Announcement;
“Latest Practicable Date”	means 22 January 2016, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained herein;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Loncin Group”	means Loncin Group Co., Ltd.* (隆鑫集團有限公司), a limited liability company incorporated in the PRC;
“Loncin Holdings”	means Loncin Holdings Co., Ltd.* (隆鑫控股有限公司), a limited liability company incorporated in the PRC;
“Main Board”	means the securities market operated by the Stock Exchange prior to the establishment of growth enterprise market (“GEM”) (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM;
“Mr. Fang”	means Mr. Fang Ankong, an executive Director;
“Mr. Meng”	means Mr. Meng Yi, an executive Director;

DEFINITIONS

“Mr. Tu”	means Mr. Tu Jianhua, an executive Director;
“Mr. Zhang”	means Mr. Zhang Mingjie, an executive Director;
“Offeror”	means USUM Investment Group Hong Kong Limited, a company incorporated in Hong Kong with limited liability;
“Offers”	mean the Share Offer, the Convertible Bond Offer and the Option Offer and “ Offer ” means each of them;
“Offer Period”	has the meaning ascribed to it under the Code and commencing from 29 December 2015, being the date of publication of the Holding Announcement until the Closing Date or such other later date as revised or extended by the Offeror, with the consent of the Executive, in accordance with the Code;
“Option”	means the option granted by HWH to the Offeror in respect of the Option Shares pursuant to the Deed;
“Optionholders”	means the holders of the Share Options from time to time;
“Option Offer”	means the unconditional mandatory general cash offer made by China Galaxy on behalf of the Offeror in accordance with the Code to cancel all outstanding Share Options in exchange for cash in accordance with the terms described in this Composite Document;
“Option Shares”	means 389,787,256 Shares, which is the subject matter under the Deed and each an “ Option Share ”;
“Overseas Holders”	means Shareholders, whose registered addresses as shown in the register of members of the Company, are outside Hong Kong, and Optionholders and Convertible Bondholders who are not residents of Hong Kong;
“ PINK Form of Option Offer Acceptance”	means the pink form of acceptance and in exchange for cash, cancellation of all outstanding Share Options in respect of the Option Offer;
“PRC”	means the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;

DEFINITIONS

“Registrar”	means Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, being the agent to receive the WHITE Form of Share Offer Acceptance under the Share Offer;
“Relevant Period”	means the period from 29 June 2015, being the date falling six months preceding the date of the Holding Announcement, up to and including the Latest Practicable Date;
“Resignation Announcement”	means the announcement of the Company dated 4 January 2016 in relation to, among other things, the tendering of resignation by Mr. Fang as the executive Director, Vice Chairman, Chief Executive Officer, Chairman of Executive Committee and Pricing Committee and member of Remuneration Committee and Nomination Committee of the Company;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means the ordinary share(s) of the Company of HK\$0.01 each;
“Share Charge”	means the share charge dated 23 October 2015 and entered into between HWH and the Offeror in respect of the Collateral Shares;
“Share Offer”	means the unconditional mandatory general cash offer made by China Galaxy on behalf of the Offeror to the Shareholders (other than the Offeror, its Concert Parties and Mr. Zhang) in accordance with the Code to acquire the entire issued share capital of the Company not already owned or agreed to be acquired by the Offeror and its Concert Parties at the Share Offer Price in accordance with the terms described in Composite Document;
“Share Offer Price”	means HK\$3.50 per Share;

DEFINITIONS

“Share Options”	means the 2,188,000 share options (corresponding to 2,188,000 new Shares) granted by the Company pursuant to the Share Option Scheme and remained outstanding as at the Latest Practicable Date;
“Share Option Scheme”	means the post-IPO share option scheme adopted by the Company on 23 June 2010, which is valid and effective for a period of ten years;
“Shareholder(s)”	means registered holder(s) of the Shares from time to time;
“Stamp Office”	means the Stamp Office of Hong Kong;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in the Listing Rules;
“USUM Group”	means USUM Investment Group Limited, a limited liability company incorporated in the PRC;
“ WHITE Form of Share Offer Acceptance”	means the white form of acceptance and transfer of Shares in respect of the Share Offer; and
“%”	means per cent.

* *For identification purpose only*

LETTER FROM CHINA GALAXY



China Galaxy International Securities
(Hong Kong) Co., Limited

Unit 3501-3507 & 3513-3514, 35/F
Cosco Tower, Grand Millennium Plaza
183 Queen's Road Central, Sheung Wan, Hong Kong

25 January 2016

*To the Independent Shareholders, Optionholders and
Convertible Bondholders,*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFERS BY
CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO.,
LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE
ISSUED SHARES, ALL OUTSTANDING CONVERTIBLE BONDS AND IN
EXCHANGE FOR CASH, TO CANCEL ALL OUTSTANDING SHARE
OPTIONS OF CHIHO-TIANDE GROUP LIMITED (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND ITS CONCERT PARTIES)**

1. INTRODUCTION

Reference is made to the Announcement in relation to the Facility Agreement, the Option, the Deed, the Holding Announcement and the Joint Announcement in relation to the exercise of the Option, completion of acquisition of an approximately 24.54% interest in the Company by the Offeror and the Offers. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in the Composite Document.

On 17 December 2015 (after trading hours), the Offeror exercised the Option granted under the Deed, requiring HWH to transfer to it all but not part of the Option Shares at the price of HK\$3.50 per Share, totaling HK\$1,364,255,396. The Option Shares represent approximately 24.54% of the issued share capital of the Company as at the Latest Practicable Date. In accordance with the terms of the Deed, Completion took place on 22 December 2015.

Immediately prior to the transfer of the Option Shares, the Offeror and its Concert Parties (other than HWH) collectively held a total of 509,608,000 Shares, representing approximately 32.08% of the issued share capital of the Company. Upon Completion and as at the Latest Practicable Date, the Offeror and its Concert Parties collectively held a total of 899,395,256 Shares, representing approximately 56.62% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Code, the Offeror and its Concert Parties are required to make an unconditional mandatory general cash offer to purchase all the issued Shares which are not already owned or agreed to be acquired by the Offeror and its Concert Parties. The Offeror and its Concert Parties are also required to

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make the Option Offer and the Convertible Bond Offer pursuant to Rule 13 of the Code. As the Offeror and its Concert Parties are holding more than 50% of the issued share capital of the Company upon Completion, the Share Offer, the Option Offer and the Convertible Bond Offer are unconditional in all respects.

This letter sets out, among other things, the principal terms of the Offers, together with information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offers and procedures of acceptance and settlement are set out in Appendix I to the Composite Document and the accompanying Form(s) of Acceptance. Independent Shareholders, Convertible Bondholders and Optionholders are strongly advised to carefully consider the information contained in the section headed "Letter from the Board", "Letter from the Independent Board Committee", and "Letter from Somerley Capital" and the appendices as set out in the Composite Document before reaching a decision as to whether or not to accept the Offers.

2. THE OFFERS

Principal terms of the Offers

Upon Completion, as the Offeror and its Concert Parties are holding more than 50% of the voting rights of the Company, the Offers will not be subject to any acceptance or other conditions. The Offers will be made by China Galaxy on behalf of the Offeror in accordance with the Code and on the following basis:

The Share Offer

For each Share HK\$3.50 in cash

The Share Offer Price of HK\$3.50 per Share is the same as the price per Share paid by the Offeror for the transfer of the Option Shares and represents the highest price paid by the Offeror and its Concert Parties for Shares within six months prior to the date of the Holding Announcement.

The Share Offer is extended to all Independent Shareholders in accordance with the Code. Based on the Share Offer Price of HK\$3.50 and 1,588,514,706 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$5,559,801,471. The Offeror and its Concert Parties owned 899,395,256 Shares immediately after the Completion and 689,119,450 Shares will be subject to the Share Offer. As at the Latest Practicable Date, Mr. Zhang beneficially owned 230,197,990 Shares, representing approximately 14.49% of the issued share capital of the Company. Mr. Zhang has irrevocably undertaken that he will not, whether directly or indirectly, at any time during the period from 29 December 2015 until the close of the Offers dispose of, transfer or otherwise deal in, any of his Shares and in particular, accept the Share Offer. Therefore, on the basis of 458,921,460 Shares subject to acceptance of the Share Offer as at the Latest Practicable Date, the maximum consideration of the Share Offer would be HK\$1,606,225,110 based on the Share Offer Price.

LETTER FROM CHINA GALAXY

The Share Offer is extended to all Shareholders other than the Offeror and its Concert Parties in accordance with the Code. The Shares to be acquired under the Share Offer shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Composite Document.

The Share Offer is also extended to all Shares in issue as at the date of the Composite Document and to any further Shares which are unconditionally allotted or issued after the date of the Composite Document and before the Closing Date, including any Shares which are unconditionally allotted or issued pursuant to the exercise of the Share Options and the conversion rights attaching to the Convertible Bonds, other than those held by the Offeror and its Concert Parties. On the basis of a total of 1,588,514,706 Shares in issue as at the Latest Practicable Date, if the outstanding Share Options and the rights attaching to the outstanding Convertible Bonds are both exercised in full and converted into Shares on or before the close of the Offers (assuming, for the purpose of this scenario, that the Convertible Bonds in the principal amount of HK\$312,600,000 held by Delco were to be converted in full into Shares notwithstanding the Delco Undertaking and the Delco Supplemental Undertaking as further described in the section headed “2. The Offers – The Convertible Bond Offer” below, and that there will be no other issue or repurchase of Shares by the Company up to the close of the Offers), a total of 524,476,127 Shares will be subject to the Share Offer (excluding the 230,197,990 Shares held by Mr. Zhang who has undertaken not to accept the Share Offer) and the maximum consideration of the Share Offer would be HK\$1,835,666,445.

Comparison of value

The Share Offer Price of HK\$3.50 represents:

- (i) a discount of approximately 32.3% to the closing price of HK\$5.170 per Share as quoted on the Stock Exchange on 17 December 2015, being the Last Trading Day;
- (ii) a discount of approximately 31.7% to the average closing price of approximately HK\$5.126 per Share as quoted on the Stock Exchange for the last 5 trading days prior to and including the Last Trading Day;
- (iii) a discount of approximately 32.1% to the average closing price of approximately HK\$5.154 per Share as quoted on the Stock Exchange for the last 10 trading days prior to and including the Last Trading Day;
- (iv) a discount of approximately 32.2% to the average closing price of approximately HK\$5.165 per Share as quoted on the Stock Exchange for the last 30 trading days prior to and including the Last Trading Day;

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- (v) a discount of approximately 20.8% to the closing price of HK\$4.420 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a premium of approximately 471.0% over the audited consolidated net asset value of the Company of approximately HK\$0.613 per Share as at 31 December 2014 as set out in the annual report of the Company for the year ended 31 December 2014; and
- (vii) a premium of approximately 19.5% over the unaudited consolidated net asset value of the Company of approximately HK\$2.929 per Share as at 30 June 2015 as set out in the Interim Report.

Highest and lowest Share prices

The highest closing price of the Share as quoted on the Stock Exchange during the Relevant Period was HK\$10.00 per Share on 30 June 2015. The lowest closing price of the Shares as quoted by the Stock Exchange during the Relevant Period was HK\$4.42 on 22 January 2016.

The Convertible Bond Offer

For every HK\$100,000 face value of
the Convertible Bonds HK\$58,333.33 in cash

As at the Latest Practicable Date, the Company had outstanding Convertible Bonds with principal amount of HK\$380,200,000 conferring rights to the Convertible Bondholders to convert into approximately 63,366,667 Shares. The offer price for the Convertible Bonds is HK\$58,333.33 for every HK\$100,000 face value of the Convertible Bonds, determined in accordance with Practice Note 6 to the Code as the “see-through” consideration for the Convertible Bonds, being the number of Shares into which the Convertible Bonds is convertible multiplied by the Share Offer Price, valuing the total Convertible Bond Offer at approximately HK\$221,783,335.

The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them, including the right to all dividends and other distributions (if any) declared, made or paid after the date of the Composite Document.

The Convertible Bond Offer is unconditional in all respects and will apply to all outstanding Convertible Bonds in issue on the date on which the Convertible Bond Offer is made and will not apply to any Convertible Bonds which are or have been converted into Shares prior to the close of the Offers.

LETTER FROM CHINA GALAXY

Pursuant to the Delco Undertaking (as amended and supplemented by the Delco Supplemental Undertaking) as disclosed in the Company's circular dated 11 April 2015, Delco agreed, subject to the Company's fulfillment of specific payment conditions, to waive:

- (i) its right of redemption on the extended maturity date of the Convertible Bonds, being 1 March 2017;
- (ii) its right to receive interest on the Convertible Bonds from 1 March 2015;
- (iii) its right to convert the Convertible Bonds; and
- (iv) its right to dispose of the Convertible Bonds, subject to the right of the Company to require Delco to sell, at 100% of the face value of the Convertible Bonds, to the Company or such parties as the Company shall introduce, the Convertible Bonds at any time after 31 July 2015.

Accordingly, the outstanding Convertible Bonds in the principal amount of HK\$312,600,000 held by Delco are not eligible for conversion into Shares for participation in the Share Offer. The Convertible Bond Offer is, however, extended to the Convertible Bonds held by Delco for acceptance.

The Option Offer

Under the Option Offer, since the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out of the money and the offer price for the cancellation of each Share Option is set at a nominal value of HK\$0.01.

In respect of Share Options with an exercise price of HK\$4.186:

For cancellation of each such Share Option HK\$0.01 in cash

As at the Latest Practicable Date, the Company had 2,188,000 outstanding Share Options conferring rights on the Optionholders to subscribe for an aggregate of 2,188,000 Shares. If all the Share Options are exercised in full, the Company will have to issue 2,188,000 new Shares, representing approximately 0.14% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares. Assuming none of the Share Options are exercised prior to the close of the Offers, the Option Offer is valued at HK\$21,880.

The Option Offer is unconditional in all respects and is extended to all outstanding Options in issue on the date of despatch of the Composite Document.

As at the Latest Practicable Date, save for the securities as mentioned above, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

LETTER FROM CHINA GALAXY

Total consideration for the Offers

Assuming the Offers are accepted in full on the basis that (i) none of the Share Options or the conversion rights attaching to the Convertible Bonds outstanding as at the Latest Practicable Date are exercised prior to the close of the Offers; and (ii) there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offers, a total of 458,921,460 issued Shares (representing the Shares not already held or to be acquired by the Offeror and its Concert Parties as at the Latest Practicable Date and excluding the 230,197,990 Shares held by Mr. Zhang who has irrevocably undertaken not to accept the Share Offer) will be subject to the Share Offer and the maximum cash consideration payable by the Offeror under the Offers would be approximately HK\$1,828,030,325.

Assuming that (i) all of the Share Options and the conversion rights attaching to the Convertible Bonds are exercised in full prior to the close of the Offers and there will be no outstanding Share Options or Convertible Bonds remaining for acceptance under the Option Offer and the Convertible Bond Offer; and (ii) there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offers, a total of 524,476,127 Shares (representing the Shares not already held or to be acquired by the Offeror and its Concert Parties, including the 65,554,667 new Shares to be issued pursuant to the exercise in full of the Share Options and the conversion rights attaching to the Convertible Bonds, but excluding the 230,197,990 Shares held by Mr. Zhang who has irrevocably undertaken not to accept the Share Offer) will be subject to the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer would amount to approximately HK\$1,835,666,445. The Convertible Bonds in the principal amount of HK\$312,600,000 held by Delco have been assumed to be fully converted for the purpose of ascertaining the maximum cash consideration for the Share Offer in the case of full conversion of the outstanding Share Options and Convertible Bonds into new Shares.

Financial resources available for the Offers

The maximum funds required by the Offeror, amount to approximately HK\$1,835,666,445 as calculated above, to satisfy the consideration payable under the Offers will be financed from its own internal resources and the CCBI Facility. The payment of interest on, repayment of or security for any liability (contingent or otherwise) will not depend to any significant extent on the business of the Group.

China Galaxy, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

Compulsory acquisition

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offers.

LETTER FROM CHINA GALAXY

Availability of the Offers to Overseas Holders

The Offers are available to all Independent Shareholders, all Optionholders and Convertible Bondholders, including those who are resident outside Hong Kong. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such overseas Independent Shareholders, Optionholders and/or Convertible Bondholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

Any acceptance by Optionholders and/or Convertible Bondholders and beneficial owners of the Shares, Share Options and Convertible Bonds who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders, Optionholders and/or Convertible Bondholders should consult their respective professional advisers if in doubt. Independent Shareholders, Optionholders and/or Convertible Bondholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Effect of accepting the Offers

The Offers are unconditional in all respects. Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Code.

Provided that valid Form(s) of Acceptance and the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar, the Independent Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of the Composite Document.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date. For any Optionholders who do not accept the Option Offer, the relevant Share Options will remain valid and exercisable until the expiry or end of the exercisable period of the Share Options in accordance with its terms and with the terms of the Share Option Scheme.

LETTER FROM CHINA GALAXY

Acceptance of the Convertible Bond Offer by Convertible Bondholders will be deemed to constitute a warranty by such person that all Convertible Bonds sold by such person under the Convertible Bond Offer are free from all encumbrances whatsoever.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer or the Convertible Bond Offer amounting to 0.1% of the amount payable in respect of relevant acceptances by the Independent Shareholders or Convertible Bondholders, or (if higher) the value of the Shares or Convertible Bonds as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the cash amount payable to the Independent Shareholders or Convertible Bondholders who accept the Share Offer or the Convertible Bond Offer. The Offeror will bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance, or (if higher) the value of the Shares and/or the Convertible Bonds as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), and would be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares and/or the Convertible Bonds which are validly tendered for acceptance under the Share Offer and/or the Convertible Bond Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Offers and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Taxation advice

Shareholders, Optionholders and Convertible Bondholders are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Offeror, the Company, China Galaxy, Somerley Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates or any other person involved in the Offers accepts responsibility for any tax effects on, or liabilities of, any person or persons as a result of their acceptance(s) or non acceptance(s) of the Offers.

Dealing and interest in the Company's securities

As at the Latest Practicable Date, the Offeror and its Concert Parties do not hold any other warrants, derivatives or convertibles securities of the Company. For the six months immediately prior to the date of the Holding Announcement and up to the Latest Practicable Date, save for (i) entering into the Facility Agreement, the Deed, the

LETTER FROM CHINA GALAXY

Share Charge and the CCBI Facility; (ii) the exercise of the Option; and (iii) the transfer of the Option Shares, the Offeror and its Concert Parties have not dealt in any Shares, options, derivatives, warrants or other securities of the Company convertible into Shares.

Shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Offers assuming none of the Share Options or the rights attaching to the Convertible Bonds have been exercised prior to the close of the Offers and (x) there is no acceptance of the Offers; and (y) the Offers are accepted in full; and (iii) upon completion of the Offers assuming exercise in full of the Share Options and the rights attaching to the Convertible Bonds prior to the close of the Offers and (xx) there is no acceptance of the Offers; and (yy) the Offers are accepted in full:

Shareholders	As at the Latest Practicable Date		Upon completion of the Offers assuming none of the Share Options or the rights attaching to the Convertible Bonds are exercised prior to the close of the Offers and:				Upon completion of the Offers assuming all the Share Options and the rights attaching to the Convertible Bonds are exercised in full prior to the close of the Offers and:				
			No acceptance of the Offers		Full acceptance of the Offers		No acceptance of the Offers		Full acceptance of the Offers		
	Total	%	Total	%	Total	%	Total	%	Total	%	
The Offeror and its Concert Parties											
- USUM Investment Group Hong Kong Limited	899,287,256	56.61%	899,287,256	56.61%	1,358,208,716	85.50%	899,287,256	54.37%	1,423,763,383	86.08%	
- Mr. Meng ⁽¹⁾	108,000	0.01%	108,000	0.01%	108,000	0.01%	108,000	0.01%	108,000	0.01%	
Subtotal	899,395,256	56.62%	899,395,256	56.62%	1,358,316,716	85.51%	899,395,256	54.38%	1,423,871,383	86.09%	
Good Union Hong Kong Investment Limited ⁽²⁾	120,000,000	7.55%	120,000,000	7.55%	120,000,000	7.55%	120,000,000	7.25%	120,000,000	7.25%	
Tai Security Holding Limited ⁽²⁾	110,197,990	6.94%	110,197,990	6.94%	110,197,990	6.94%	110,197,990	6.66%	110,197,990	6.66%	
Subtotal	230,197,990	14.49%	230,197,990	14.49%	230,197,990	14.49%	230,197,990	13.91%	230,197,990	13.91%	
Public Shareholders	458,921,460	28.89%	458,921,460	28.89%	-	-	524,476,127	31.71%	-	-	
Subtotal	458,921,460	28.89%	458,921,460	28.89%	-	-	524,476,127	31.71%	-	-	
Total	1,588,514,706	100.00%	1,588,514,706	100.00%	1,588,514,706	100.00%	1,654,069,373	100.00%	1,654,069,373	100.00%	

Notes:

- Mr. Meng is also a director of USUM Group and is considered a Concert Party to the Offeror for the purpose of the Offers.
- Both Good Union Hong Kong Investment Limited and Tai Security Holding Limited are wholly-owned by Mr. Zhang.

LETTER FROM CHINA GALAXY

3. INFORMATION OF THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “Information of the Group” in the “Letter from the Board” and in the Composite Document.

4. INFORMATION OF THE OFFEROR

The Offeror is an investment company incorporated in Hong Kong with limited liability, which is directly wholly owned by USUM Group, a limited liability company incorporated in the PRC. The single largest shareholder of USUM Group is Loncin Holdings, with an equity interest in USUM Group of 46.78%. The remaining equity interests in USUM Group are held by 21 individuals and 30 companies, all of whom are independent third parties of Loncin Holdings and Mr. Tu, and they each hold between 0.32% to 8.12% equity interests in USUM Group. Loncin Holdings is 98% owned by Loncin Group and 2% owned by Mr. Tu. Loncin Group is 98% owned by Mr. Tu; 1% owned by Ms. Tu Jianmin and 1% owned by Ms. Tu Jianrong, both being sisters of Mr. Tu.

USUM Group has a registered capital of approximately RMB3.08 billion, and is currently principally engaged in investments in the energy and natural resources sector. The business scope of USUM Group, as specified in its business licence, includes investment business, construction 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 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 on by the Company, USUM Group, Loncin Holdings and Loncin Group as set out above. He previously acted as the deputy to the 11th National People’s Congress, the deputy to the Second and Third Chongqing Municipal People’s Congress. He currently serves as the deputy to the 12th National People’s Congress and to the Fourth Chongqing Municipal People’s Congress, and the member of the Finance Committee of the Fourth Chongqing City Municipal People’s Congress, the Executive Committee Member of All-China Federation of Industry & Commerce, the vice president of Chongqing City Industry and Commerce Federation, the vice president of Chongqing City Charity Federation and the vice president of Chongqing City Enterprises Confederation. He is currently an executive Director of the Company, a non-executive director of Hanhua Financial Holding Co., Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3903), and a director of Loncin Motor Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603766). As stated in the 2015 interim

LETTER FROM CHINA GALAXY

report dated 28 August 2015 of Hanhua Financial Holding Co., Ltd., it is one of the largest privately owned inclusive finance investment institutions in China and its principal business includes provision of guarantees and small loans, internet finance, financial factoring, capital management and financial leases. As stated in the 2014 annual report of Loncin Motor Co., Ltd. dated 25 March 2015, 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 also 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 extensive personal network in the PRC. Given that Mr. Tu is the ultimate controlling shareholder of the Offeror and the Offeror has been the single largest and controlling shareholder of the Company since June 2015, the Offeror does possess the relevant expertise in the metal industry.

5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror has confirmed to the Company that it intends to cause the Group to continue its existing business in the metals recycling industry. The Offeror has no intention to dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business.

As at the Latest Practicable Date, the Offeror does not have 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 Offers.

After close of the Offers, the Offeror will continue to review the businesses of the Group from time to time, including among others, the Group's relationships with its distributors and suppliers, portfolio of products, assets, corporate and organizational structure, capitalization, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organize and optimize the businesses and operations of the Group.

The Offeror will also conduct a review of the Group's human resources strategy with the view to streamlining the human resources structure of the Group, which may involve the discontinuation of the employment contracts of some employees of the Group.

In August 2015, the Company entered into two separate agreements in relation to (i) an acquisition of the entire interests in a company which is the only approved recycle processing enterprise in Changxing Island Harbor Industrial Zone in Dalian, the PRC, engaged in recycle processing and utilisation of scrap metals, discarded appliances, office machines and other wastes and (ii) set up a joint venture which will mainly be engaged in the trading of recycle materials with a focus on the Chinese and Japanese markets. As at the Latest Practicable Date, while the Offeror has been overseeing the progress of the above-mentioned acquisition and joint venture set up, the Offeror intends that the Group will

LETTER FROM CHINA GALAXY

continue to operate its business in substantially its current state although, the Offeror intends that the Group will continue to explore new business and investment opportunities in other areas, including, without limitation, investment in financial industry, as well as to expand its current business in the metals recycling industry in order to maximize the value and return of the Group's business and operation. As of the Latest Practicable Date, no other definitive agreement or contract has been entered into by the Group in relation to any new material investment or business opportunities.

The Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to better integrate, generate maximum synergy and achieve enhanced economies of scale with the other operations of the Offeror.

Proposed change of Board composition

As at the Latest Practicable Date, the Board comprises four executive Directors, being Mr. Tu Jianhua, Mr. Fang Ankong, Mr. Zhang Mingjie and Mr. Meng Yi, and three independent non-executive Directors, being Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian.

In connection with the Resignation Announcement, it is intended that the resignation of Mr. Fang would take effect from the earlier of (i) the Executive consenting to Mr. Fang's resignation; or (ii) the Closing Date (the "**Effective Date**"). With effect from the Effective Date, the Company will appoint and/or re-designate Mr. Tu Jianhua as Chief Executive Officer, Chairman of Executive Committee and Chairman of Pricing Committee of the Company. Such appointments will be made in accordance with the Code and the Listing Rules. Biographical details of Mr. Tu Jianhua are set out under the section headed "4. Information of the Offeror" in this letter.

6. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends for the Company to maintain the listing status of the Shares on the Main Board of the Stock Exchange after the close of the Offers.

The Stock Exchange has stated that, if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

In order to ensure that within a reasonable period after the close of the Offers, there will be not less than 25% of the Company's entire issued ordinary share capital held by the public, the Offeror undertakes to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offers to ensure that at least 25% of the Shares will be held by the public.

LETTER FROM CHINA GALAXY

It should be noted that if the Company remains a listed company on the Stock Exchange, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to the Shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions of assets by the Company and any such acquisitions may result in the Company being treated as if it were a new listing applicant subject to the requirements of new listing applications as set out in the Listing Rules.

7. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Offers, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to the Composite Document and the accompanying Forms of Acceptance.

8. GENERAL

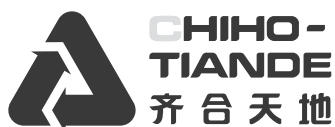
All documents and remittances to be sent to the Independent Shareholders, Convertible Bondholders and Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders, Convertible Bondholders and Optionholders at their respective addresses as they appear in the register of the members of the Company or register of Optionholders or register of Convertible Bondholders and in the case of joint Independent Shareholders, Convertible Bondholders and Optionholders, to such Independent Shareholders, Convertible Bondholders and Optionholders whose name appears first in the register of members of the Company or register of Optionholders or register of Convertible Bondholders. The Offeror, the Company, China Galaxy, Somerley Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates or any other parties involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to the Composite Document which forms part of the Composite Document. You are reminded to carefully read the “Letter from the Board”, the advice of the Independent Board Committee, the recommendation of Somerley Capital and other information about the Group, which are set out in the Composite Document before deciding whether or not to accept the Offers.

Yours faithfully
For and on behalf of
**China Galaxy International Securities
(Hong Kong) Co., Limited**
Elain Wong **Steven Chiu**
Managing Director *Managing Director*

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. Tu Jianhua
Mr. Fang Ankong
Mr. Zhang Mingjie
Mr. Meng Yi

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

25 January 2016

*To Independent Shareholders, Convertible Bondholders
and Optionholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFERS BY
CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO.,
LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE
ISSUED SHARES, ALL OUTSTANDING CONVERTIBLE BONDS AND IN
EXCHANGE FOR CASH TO CANCEL ALL OUTSTANDING SHARE
OPTIONS OF CHIHO-TIANDE GROUP LIMITED (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND ITS CONCERT PARTIES)**

1. INTRODUCTION

Reference is made to the Joint Announcement pursuant to which the Offeror and the Company jointly announced on 4 January 2016 that China Galaxy would, on behalf of the Offeror, make the unconditional mandatory general cash offers to acquire: (i) all of the

LETTER FROM THE BOARD

issued Shares; (ii) all outstanding Convertible Bonds and (iii) in exchange for cash to cancel all outstanding Share Options, of the Company (other than those already owned or agreed to be acquired by the Offeror and its Concert Parties).

The purpose of this Composite Document is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Offers; (ii) a letter from China Galaxy containing, among other things, details of the Offers; (iii) a letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders, Convertible Bondholders and Optionholders in relation to the Offers; and (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Offers.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee of the Company comprising all of the independent non-executive Directors, has been established by the Board to make recommendations to the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance of the Share Offer, and to the Convertible Bondholders and Optionholders as to its views on the Convertible Bond Offer and Option Offer, respectively. As at the date of this letter, the independent non-executive Directors are Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian; the executive Directors are Mr. Tu Jianhua, Mr. Fang Ankong, Mr. Zhang Mingjie and Mr. Meng Yi (the “**Executive Directors**”). In forming the Independent Board Committee, the Company wishes to ensure that the Independent Shareholders will be advised by a committee of independent Directors.

In addition, Somerley Capital, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser, to advise the Independent Board Committee as to the fairness and reasonableness of the Offers and as to acceptance of the Offers.

LETTER FROM THE BOARD

3. SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Offers assuming none of the Share Options or the rights attaching to the Convertible Bonds have been exercised prior to the close of the Offers and (x) there is no acceptance of the Offers; and (y) the Offers are accepted in full; and (iii) upon completion of the Offers assuming exercise in full of the Share Options and the rights attaching to the Convertible Bonds prior to the close of the Offers and (xx) there is no acceptance of the Offers; and (yy) the Offers are accepted in full:

Shareholders	As at the Latest Practicable Date		Upon completion of the Offers assuming none of the Share Options or the rights attaching to the Convertible Bonds are exercised prior to the close of the Offers and:				Upon completion of the Offers assuming all the Share Options and the rights attaching to the Convertible Bonds are exercised in full prior to the close of the Offers and:			
			No acceptance of the Offers		Full acceptance of the Offers		No acceptance of the Offers		Full acceptance of the Offers	
	Total	%	Total	%	Total	%	Total	%	Total	%
The Offeror and its Concert Parties										
- USUM Investment Group Hong Kong Limited	899,287,256	56.61%	899,287,256	56.61%	1,358,208,716	85.50%	899,287,256	54.37%	1,423,763,383	86.08%
- Mr. Meng ⁽¹⁾	108,000	0.01%	108,000	0.01%	108,000	0.01%	108,000	0.01%	108,000	0.01%
Subtotal	899,395,256	56.62%	899,395,256	56.62%	1,358,316,716	85.51%	899,395,256	54.38%	1,423,871,383	86.09%
Good Union Hong Kong Investment Limited ⁽²⁾	120,000,000	7.55%	120,000,000	7.55%	120,000,000	7.55%	120,000,000	7.25%	120,000,000	7.25%
Tai Security Holding Limited ⁽²⁾	110,197,990	6.94%	110,197,990	6.94%	110,197,990	6.94%	110,197,990	6.66%	110,197,990	6.66%
Subtotal	230,197,990	14.49%	230,197,990	14.49%	230,197,990	14.49%	230,197,990	13.91%	230,197,990	13.91%
Public Shareholders	458,921,460	28.89%	458,921,460	28.89%	-	-	524,476,127	31.71%	-	-
Subtotal	458,921,460	28.89%	458,921,460	28.89%	-	-	524,476,127	31.71%	-	-
Total	1,588,514,706	100.00%	1,588,514,706	100.00%	1,588,514,706	100.00%	1,654,069,373	100.00%	1,654,069,373	100.00%

Notes:

- Mr. Meng is also a director of USUM Group and is considered a Concert Party of the Offeror for the purpose of the Offers.
- Both Good Union Hong Kong Investment Limited and Tai Security Holding Limited are wholly-owned by Mr. Zhang.

LETTER FROM THE BOARD

4. THE OFFERS

The following information about the Offers is based on the “Letter from China Galaxy” contained in this Composite Document. Please refer to the “Letter from China Galaxy” contained in this Composite Document for full details on the Offers.

The Offers are made by China Galaxy on behalf of the Offeror on the terms and conditions set out in this Composite Document and in the accompanying Forms of Acceptance on the following basis:

a. THE SHARE OFFER

The Share Offer is made by China Galaxy on behalf of the Offeror on the following basis:

Principal terms of the Share Offer

For each Share HK\$3.50 in cash

The Share Offer is unconditional in all respects and is extended to all Independent Shareholders in accordance with the Code. By accepting the Share Offer, Independent Shareholders are deemed to have warranted to the Offeror that the Shares to be acquired under the Share Offer are fully paid and are acquired by the Offeror or its nominee(s) free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights, benefits and entitlements attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Composite Document.

The Share Offer Price is the same as the price per Share paid by the Offeror for the Option Shares and represents the highest price paid by the Offeror and its Concert Parties for Shares within six months prior to the date of the Holding Announcement.

b. THE CONVERTIBLE BOND OFFER

The Convertible Bond Offer is made by China Galaxy on behalf of the Offeror on the following basis:

Principal terms of the Convertible Bond Offer

For every HK\$100,000 face value of
the Convertible Bonds HK\$58,333.33 in cash

As at the Latest Practicable Date, the Company had outstanding Convertible Bonds with principal amount of HK\$380,200,000 conferring rights to the Convertible Bondholders to convert into approximately 63,366,667 Shares.

LETTER FROM THE BOARD

The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them, including the right to all dividends and other distributions (if any) declared, made or paid after the date of this Composite Document.

The Convertible Bond Offer is unconditional in all respects and will apply to all outstanding Convertible Bonds in issue on the date on which the Convertible Bond Offer is made and will not apply to any Convertible Bonds which are or have been converted into Shares prior to the close of the Offers.

Pursuant to the Delco Undertaking as disclosed in the Company's circular dated 11 April 2015, Delco agreed, subject to the Company's fulfilment of specific payment conditions, to waive:

- (i) its right of redemption on the extended maturity date of the Convertible Bonds, being 1 March 2017;
- (ii) its right to receive interest on the Convertible Bonds from 1 March 2015;
- (iii) its right to convert the Convertible Bonds; and
- (iv) its right to dispose of the Convertible Bonds, subject to the right of the Company to require Delco to sell, at 100% of the face value of the Convertible Bonds, to the Company or such parties as the Company shall introduce, the Convertible Bonds at any time after 31 July 2015.

Accordingly, the outstanding Convertible Bonds in the principal amount of HK\$312,600,000 held by Delco are not eligible for conversion into Shares for participation in the Share Offer. The Convertible Bond Offer is, however, extended to the Convertible Bonds held by Delco for acceptance.

LETTER FROM THE BOARD

c. THE OPTION OFFER

As at the Latest Practicable Date, there were 2,188,000 Share Options (corresponding to 2,188,000 new Shares) granted by the Company pursuant to the Share Option Scheme. If all the Share Options are exercised in full, the Company will have to issue 2,188,000 new Shares, representing approximately 0.14% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares. The Option Offer is made by China Galaxy on behalf of the Offeror on the following basis:

Principal terms of the Option Offer

Under the Option Offer, since the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out of the money and the offer price for the cancellation of each Share Option is set at a nominal value of HK\$0.01.

In respect of Share Options with an exercise price of HK\$4.186:

For cancellation of each such Share Option HK\$0.01 in cash

The Option Offer is unconditional in all respects and is extended to all outstanding Options in issue on the date of despatch of this Composite Document.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date. For any Optionholders who do not accept the Option Offer, the relevant Share Options will remain valid and exercisable until the expiry or end of the exerciseable period of the Share Options in accordance with its terms and the terms of the Share Option Scheme.

As at the Latest Practicable Date, save for the securities as mentioned above, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Shareholders, Convertible Bondholders and Optionholders are advised to refer to the "Letter from China Galaxy", Appendix I to this Composite Document and the accompanying Forms of Acceptance for further details and procedures for acceptance and settlement of the Offers.

5. THE IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Mr. Zhang, an executive Director, beneficially owned 230,197,990 Shares, representing approximately 14.49% of the issued share capital of the Company. Mr. Zhang has irrevocably undertaken that he will not, whether directly or indirectly, at any time during the period from 29 December 2015 until the close of the Offers dispose of, transfer or otherwise deal in, any of his Shares and in particular, accept the Share Offer.

LETTER FROM THE BOARD

6. AVAILABILITY OF THE OFFERS AND EFFECT OF ACCEPTING THE OFFERS

Your attention is drawn to the sections headed “2. The Offers – Availability of the Offers to Overseas Holders” and “2. The Offers – Effect of accepting the Offers” in the “Letter from China Galaxy” in this Composite Document.

7. NO CONDITION TO THE OFFERS

Each of the Share Offer, the Convertible Bond Offer and the Option Offer is unconditional in all respects.

8. PROPOSED CHANGE OF BOARD COMPOSITION

Reference is made to the Resignation Announcement. The resignation of Mr. Fang would take effect from the earlier of (i) the Executive consenting to Mr. Fang’s resignation; or (ii) the Closing Date (the “**Effective Date**”). With effect from the Effective Date, Mr. Tu will be appointed and/or re-designated as Chief Executive Officer, Chairman of Executive Committee and Chairman of Pricing Committee of the Company. Biographical details of Mr. Tu are set out in the section headed “4. Information of the Offeror” in the “Letter from China Galaxy” in this Composite Document.

9. COMPULSORY ACQUISITION AND MAINTAINING THE LISTING STATUS

Your attention is drawn to the sections headed “2. The Offers – Compulsory acquisition” and “6. Public float and maintaining the listing status of the Company” in the “Letter from China Galaxy” in this Composite Document.

10. INFORMATION ON AND INTENTION OF THE OFFEROR

Your attention is drawn to the sections headed “4. Information of the Offeror” and “5. Intention of the Offeror in relation to the Group” in the “Letter from China Galaxy” in this Composite Document.

11. INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since July 2010.

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.

Your attention is drawn to the financial information of the Group set out in Appendix II and the general information of the Company set out in Appendix III to this Composite Document.

LETTER FROM THE BOARD

12. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed “2. The Offers – Taxation advice” in the “Letter from China Galaxy” in this Composite Document.

None of the Offeror, the Company, China Galaxy or any of their respective directors or associates or any other person involved in the Offers accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Offers.

13. RECOMMENDATION AND ADDITIONAL INFORMATION

In the letter from the Independent Financial Adviser set out in on pages 34 to 58 of this Composite Document, Somerley Capital states that it considers the terms of the Offers are not fair and reasonable, and recommends the Independent Board Committee to advise the Independent Shareholders, the Convertible Bondholders and Optionholders not to accept the Offers (as the case may be). The Independent Board Committee (comprising Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian), having considered the terms of the Offers and having taken into account the advice of Somerley Capital, and in particular the factors, reasons and recommendations set out in its letter in on pages 34 to 58 of this Composite Document, considers that the terms of the Offers are not fair and reasonable so far as the Independent Shareholders, Convertible Bondholders and the Optionholders are concerned.

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 32 to 33 of this Composite Document, which sets out its recommendations to the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance of the Share Offer, and to the Convertible Bondholders and the Optionholders as to its views on the Convertible Bond Offer and Option Offer, respectively and (ii) the “Letter from Somerley Capital” on pages 34 to 58 of this Composite Document, which sets out its advice to the Independent Board Committee in relation to the Offers and the principal factors considered by it in arriving at its recommendations.

You are also advised to read the “Letter from China Galaxy” on pages 11 to 23 of this Composite Document, the further terms of the Offers and procedures of acceptance and settlement set out in Appendix I of this Composite Document, and the accompanying Forms of Acceptances in respect of the terms and acceptance and settlement procedures of the Offers.

Independent Shareholders, Convertible Bondholders and Optionholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers.

Yours faithfully,
By order of the Board of
Chiho-Tiande Group Limited
Zhang Mingjie
Executive Director



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)

25 January 2016

*To the Independent Shareholders, Convertible Bondholders
and Optionholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFERS BY
CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO.,
LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE
ISSUED SHARES, ALL OUTSTANDING CONVERTIBLE BONDS AND IN
EXCHANGE FOR CASH TO CANCEL ALL OUTSTANDING SHARE
OPTIONS OF CHIHO-TIANDE GROUP LIMITED (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND ITS CONCERT PARTIES)**

We refer to the Composite Document dated 25 January 2016 issued jointly by the Offeror and the Company of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to: (i) consider the terms of the Offers and advise you as to whether, in our opinion, the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and to make a recommendation as to acceptance; and (ii) express our views on the Convertible Bond Offer and the Option Offer. We have declared that we are independent and have no direct or indirect interest in the Offers, and therefore are able to consider the terms of the Share Offer and to make recommendations to the Independent Shareholders and to express our views on the Convertible Bond Offer and Option Offer to the Convertible Bondholders and the Optionholders, respectively.

Somerley Capital has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Offers and its terms and conditions. Your attention is drawn to the “Letter from Somerley Capital” set out on pages 34 to 58 of this Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendations in respect of the Offers.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We draw your attention to the “Letter from China Galaxy” set out on pages 11 to 23 of this Composite Document which contains, *inter alia*, information about the Offers, the “Letter from the Board” set out on pages 24 to 31 of this Composite Document and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Forms of Acceptance in respect of the terms of the Offers and acceptance and settlement procedures for the Offers.

Having taken into account the advice of Somerley Capital, in particular the factors, reasons and recommendations as set out in the letter from Somerley Capital:

- (a) we consider that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned, and recommend the Independent Shareholders not to accept the Share Offer;
- (b) we consider that the terms of the Convertible Bond Offer are not fair and reasonable so far as the Convertible Bondholders are concerned, and recommend the Convertible Bondholders not to accept the Convertible Bond Offer; and
- (c) we consider that the terms of the Option Offer are not fair and reasonable so far as the Optionholders are concerned, and recommend the Optionholders not to accept the Option Offer.

Notwithstanding our recommendations, the Independent Shareholders, the Convertible Bondholders and the Optionholders are reminded that the decision to realise or hold your investment in the Shares, the Convertible Bonds and/or the Share Options is subject to individual circumstances and investment objectives and you should carefully consider the terms and conditions of the Offers and, among other things, closely monitor the market price of the Shares, in deciding whether to accept the Offers.

Yours faithfully,
The Independent Board Committee
Chiho-Tiande Group Limited
Dr. Loke Yu Ms. Zhang Jingdong Mr. Zhu Dajian
Independent Non-executive Directors

LETTER FROM SOMERLEY CAPITAL

Set out below is the letter of advice received from Somerley Capital, the Independent Financial Adviser to the Independent Board Committee regarding the Offers, for the purpose of incorporation in this Composite Document.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

25 January 2016

To: the Independent Board Committee

Dear Sirs,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFERS BY
CHINA GALAXY INTERNATIONAL SECURITIES
(HONG KONG) CO., LIMITED
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF
THE ISSUED SHARES, ALL OUTSTANDING CONVERTIBLE BONDS AND
IN EXCHANGE FOR CASH, TO CANCEL ALL OUTSTANDING
SHARE OPTIONS OF THE COMPANY
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the unconditional mandatory general cash offers by China Galaxy on behalf of the Offeror to acquire all the issued Shares, all outstanding Convertible Bonds and in exchange for cash to cancel all the outstanding Share Options of the Company (other than those already owned or agreed to be acquired by the Offeror and its Concert Parties). Details of the Offers are set out in the Composite Document dated 25 January 2016, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 17 December 2015, the Offeror exercised the Option pursuant to the Deed, requiring HWH to transfer to it all but not part of the Option Shares at the price of HK\$3.50 per Share, totalling HK\$1,364,255,396. The Option Shares represent approximately 24.54% of the issued share capital of the Company as at the Latest Practicable Date. In accordance with the terms of the Deed, Completion took place on 22 December 2015.

Immediately prior to the transfer of the Option Shares, the Offeror and its Concert Parties (other than HWH) collectively held a total of 509,608,000 Shares, representing approximately 32.08% of the issued share capital of the Company. Upon Completion and as at the Latest Practicable Date, the Offeror and its Concert Parties collectively held approximately 56.62% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Code, the Offeror was required to make an unconditional mandatory general cash offer

LETTER FROM SOMERLEY CAPITAL

to purchase a total of 689,119,450 Shares, representing all the issued Shares which are not already owned or agreed to be acquired by the Offeror and its Concert Parties (assuming no further Shares are issued or repurchased by the Company up to close of the Offers, whether pursuant to the exercise of the Share Options or the conversion rights attaching to the Convertible Bonds or otherwise). The Share Offer Price of HK\$3.50 per Share is the same as the price per Share paid by the Offeror for the Option Shares. The Offeror was also required to make the Option Offer and the Convertible Bond Offer pursuant to Rule 13 of the Code. As the Offeror and its Concert Parties are holding more than 50% of the issued share capital of the Company upon Completion, the Share Offer, the Option Offer and the Convertible Bond Offer are unconditional in all respects.

In accordance with the Code, an Independent Board Committee, which comprises all the independent non-executive Directors, namely Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian has been established to make recommendations to the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance of the Share Offer, and to the Convertible Bondholders and Optionholders as to its views on the Convertible Bond Offer and Option Offer, respectively. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise it in this regard.

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed the published information on the Company, including the Interim Report, its annual report for the year ended 31 December 2014 (the “**2014 Annual Report**”) and its circular dated 28 April 2015 in relation to, amongst others, the subscription of new Shares and the application for whitewash waiver (the “**Whitewash Circular**”), and we have discussed with the Directors their statements set out in Appendix II to the Composite Document that, save as disclosed therein, there has been no material change in the financial or trading position or outlook of the Group since the date of the last published audited accounts of the Group up to and including the Latest Practicable Date. We have also reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all

LETTER FROM SOMERLEY CAPITAL

representations contained or referred to in the Composite Document are true as at the Latest Practicable Date, and that Shareholders will be notified of any material changes to such representations as soon as reasonably practicable in accordance with Rule 9.1 of the Code.

We have not considered the tax and regulatory implications on the Independent Shareholders, Convertible Bondholders and Optionholders of acceptance or non-acceptance of the Offers (as the case may be) since these depend on their individual circumstances. In particular, Independent Shareholders, Convertible Bondholders and Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFERS

Upon Completion, as the Offeror and its Concert Parties are holding more than 50% of the voting rights of the Company, the Offers will not be subject to any acceptance or other conditions. China Galaxy, for and on behalf of the Offeror, is making the Offers in accordance with Rule 26.1 and Rule 13 of the Code on the following basis:

The Share Offer

For each Share HK\$3.50 in cash

The Share Offer Price of HK\$3.50 per Share is the same as the price per Share paid by the Offeror for the transfer of the Option Shares and represents the highest price paid by the Offeror and its Concert Parties for Shares within six months prior to the date of the Holding Announcement.

The Share Offer is extended to all Shareholders other than the Offeror and its Concert Parties in accordance with the Code. The Shares to be acquired under the Share Offer shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Composite Document.

The Convertible Bond Offer

For every HK\$100,000 face value of the Convertible Bonds . . . HK\$58,333.33 in cash

As at the Latest Practicable Date, the Company had outstanding Convertible Bonds with principal amount of HK\$380,200,000 conferring rights to the Convertible Bondholders to convert into approximately 63,366,667 Shares. The offer price for the Convertible Bonds is HK\$58,333.33 for every HK\$100,000 face value of the Convertible Bonds, determined in accordance with Practice Note 6 to the Code as the “see-through” consideration for each Convertible Bonds, being the number of Shares into which the Convertible Bonds is convertible (being approximately 63,366,667 Shares) multiplied by the Share Offer Price (HK\$3.50 per Share).

LETTER FROM SOMERLEY CAPITAL

The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them, including the right to all dividends and other distributions (if any) declared, made or paid after the date of the Composite Document.

The Convertible Bond Offer is unconditional in all respects and will apply to all outstanding Convertible Bonds in issue on the date on which the Convertible Bond Offer is made and will not apply to any Convertible Bonds which are or have been converted into Shares prior to the close of the Offers.

The Option Offer

For cancellation of each Share Option HK\$0.01 in cash

As at the Latest Practicable Date, the Company had 2,188,000 outstanding Share Options conferring rights on the Optionholders to subscribe for an aggregate of 2,188,000 Shares. Under the Option Offer, since the exercise price of the outstanding Share Options (i.e. HK\$4.186) is above the Share Offer Price, the outstanding Share Options are out of the money and the offer price for the cancellation of each Share Option is set at a nominal value of HK\$0.01.

The Option Offer is unconditional in all respects. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date. For any Optionholders who do not accept the Option Offer, the relevant Share Options will remain valid and exercisable until the expiry or end of the exercisable period of the Share Options in accordance with its terms and with the terms of the Share Option Scheme.

Further details of the Offers, including the expected timetable and the terms and procedures of acceptance of the Offers, are set out in the sections headed “Expected timetable”, “Letter from China Galaxy”, “Letter from the Board”, Appendix I to the Composite Document and the Forms of Acceptance. Independent Shareholders, Optionholders and Convertible Bondholders are urged to read the relevant sections in the Composite Document in full.

LETTER FROM SOMERLEY CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Background to the Offers

On 21 March 2015, the Company and the Offeror entered into the subscription agreements pursuant to which the Company allotted and issued a total of 456.9 million new Shares to the Offeror at the subscription price of HK\$9.01 per Share (the “**Subscriptions**”). On 9 April 2015, the Offeror also entered into a purchase agreement with the then bondholder, Sims Metal Management Dragon Holdings Limited, in relation to the purchase (the “**CB Purchase**”) of convertible bonds in the principal amount of HK\$315.6 million (the “**Sims Bonds**”). Completion of the Subscriptions took place on 30 April 2015 and 29 May 2015 respectively, while completion of the CB Purchase took place on 3 June 2015. The Offeror subsequently converted the Sims Bonds into 52.6 million Shares at a conversion price of HK\$6.0 on 15 June 2015.

On 23 October 2015, the Offeror, as the lender, entered into the Facility Agreement with HWH, as the borrower, for a credit facility of HK\$1,360,000,000. In connection with the Facility Agreement, HWH also entered into the Deed with the Offeror, pursuant to which HWH irrevocably grants to the Offeror the right to require HWH to transfer to it all but not part of the Option Shares at the price of HK\$3.50 per Share, totalling HK\$1,364,255,396. On 17 December 2015, the Offeror exercised the Option and Completion took place on 22 December 2015 in accordance with the terms of the Deed.

Immediately prior to the transfer of the Option Shares, the Offeror and its Concert Parties (other than HWH) collectively held a total of 509,608,000 Shares, representing approximately 32.08% of the issued share capital of the Company. Upon Completion and as at the Latest Practicable Date, the Offeror and its Concert Parties collectively held approximately 56.62% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Code, the Offeror was required to make the Share Offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and its Concert Parties at the time when the Share Offer is made). The Offeror was also required to make the Option Offer and the Convertible Bond Offer pursuant to Rule 13 of the Code. As the Offeror and its Concert Parties are holding more than 50% of the issued share capital of the Company upon Completion, the Share Offer, the Option Offer and the Convertible Bond Offer are unconditional in all respects.

LETTER FROM SOMERLEY CAPITAL

2. Business, financial information and prospects of the Group

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.

(a) Financial information of the Group

(i) Financial performance

Set out below are the consolidated financial results of the Group for the six months ended 30 June 2014 and 2015, and the two years ended 31 December 2013 and 2014, as extracted from the Interim Report and 2014 Annual Report.

	For the six months ended 30 June		For the year ended 31 December	
	2015	2014	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue	1,779,975	3,204,362	5,877,970	7,222,003
Cost of sales	<u>(1,718,466)</u>	<u>(3,341,297)</u>	<u>(5,895,336)</u>	<u>(7,245,813)</u>
Gross profit/(loss)	61,509	(136,935)	(17,366)	(23,810)
Other income	42,809	24,843	27,977	43,665
Other gains and losses	(902,000)	(640,516)	(770,923)	(60,558)
Distribution and selling expenses	(4,826)	(13,245)	(23,722)	(35,481)
Administrative expenses	(67,916)	(57,985)	(130,534)	(133,250)
Finance costs	(75,618)	(80,696)	(153,327)	(172,342)
Share of profit of an associate	<u>308</u>	<u>–</u>	<u>284</u>	<u>–</u>
Loss before tax	(945,734)	(904,534)	(1,067,611)	(381,776)
Income tax expense	<u>(1,070)</u>	<u>(2,180)</u>	<u>(3,629)</u>	<u>(25,742)</u>
Loss for the period/year	<u><u>(946,804)</u></u>	<u><u>(906,714)</u></u>	<u><u>(1,071,240)</u></u>	<u><u>(407,518)</u></u>
Loss for the period/year attributable to:				
Owners of the Company	(949,641)	(896,030)	(1,057,980)	(382,920)
Non-controlling interests	<u>2,837</u>	<u>(10,684)</u>	<u>(13,260)</u>	<u>(24,598)</u>
	<u><u>(946,804)</u></u>	<u><u>(906,714)</u></u>	<u><u>(1,071,240)</u></u>	<u><u>(407,518)</u></u>

LETTER FROM SOMERLEY CAPITAL

As set out in the 2014 Annual Report, the Group's revenue decreased by 18.1% from HK\$7.2 billion in 2013 to HK\$5.9 billion in 2014 mainly contributed by a decrease in sales volume as well as average selling prices for the recycled metal products and foundry products. However, gross loss decreased from HK\$23.8 million in 2013 to HK\$17.4 million in 2014, mainly due to slight improvement on gross margin contributed by some of the Group's products including copper scrap, steel scrap, aluminium alloy ingots and other metal scrap without processing. The Group incurred a loss attributable to Shareholders of HK\$1,058.0 million in 2014 compared to HK\$382.9 million in 2013 mainly due to (i) the loss on fair value changes of derivative financial instruments of HK\$773.8 million recognised by the Group during the year under the "mark-to-market" accounting principle; (ii) an adverse impact of the prolonged volatility and the overall downward movement of the global metal prices throughout the year; and (iii) a net foreign exchange loss of HK\$34.0 million in 2014 compared to a net foreign exchange gain of HK\$99.9 million in 2013.

As set out in the Interim Report, the Group's revenue decreased by 43.8% from HK\$3.2 billion for the first six months in 2014 to HK\$1.8 billion in the same period of 2015, mainly attributable to a decrease in the sales volume and a decrease in the average selling prices of the recycled metal products and foundry products. Gross profit of approximately HK\$61.5 million was recorded in 2015 when compared to gross loss of HK\$136.9 million in 2014, as gross margin increased from -4.3% (gross loss margin) in 2014 to 3.5% (gross profit margin) in 2015 due to less volatility in the global metal prices during the first six months in 2015. The Group incurred a net loss attributable to Shareholders for the first six months of 2015 of approximately HK\$949.6 million compared to HK\$896.0 million in the same period of 2014, and the loss was mainly attributable to (i) an accounting loss of approximately HK\$559.9 million derived from the change in the fair value of the derivative components of the convertible bonds issued by the Company due to a non-cash accounting treatment solely for the purpose of complying with Hong Kong Financial Reporting Standards as a result of the significant increase in the share price of the Company during the period; and (ii) a loss on fair value of derivative financial instruments of HK\$315.8 million.

No dividend was paid or proposed for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015.

LETTER FROM SOMERLEY CAPITAL

(ii) *Financial position*

Set out below is a summary of the Group's consolidated financial positions as at 30 June 2015, 31 December 2014 and 31 December 2013, as extracted from the Interim Report and 2014 Annual Report.

	As at 30 June 2015	As at 31 December 2014	As at 31 December 2013
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Non-current assets	1,086,335	981,908	853,923
Current assets	<u>5,670,963</u>	<u>2,659,117</u>	<u>4,063,369</u>
Total assets	6,757,298	3,641,025	4,917,292
Current liabilities	1,753,257	2,960,164	2,401,256
Non-current liabilities	<u>356,379</u>	<u>37,505</u>	<u>809,347</u>
Total liabilities	2,109,636	2,997,669	3,210,603
Equity attributable to the Shareholders ("NAV")	4,725,554	724,050	1,774,360
Non-controlling interests	<u>(77,892)</u>	<u>(80,694)</u>	<u>(67,671)</u>
Total equity	<u>4,647,662</u>	<u>643,356</u>	<u>1,706,689</u>
NAV per Share ^(Note)	<u>HK\$2.978</u>	<u>HK\$0.690</u>	<u>HK\$1.699</u>

Note: The NAV per Share is calculated based on the Shares in issue as at the respective period/year end.

The Group's net asset value attributable to the Shareholders decreased by approximately 59.2% from HK\$1,774.4 million as at 31 December 2013 to HK\$724.1 million as at 31 December 2014, mainly due to the decrease in current assets during the year. The Group's current assets mainly comprised of inventories and trade and other receivables, and the inventory level has declined from HK\$2,570.3 million as at 31 December 2013 to HK\$1,107.8 million as at 31 December 2014. The significant drop in inventories, which are stated in the balance sheet at the lower of cost and net realisable value, was mainly contributed by the weakness and volatility in primary metal prices during the year, as well as the reduction in global supply of scrap materials which resulted in a reduction of scrap materials purchased by the Group.

The Group's net asset value attributable to the Shareholders increased substantially to HK\$4,725.6 million as at 30 June 2015, as its bank balances and cash increased from HK\$271.6 million as at 31 December 2014 to HK\$3,996.6 million as at

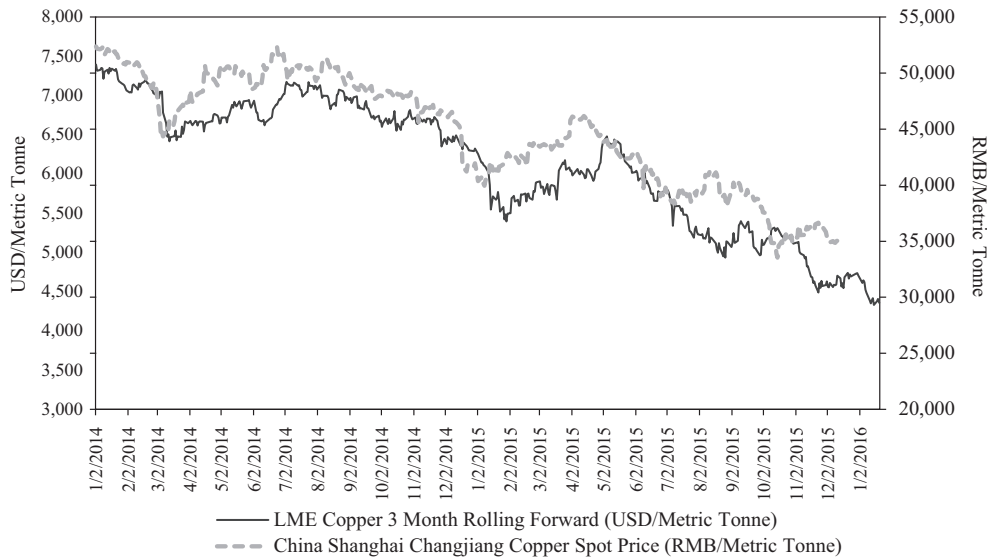
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30 June 2015 due to total proceeds of approximately HK\$4.1 billion received from the Subscriptions during the period. As a result, the current ratio of the Group improved significantly from 0.90 as at 31 December 2014 to 3.23 as at 30 June 2015. The Group's total liabilities also decreased from HK\$2,997.7 million as at 31 December 2014 to HK\$2,109.6 million as at 30 June 2015, mainly due to (i) the decrease in the carrying amount of the debt component of the convertible bonds, which were extended to 1 March 2017 during the period, by HK\$478.1 million following the exercise of such convertible bonds and the issue of conversion shares in relation thereto, while a carrying amount of HK\$264.1 million for the embedded derivative component of the convertible bonds was recognised as a result of the significant increase in the share price of the Company during the period; (ii) the decrease in bank borrowings by HK\$393.1 million; and (iii) the decrease in liability portion of the derivative financial instruments by HK\$282.6 million. As a result, the gearing ratio of the Group, which is calculated based on the total borrowings over total assets, decreased from 58.8% as at 31 December 2014 to 19.7% as at 30 June 2015.

(b) Prospects of the Group

As set out in the Interim Report, the largest contributor to the Group's revenue is its metal recycling business, of which over 70% of the segment revenue for the six months ended 30 June 2015 is derived from the sale of copper scrap in the PRC. As shown in Figure 1 below, copper price has been experiencing a downward trend during the review period from January 2014 to December 2015, which may put pressure on the selling price of the Group's copper scrap and consequently the financial performance of the Group.

FIGURE 1: COPPER PRICE

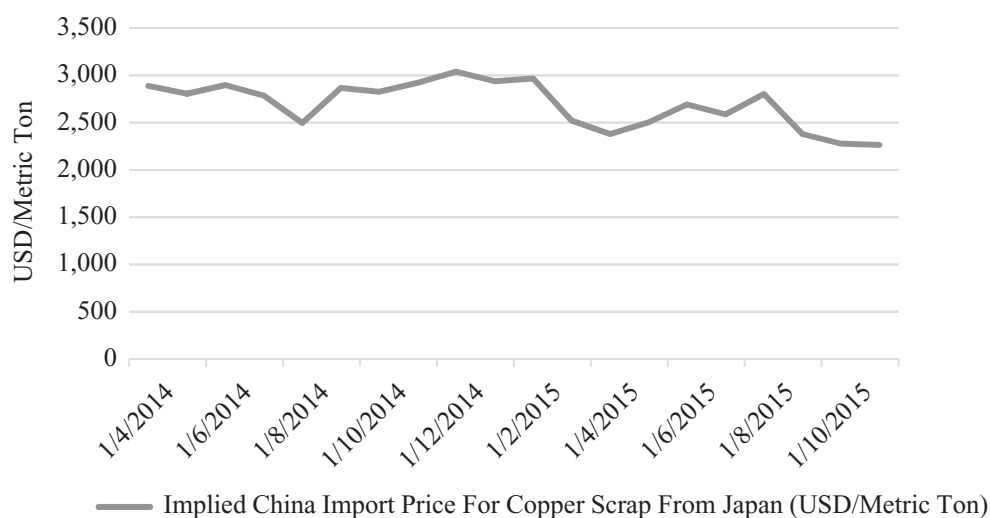


Source: Bloomberg

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As stated in the Interim Report, with the successful Subscriptions made in the first half of 2015 resulting in total proceeds of HK\$4.1 billion received, the Group is in a well-placed financial position to develop its metal recycling business not only within the PRC and may expand to elsewhere in the world outside of the PRC. In August 2015, the Group entered into (i) an agreement with ITOCHU Corporation and SUZUKI SHOKAI Co., Ltd., which, to the best knowledge of the Company, are not Shareholders, for acquiring the entire interests in a company which is the only approved recycle processing enterprise in Changxing Island Harbor Industrial Zone in Dalian, the PRC engaged in recycle processing and utilisation of scrap metals, discarded appliances, office machines and other wastes (the “**Acquisition**”), by issuing consideration shares; and (ii) an agreement with ITOCHU Metals Corporation and SUZUKI SHOKAI Co., Ltd., which, to the best knowledge of the Company, are not Shareholders, to set up a joint venture which will mainly be engaged in the trading of recycle materials with a focus on the Chinese and Japanese markets (the “**JV Formation**”). As shown in Figure 2 below, the PRC import price of copper scrap from Japan also experienced a mild downward trend during the review period from January 2014 to November 2015 as compared to the steep fall of global copper price as shown in Figure 1. The JV Formation would allow the Company to expand its procurement network in Japan, which could largely reduce the on route time of procurements when compared to other international supplies from Europe and North America, resulting in a potential reduction on the transportation cost, as well as lowering the Group’s exposure to the volatility in global market price.

FIGURE 2: IMPLIED CHINA IMPORT PRICE FOR COPPER SCRAP FROM JAPAN *(Note)*



Source: Bloomberg

Note: The implied China import price for copper scrap from Japan is calculated using the aggregate value of China copper scrap imports from Japan in US dollars divided by the aggregate volume of China copper scrap imports from Japan in metric tonnes.

Despite the Acquisition and the JV Formation would further enhance the Group’s network in the PRC and enable it to tap into a new market, it is uncertain as to when they would become profitable if the Acquisition and JV Formation are completed while the

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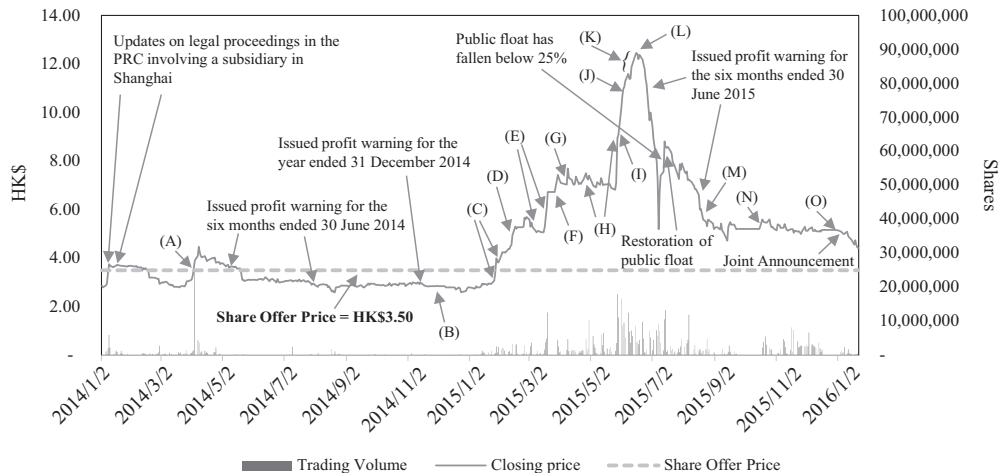
operating environment of the metal recycling industry is considered to remain difficult and uncertain in near term in view of the continuing volatility of commodity prices and unsatisfactory financial performance of the Group as discussed in the section headed “2. Business, financial information and prospects of the Group – (a) Financial information of the Group – (i) Financial performance”.

3. Analysis of price performance and trading liquidity

(a) Historical price performance of the Shares

Set out below is the movement of the closing prices of the Shares during the period from 2 January 2014 to the Latest Practicable Date (the “**Review Period**”) and a summary of announcements by the Company of significant transactions that took place during the Review Period:

FIGURE 3: SHARE PRICE PERFORMANCE COMPARED TO SHARE OFFER PRICE



Source: Bloomberg and website of the Stock Exchange

Date(s) of announcement	Description of the transaction
(A) 4 April 2014	Disposal of an aggregate of 16.77% interests in the Shares by Delco and Green Elite Limited, the then Shareholders, to an independent third party.
(B) 1 December 2014	The Company entered into letters of intent (“ Letters of Intent ”) for establishment of a renewable oil investment company which will acquire 80% interests in a company which is engaged in the sale of hazardous waste, lubricating oil, gas oil, base oil, residual oil, fuel oil and the related additives.

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Date(s) of announcement	Description of the transaction
(C) 27 January and 2 February 2015	Delco agreed to sell its entire shareholding of 10.98% in the Company to HWH, and Sims Metal Management Dragon Holdings Limited entered into two conditional sale and purchase agreements to dispose of its entire shareholding of 15.88% in the Company to unrelated third parties
(D) 16 February 2015	The Company considered undertaking a placing of its securities to independent third party(ies) to secure capital for financing potential expansion in the PRC and overseas
(E) 5 and 18 March 2015	A connected transaction in relation to extension of maturity date of the convertible bonds for a further two years to 1 March 2017
(F) 27 March 2015	The Subscriptions and the application for whitewash waiver
(G) 9 April 2015	The CB Purchase
(H) 30 April and 29 May 2015	Completion of the Subscriptions
(I) 29 May 2015	Extension of exclusivity period of the Letters of Intent to 30 August 2015
(J) 3 June 2015	Completion of the CB Purchase
(K) 5, 9, 10 and 15 June 2015	Conversion of convertible bonds in the aggregate amount of HK\$435,600,000 in full by the Offeror and Greenwoods China Alpha Master Fund, pursuant to which a total number of 52.6 million and 20 million Shares were issued to the Offeror and Greenwoods China Alpha Master Fund respectively
(L) 19 June 2015	The Company entered into a memorandum of understanding in relation to the Acquisition and the JV Formation
(M) 21 August 2015	A discloseable transaction relating to (i) the Acquisition which is settled by way of 31,037,585 consideration shares at the issue price of HK\$13.50 per share; and (ii) the JV Formation

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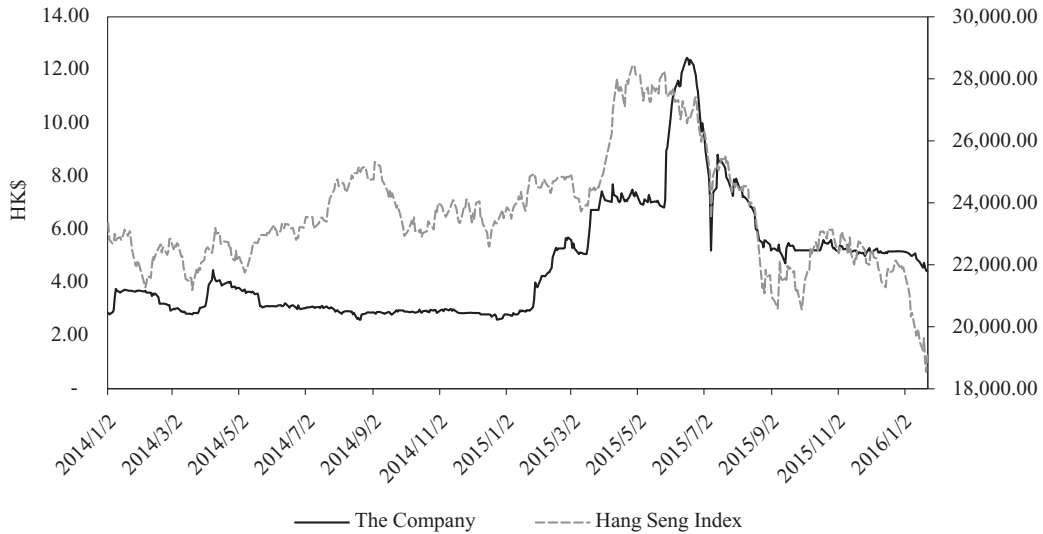
Date(s) of announcement	Description of the transaction
(N) 19 and 23 October 2015	The Offeror, as the lender, entered into the Facility Agreement and the Deed with HWH, as the borrower, for a credit facility of HK\$1,360,000,000
(O) 30 December 2015	Extension of long stop date for the Acquisition and the JV Formation to 31 March 2016

As shown above in Figure 3, the Shares closed most of the time below the Share Offer Price commencing from the beginning of the Review Period until the Company announced the change in shareholdings of substantial Shareholders on 27 January 2015. The Share price rose to HK\$4.47 on 8 April 2014 following disposal of 16.77% interests in the Shares by Delco and Green Elite Limited, the then Shareholders, to an independent third party and then fell below HK\$3.00 at the end of July 2014. During this period, the Company also entered into the Letters of Intent. The Share price increased sharply and closed at HK\$3.35 on 27 January 2015 following the announcement of the change in shareholdings of substantial Shareholders, and closed well above the Share Offer Price since 28 January 2015.

During the period from 28 January 2015 to 20 March 2015, being the last full trading day before the suspension of trading in the Shares pending the release of the announcement on 27 March 2015 in relation to the Subscriptions, the Shares closed between HK\$3.82 and HK\$6.73 with an average closing price of HK\$5.00. Completion of the Subscriptions eventually took place on 30 April 2015 and 29 May 2015 respectively. The Company also announced the CB Purchase on 9 April 2015, which was completed on 3 June 2015 before the Offeror converted the Sims Bonds into 52.6 million Shares at a conversion price of HK\$6.0 on 15 June 2015. On 19 June 2015, the Company then announced that it has entered into a memorandum of understanding in relation to the Acquisition and the JV Formation. The Share price gained momentum during this period and surged to an all-time high of HK\$12.46 since its listing in 2010, before eventually following the downward trend of the market as shown in Figure 4 below and dropping below the HK\$6.0 level since August 2015. The Shares have since then consistently closed above HK\$5.0, with an average closing price of HK\$5.165 for the last 30 trading days prior to the Joint Announcement.

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FIGURE 4: SHARE PRICE PERFORMANCE COMPARED TO HANG SENG INDEX

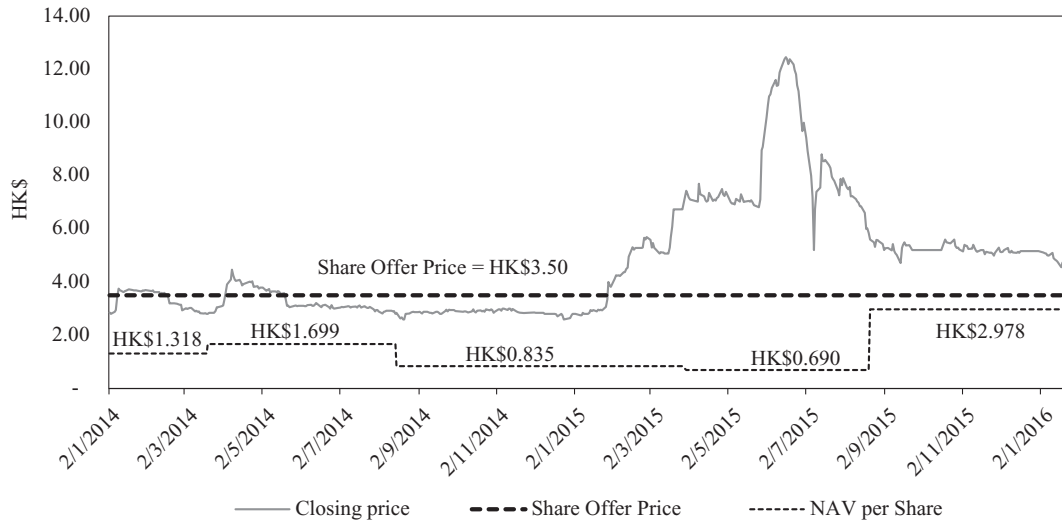


Source: Bloomberg

Trading in the Shares were suspended from 18 to 31 December 2015 pending the release of the Joint Announcement. Following the Joint Announcement, the Share price fell from HK\$5.12 on 4 January 2016 to HK\$4.42 on 22 January 2016, being the lowest closing price following the Joint Announcement, which may have been affected by the recent poor market sentiment as shown in Figure 4 above. The average closing price following the Joint Announcement and the closing price as at the Latest Practicable Date were HK\$4.83 and HK\$4.42 respectively, representing 38.0% and 26.3% premium over the Share Offer Price.

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FIGURE 5: SHARE PRICE PERFORMANCE COMPARED TO NAV PER SHARE



During the Review Period, the Shares have been traded at premiums over the NAV per Share. The Group’s financial position has been improved substantially following the Subscriptions in April and May 2015 with the NAV per Share increased from HK\$0.690 as at 31 December 2014 to HK\$2.978 as at 30 June 2015. Before the Share price and trading volume uplifts commencing from 27 January 2015, the Shares closed at premiums ranging from 67.7% to 267.5% over the NAV per Share against the premium of the Share Offer Price over the NAV per Share of 17.5%.

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(b) Trading liquidity

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 2)
2014			
January	19,639,178	1.88%	4.28%
February	9,049,753	0.87%	1.97%
March	9,170,549	0.88%	2.00%
April	51,938,013	4.97%	11.32%
May	2,186,193	0.21%	0.48%
June	1,237,669	0.12%	0.27%
July	4,347,814	0.41%	0.95%
August	6,708,024	0.64%	1.46%
September	1,810,024	0.17%	0.39%
October	1,057,218	0.10%	0.23%
November	1,386,000	0.13%	0.30%
December	1,845,917	0.18%	0.40%
2015			
January	13,507,566	1.29%	2.94%
February	25,794,336	2.46%	5.62%
March	41,080,267	3.91%	8.95%
April	40,556,922	3.26%	8.84%
May	71,560,934	4.74%	15.59%
June	140,783,896	8.87%	30.68%
July	85,716,971	5.40%	18.68%
August	44,196,966	2.78%	9.63%
September	12,152,097	0.77%	2.65%
October	20,920,015	1.32%	4.56%
November	51,274,096	3.23%	11.17%
December	36,789,000	2.32%	8.02%
2016			
January (up to the Latest Practicable Date)	11,882,606	0.75%	2.59%

Source: Bloomberg

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Notes:

- (1) The calculation is based on the monthly total trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or at the Latest Practicable Date, as applicable.
- (2) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public as at the Latest Practicable Date.

Based on the above table, the liquidity of the Shares during the Review Period, in our view, was generally thin in 2014 except for the month of April following the announcement on 4 April 2014 in relation to the disposal of 16.77% interests in the Shares by Delco and Green Elite Limited, the then Shareholders, to an independent third party. The relatively higher trading volume following publication of the announcements relating to change in shareholdings of substantial Shareholders on 27 January 2015 and subsequently the Subscriptions on 27 March 2015 is in our view principally related to the Shareholders' initial positive reception and expectation regarding the Subscriptions, and this trading momentum may not continue after the close of the Offers. The Independent Shareholders, especially those with significant stakes, should note that if they wish to realise their investments in the Company they might not be able to dispose the Shares in the market without exerting a downward pressure on the market price of the Shares. Given that the high level of trading volume may not be sustained, the Share Offer provides an opportunity for the Independent Shareholders to dispose of their entire holdings at a fixed cash price without disturbing the market price. However, considering that the Share Offer Price as at the Latest Practicable Date is at a discount to the market price of the Shares as discussed below, Independent Shareholders who intend to dispose of their shareholdings in the market should closely monitor the market price and the liquidity of the Shares in the open market.

(c) *Share Offer Price comparisons*

The Share Offer Price of HK\$3.50 represents:

- (i) a discount of approximately 32.3% to the closing price of HK\$5.170 per Share as quoted on the Stock Exchange on 17 December 2015, being the Last Trading Day;
- (ii) a discount of approximately 31.7% to the average closing price of approximately HK\$5.126 per Share as quoted on the Stock Exchange for the last 5 trading days prior to and including the Last Trading Day;
- (iii) a discount of approximately 32.1% to the average closing price of approximately HK\$5.154 per Share as quoted on the Stock Exchange for the last 10 trading days prior to and including the Last Trading Day;
- (iv) a discount of approximately 32.2% to the average closing price of approximately HK\$5.165 per Share as quoted on the Stock Exchange for the last 30 trading days prior to and including the Last Trading Day;
- (v) a discount of approximately 20.8% to the closing price of HK\$4.420 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

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- (vi) a premium of approximately 407.2% over the audited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$0.690 per Share as at 31 December 2014 as set out in the 2014 Annual Report; and
- (vii) a premium of approximately 17.5% over the unaudited consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$2.978 per Share as at 30 June 2015 as set out in the Interim Report.

As analysed in the section headed “3. Analysis of price performance and trading liquidity – (a) Historical price performance of the Shares”, the Shares have been trading above the Share Offer Price since 28 January 2015 up to the Last Trading Day with an average closing price of HK\$6.60 during this period. The Share Offer Price also represented discounts of 32.3% and 20.8% to the closing prices of the Shares as at the Last Trading Day and the Latest Practicable Date.

If the Independent Shareholders wish to realise their investments, they could consider selling their Shares in the open market, which is trading at a premium over the Share Offer Price. However, Independent Shareholders should also note that there is no assurance that the market price of the Shares will continue to remain at such level or significantly higher than the Share Offer Price during the Offer Period, and are therefore reminded to closely monitor the market price of the Shares during the period for the acceptance of the Share Offer.

4. Peers comparison

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 in the PRC, and has reported losses in recent years and had an unaudited NAV of HK\$4,647.7 million as of 30 June 2015.

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On this basis, we consider that listed entities in either HK or the PRC principally engaged in the business related to recycled metals to be comparable entities (the “**Comparable Entities**”) to the Company. Based on our research on the website of the Stock Exchange and Bloomberg in accordance with the above criteria for which we consider to be exhaustive, we have identified two Comparable Entities, one listed on the Stock Exchange and the other one listed on Shenzhen Stock Exchange, as set out in the table below:

Name of entities	Principal business	Market capitalisation as at the Latest Practicable Date (A) <i>(HK\$ million)</i>	NAV attributable to shareholders as at the latest year/period end ⁽¹⁾ (B) <i>(RMB million)</i>	Price to book multiple (“P/B”) (A/B) <i>(times)</i>
Listed in Hong Kong				
China Metal Resources Utilization Limited (stock code: 1636) (“ HK Comparable Entity ”)	The company principally engage in the manufacturing of recycled copper products in the PRC	5,894.4 <i>(RMB million)</i>	1,155.2 <i>(RMB million)</i>	4.32 <i>(times)</i>
Listed in the PRC				
Nanjing Yunhai Special Metals Co., Ltd. (stock code: 002182.SZ) (“ PRC Comparable Entity ”)	The company focuses on magnesium and magnesium alloy production and recycling, aluminium alloy ingots and billets production and recycling, magnesium and aluminium die casting and extrusion production, master alloy and strontium metal production	3,646.1 <i>(HK\$ million)</i>	908.7 <i>(HK\$ million)</i>	4.01 <i>(times)</i>
		Mean		4.17
		Maximum		4.32
		Minimum		4.01
		5,559.8 ⁽²⁾	4,725.6	1.18
The Share Offer				

Source: Bloomberg, website of the Stock Exchange and <http://www.cninfo.com.cn>

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Notes:

- (1) The NAV attributable to shareholders of the Company and the Comparable Entities is extracted from the financial statements published in the latest interim or quarterly report.
- (2) The market capitalisation of the Company is calculated based on the Share Offer Price of HK\$3.50 per Share to facilitate our comparison of the P/B of the Company as represented by the Share Offer Price to the P/Bs of the Comparable Entities.

Despite the trading sentiments and market valuation generally vary in different stock markets, as only one HK Comparable Entity is identified, we consider it would be useful to identify the PRC Comparable Entity which also provides a reference for the Independent Shareholders to consider the Company's valuation. The P/B represents our main consideration for the peers comparison as the Company reported losses in the latest financial year, hence no price-to-earnings multiples could be appraised for our analysis purposes. The P/Bs of the Comparable Entities are approximately 4.01 and 4.32 times, with a mean of approximately 4.17 times. As the P/B of the Company as represented by the Share Offer Price of approximately 1.18 times is significantly lower than the P/Bs of the Comparable Entities, the Share Offer Price compares unfavourably to the market valuation of the Company's peers.

5. Information on the Offeror

The Offeror is an investment holding company incorporated in Hong Kong with limited liability, which is directly wholly owned by USUM Group, a limited liability company incorporated in the PRC. The single largest shareholder of USUM Group is Loncin Holdings, with an equity interest in USUM Group of 46.78%. The remaining equity interests in USUM Group are held by 21 individuals and 30 companies, all of whom are independent third parties of Loncin Holdings and Mr. Tu, and they each hold between 0.32% to 8.12% equity interests in USUM Group. Loncin Holdings is 98% owned by Loncin Group and 2% owned by Mr. Tu Jianhua, an executive Director. Loncin Group is 98% owned by Mr. Tu, 1% owned by Ms. Tu Jianmin and 1% owned by Ms. Tu Jianrong, both being sisters of Mr. Tu.

The Offeror became the single largest shareholder of the Company since completion of the Subscriptions. Upon Completion, the shareholding interests of the Offeror and its Concert Parties in the Company increased from 32.08% to 56.62%. Further details of the Offeror are set out in the section headed "Letter from China Galaxy" in the Composite Document.

6. Intentions of the Offeror in relation to the Group

The Offeror 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 Offeror has no intention to dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business.

As at the Latest Practicable Date, the Offeror does not have 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

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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 Offers.

After close of the Offers, the Offeror will review the businesses of the Group from time to time, including among others, the Group's relationships with its distributors and suppliers, portfolio of products, assets, corporate and organizational structure, capitalization, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organize and optimize the businesses and operations of the Group.

The Offeror will also conduct a review of the Group's human resources strategic with the view to streamlining the human resources structure of the Group, which may involve the discontinuation of the employment contracts of some employees of the Group.

In August 2015, the Company entered into two separate agreements in relation to the Acquisition and the JV Formation. As at the Latest Practicable Date, while the Offeror has been overseeing the progress of the Acquisition and JV Formation, the Offeror intends that the Group will continue to operate its business in substantially its current state although, the Offeror intends that the Group will continue to explore new business and investment opportunities in other areas, including, without limitation, investment in financial industry, as well as to expand its current business in the metals recycling industry in order to maximize the value and return of the Group's business and operation. As of the Latest Practicable Date, no other definitive agreement or contract has been entered into by the Group in relation to any new material investment or business opportunities.

The Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to better integrate, generate maximum synergy and achieve enhanced economies of scale with the other operations of the Offeror.

Proposed change of Board composition

As at the Latest Practicable Date, the Board comprises four executive Directors, being Mr. Tu Jianhua, Mr. Fang Ankong, Mr. Zhang Mingjie and Mr. Meng Yi, and three independent non-executive Directors, being Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian.

In connection with the Resignation Announcement, it is intended that the resignation of Mr. Fang would take effect from the earlier of (i) the Executive consenting to Mr. Fang's resignation; or (ii) the Closing Date (the "**Effective Date**"). With effect from the Effective Date, the Company will appoint and/or re-designate Mr. Tu Jianhua as Chief Executive Officer, Chairman of Executive Committee and Chairman of Pricing Committee of the Company. Such appointments will be made in accordance with the Code and the Listing Rules. Biographical details of Mr. Tu Jianhua are set out under the section headed "Letter from China Galaxy" in the Composite Document.

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DISCUSSION AND ANALYSIS

(i) Prevailing market price of the Shares higher than the Share Offer Price

Share price and trading volume uplifts were seen since publication of the announcements relating to change in shareholdings of substantial Shareholders on 27 January 2015 and the Subscriptions on 27 March 2015. The Share price closed well above the Share Offer Price since 28 January 2015 up to the Last Trading Day, and closed consistently above the HK\$5.0 level during the period from completion of the Subscription on 30 April 2015 to the Last Trading Day (except for 14 September 2015 on which it closed at HK\$4.72). The Share Offer Price represented discounts of 32.3% and 20.8% to the closing prices of the Shares as at the Last Trading Day and the Latest Practicable Date. On this basis, although the Share Offer allows the Independent Shareholders to dispose of their entire holdings at a fixed cash price without disturbing the market price, we consider the Share Offer Price to be insufficient considering its significant discount to the recent market price of the Shares.

Following the Joint Announcement, the Share price dropped from HK\$5.12 on 4 January 2016 to HK\$4.42 on 22 January 2016, being the lowest closing price following the Joint Announcement. The drop in the Share closing price might be due to the recent poor market sentiment as shown in Figure 4. Should Independent Shareholders be pessimistic about both the outlook of local stock market and the Share price performance in the near future, they should consider selling some or all of its shareholding in the market or accept the Share Offer.

(ii) Sound financial position of the Group

In March 2015, the Company announced to raise total proceeds of HK\$4.1 billion by issuing a total of 456.9 million new Shares to the Offeror at the subscription price of HK\$9.01 per Share in March 2015 and completion of the Subscriptions took place in April and May 2015. As a result, the Group's net asset value attributable to the Shareholders increased substantially with, in particular, its bank balances and cash increased from HK\$271.6 million as at 31 December 2014 to HK\$3,996.6 million as at 30 June 2015, which led to significant improvement in the Group's current ratio from 0.90 as at 31 December 2014 to 3.23 as at 30 June 2015, while the gearing ratio also declined from 58.8% as at 31 December 2014 to 19.7% as at 30 June 2015. NAV per Share increased from HK\$0.690 as at 31 December 2014 to HK\$2.978 as at 30 June 2015. The Share Offer Price represents only 17.5% premium over the NAV per Share as compared to the premiums of 67.7%-267.5% before Share price and trading volume uplifts in January 2015 as set out in Figure 5.

The Company intends to apply the proceeds from the Subscriptions 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. Details of the use of proceeds from the Subscription are set out in the Whitewash Circular. Following the Subscriptions, the Company entered into agreements for the Acquisition and the JV Formation in August 2015 with a view to expanding its

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business in the PRC and extending its procurement network to Japan. The JV Formation is expected to reduce the Group's the transportation cost and its exposure to the volatility in global copper price as set out in Figure 2.

(iii) The Share Offer Price represents substantial discount to peers valuation

Two Comparable Entities, which are engaged in business comparable to that of the Group and are listed in either Hong Kong or the PRC, are identified. The P/B of the Comparable Entities are approximately 4.01 and 4.32 times, which are much higher than that of the Company of approximately 1.18 times as represented by the Share Offer Price. On this basis, despite the Share Offer Price represents a premium of approximately 17.5% over the Company's NAV per Share of HK\$2.978 as at 30 June 2015, we consider the Share Offer Price to be not fair and reasonable.

(iv) Financial performance and outlook of the Group

The Group has been loss-making since 2013 mainly due to the decrease in sales volume and average selling prices for its recycled metal products and foundry products, as well as the losses on fair value changes of derivative financial instruments and embedded derivatives on convertible bonds issued by the Company. Moreover, the downward movement of copper price during the review period may put further pressure on the selling price of the Group's copper scrap and the financial performance of the Group. As regards the Acquisition and the JV Formation, it is uncertain as to when the acquisition target and the new joint venture would become profitable if they are completed while the operating environment of the metal recycling industry is considered to remain difficult and uncertain in near term in view of the continuing volatility of copper price and unsatisfactory financial performance of the Group.

Despite the outlook of the Group remains uncertain, the financial performance of the Group has not deteriorated significantly in the six months ended 30 June 2015 while the NAV of the Group enhanced significantly by the total proceeds of HK\$4.1 billion from the Subscriptions in April and May 2015. The Offeror intended not only to continue to operate its current business of the Group but also to explore new business and investment opportunities in other areas, including, without limitation, investment in financial industry, and the Company's intention to apply the proceeds from the Subscriptions to finance such opportunities and acquisitions as demonstrated by the Acquisition and JV Formation. The benefits brought about by the Subscriptions and the change of controlling Shareholder last year are yet to be reflected in the profitability of the Group and therefore, we have not put a strong weighting on the historical financial performance of the Group.

THE CONVERTIBLE BOND OFFER AND OPTION OFFER

Pursuant to Rule 13 of the Code, the Offeror is also required to make the Option Offer and Convertible Bond Offer.

As at the Latest Practicable Date, Convertible Bonds with an aggregate principal amount of HK\$380,200,000 remain outstanding in issue and carry 4% coupon interest per annum. Pursuant to the Delco Undertaking, the outstanding Convertible Bonds in the

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principal amount of HK\$312,600,000 held by Delco will not be eligible for conversion into Shares for participation in the Share Offer. The Convertible Bond Offer will, however, be extended to cover the Convertible Bonds held by Delco for acceptance. Great Roc Capital Limited, being the holder of the Convertible Bonds in the principal amount of HK\$67,600,000, is entitled to convert the principal amount of the Convertible Bonds into 11,266,667 Shares at a conversion price of HK\$6.0 per Share prior to the maturity date on 1 March 2017. The net cash balance of the Company as at 30 June 2015, as determined by the bank balance and cash minus the total borrowings (including loan, bank borrowings and debt components of the convertible bonds), amounted to HK\$2,664.6 million, which is significantly higher than the outstanding principal amount of the Convertible Bonds.

The offer price under the Convertible Bond Offer is HK\$58,333.33 for every HK\$100,000 face value of the Convertible Bonds, determined in accordance with Practice Note 6 to the Code as the “see-through” consideration for each Convertible Bonds, being the number of Shares into which the Convertible Bonds is convertible (being approximately 63,366,667 Shares) multiplied by the Share Offer Price. On the basis that (i) the conversion price of the Convertible Bonds at HK\$6.0 per conversion Share represents a premium of approximately 71.4% over the Share Offer Price of HK\$3.50 per Share; (ii) the closing price of the Shares of HK\$4.420 as at the Latest Practicable Date also implies that the current market value for every HK\$100,000 face value of the Convertible Bonds is approximately HK\$73,666.67, which represents a premium of approximately 26.3% over the offer price under the Convertible Bond Offer of HK\$58,333.33 for every HK\$100,000 face value of the Convertible Bonds; and (iii) the terms and conditions of the Convertible Bonds will remain the same after the close of the Offers and the Group has a net cash of approximately HK\$2,664.6 million as at 30 June 2015 as compared to the Convertible Bond with outstanding principal amount of HK\$380.2 million, we consider the offer price under the Convertible Bond Offer to be not fair and reasonable to the Convertible Bondholders.

As at the Latest Practicable Date, there are 2,188,000 outstanding Share Options with an exercise price of HK\$4.186 in respect of 2,188,000 Shares granted by the Company pursuant to the Share Option Scheme. Optionholders who do not accept the Option Offer will continue to have a right to exercise his/her Share Options, after the close of the Offers, to the extent that such Share Options are exercisable under its existing terms.

Under the Option Offer, the outstanding Share Options are out of the money as the exercise price of HK\$4.186 is higher than the Share Offer Price and the offer price for the cancellation of each Share Option is set at a nominal value of HK\$0.01. However, considering that the exercise price of HK\$4.186 for the Share Options represents a discount of approximately 5.3% to the closing price of the Shares of HK\$4.420 as at the Latest Practicable Date, the outstanding Share Options are actually in-the-money with a “see-through” value of HK\$0.234 when compared to the market price, hence we consider the offer price under the Option Offer at HK\$0.01 to be not fair and reasonable to the Optionholders. Optionholders are reminded to closely monitor the market price of the Shares during the period for acceptance of the Share Offer, and they may consider exercising their Share Options into Shares and selling such Shares in the open market should the market price remains in-the-money above the exercise price of HK\$4.186, or they may also consider accepting the Option Offer if their Share Options become out-of-the-money should the market price of the Shares falls below the exercise price of HK\$4.186.

LETTER FROM SOMERLEY CAPITAL

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, in particular the discounts of the offer price under the Offers to the recent market prices of the Shares, the improved financial position of the Group (including its current ratio, gearing ratio and NAV per Share) following the Subscriptions and also the unfavourable valuation of the Group implied by the Offers against the market valuation of the Group's peers which outweigh the uncertain industry outlook and historical loss-making record of the Group, we consider that the Offers do not provide an attractive opportunity for the Independent Shareholders, the Optionholders and the Convertible Bondholders to realize their investments in the Company, as the terms of the Offers are not fair and reasonable so far as the Independent Shareholders, the Optionholders and the Convertible Bondholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, the Optionholders and the Convertible Bondholders not to accept the Offers (as the case may be).

Independent Shareholders, Optionholders and Convertible Bondholders should note that there is no assurance that the market price of the Shares will continue to remain at a level significantly higher than the Share Offer Price during the acceptance period of the Offers. Independent Shareholders, Optionholders and Convertible Bondholders are reminded to closely monitor the market price of the Shares during the acceptance period of the Offers.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. PROCEDURES FOR ACCEPTANCE**1.1. The Share Offer**

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or China Galaxy or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2. The Convertible Bond Offer

- (a) If you accept the Convertible Bond Offer and the certificate(s) of the Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are in your name, you should complete the **BLUE** Form of Convertible Bond Offer Acceptance in accordance with the instructions printed thereon in respect of the outstanding principal amount of the Convertible Bonds held by you that you wish to tender to the Convertible Bond Offer, which instructions form part of the terms and conditions of the Convertible Bond Offer.

- (b) The completed **BLUE** Form of Convertible Bond Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Convertible Bonds and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the Convertible Bond Offer, by post or by hand to the Company at 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong, as soon as possible but in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Code.
- (c) No acknowledgement of receipt of any **BLUE** Form of Convertible Bond Offer Acceptance and/or certificate(s) of the Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.3. The Option Offer

- (a) To accept the Option Offer, you should complete and sign the accompanying **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) Without prejudice to the paragraph headed “Effect of accepting the Offers” in the “Letter from China Galaxy” contained in this Composite Document and the paragraph headed “5. Lapse of Share Options” of this Appendix, the completed **PINK** Form of Option Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Share Options (if applicable) and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) you intend to tender, stating the number of Share Options in respect of which you intend to accept the Option Offer, by post or by hand, to the Company at 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Code provided however, no Share Option shall be capable of acceptance if at the time of acceptance such Share Option has lapsed. Please refer to the paragraph headed “5. Lapse of Share Options” of this Appendix for further information. Optionholders should note that according to the rules of the Share Option Scheme, the Optionholders are entitled to exercise their Share Options (to the extent not exercised) in full or in part by notice in writing to the Company before the close of the Option Offer. The Share Options (to the extent not exercised) will lapse automatically after the close of the Option Offer on the Closing Date. Optionholders are reminded that acceptance of the Option Offer made in relation to any Share Option that has lapsed will not render acceptance to be valid. Optionholders are therefore recommended to consult their own

professional advisers as to the exercise of the Share Options pursuant to the rules of the Share Option Scheme and the implications as to accepting or rejecting the Option Offer.

- (c) If the certificate(s) in respect of your Share Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the **PINK** Form of Option Offer Acceptance should nevertheless be completed and delivered to the Company together with a letter stating that you have lost one or more of your option certificate(s) (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your option certificate(s) (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (d) If the certificate(s) in respect of your Share Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Share Options to the extent exercisable as indicated in the paragraph headed “4. Exercise of Share Options” of this Appendix below, but (i) the relevant exercise notice and cheque for the subscription monies must reach the Company before the Offers close; and (ii) the relevant **WHITE** Form of Share Offer Acceptance must reach the Company on or before 4:00 p.m. on the Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (e) No stamp duty will be deducted from the amount paid or payable to Optionholder who accept the Option Offer.
- (f) No acknowledgment of receipt of any **PINK** Form(s) of Option Offer Acceptance, certificate(s) of the Share Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFERS

2.1. The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Share Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

2.2. The Convertible Bond Offer

Provided that a valid **BLUE** Form of Convertible Bond Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Company before the close of the Convertible Bond Offer, a cheque for the amount due to each of the Convertible Bondholders who accepts the Convertible Bond Offer in respect of the Convertible Bonds tendered by it/him/her under the Convertible Bond Offer less seller's ad valorem stamp duty will be despatched to such Convertible Bondholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the receipt of all the relevant documents by the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Convertible Bondholder is entitled under the Convertible Bond Offer will be implemented in full in accordance with the terms of the Convertible Bond Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Convertible Bondholder.

2.3. The Option Offer

Provided that a valid **PINK** Form of Option Offer Acceptance and the relevant certificate(s) in respect of the Share Options (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects

and have been received by the Company before the close of the Option Offer, a cheque for the amount due to each of the Optionholders who accepts the Option Offer in respect of the Share Option tendered by it/him/her under the Option Offer will be despatched to such Optionholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the receipt of all the relevant documents by the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Optionholder is entitled under the Share Option will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance, the **BLUE** Form of Convertible Bond Offer Acceptance and the **PINK** Form of Option Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Convertible Bond Offer and the Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as they may determine and in accordance with the Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders, Convertible Bondholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Independent Shareholders, Convertible Bondholders and Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.
- (e) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders, Convertible Bondholders and Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "7. Right of withdrawal" below and duly do so.

4. EXERCISE OF SHARE OPTIONS

The Optionholder who wishes to accept the Share Offer may (i) exercise his/her/its Share Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Exercise of the Share Options is subject to the terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Offeror and/or China Galaxy and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Share Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Share Options as aforesaid and in accordance with the terms and conditions of the Share Option Scheme, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

5. LAPSE OF SHARE OPTIONS

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date. For any Optionholders who do not accept the Option Offer, the relevant Share Options will remain valid and exercisable until the expiry or end of the exercisable period of the Share Options in accordance with its terms and with the terms of the Share Option Scheme.

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Share Option which lapses under the Share Option Scheme. No exercise of Share Options or acceptance of the Option Offer may be made in relation to any Share Option that has lapsed.

6. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Code, whether the Offers have been revised, extended, or has expired.

The announcement will state the total number of Shares, Convertible Bonds and Share Options and rights over Shares:

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number or principal amount of Shares, Convertible Bonds and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Convertible Bond Offer and Option Offer) respectively no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive, shall be included.

- (b) As required under the Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Code and the Listing Rules, where appropriate.

7. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Independent Shareholders, Convertible Bondholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “6. Announcements” above, the Executive may require that the Independent Shareholders, Convertible Bondholders and Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders, Convertible Bondholders and Optionholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or the relevant certificate(s) in respect of the Share Options and Convertible Bonds (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Forms of Acceptance to the relevant Independent Shareholder(s), Convertible Bondholder(s) and Optionholder(s).

8. STAMP DUTY

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer or the Convertible Bond Offer amounting to 0.1% of the amount payable in respect of relevant acceptances by the Independent Shareholders or Convertible Bondholders, or (if higher) the value of the Shares or Convertible Bonds as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the cash amount payable to the Independent Shareholders or Convertible Bondholders who accept the Share Offer or the Convertible Bond Offer. The Offeror will bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance, or (if higher) the value of the Shares and/or the Convertible Bonds as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), and would be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares and/or the Convertible Bonds which are validly tendered for acceptance under the Share Offer and/or the Convertible Bond Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

9. OVERSEAS HOLDERS OF SHARES, CONVERTIBLE BONDS AND SHARE OPTIONS

The Offers are made available to all Independent Shareholders, Convertible Bondholders and Optionholders, including Overseas Holders. The Overseas Holders who wish to participate in the Offers are subject to, and may be affected by the laws and regulations of the relevant jurisdiction in which they are resident. Overseas Holders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, consult their professional advisers.

It is the sole responsibility of the Overseas Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

Any acceptance by any Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders that the local laws and requirements have been complied with.

10. TAXATION ADVICE

Independent Shareholders, Convertible Bondholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and parties acting in concert with it, the Company, China Galaxy and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

11. GENERAL

- (a) All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders, Convertible Bondholders and Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, China Galaxy and any of their respective directors nor the Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer, the Convertible Bond Offer or the Option Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, China Galaxy or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares, the Convertible Bonds or the Share Options in respect of which such person or persons has/have accepted the Offers.

- (f) By accepting the Offers, the Independent Shareholders, Convertible Bondholders and Optionholders will sell their Shares or Convertible Bonds or tender their Share Options (as the case may be) to the Offeror free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of this Composite Document.

The Offers are made available to all Independent Shareholders, Convertible Bondholders and Optionholders, including those who are resident outside Hong Kong. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Holders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are resident, citizen or national outside Hong Kong should inform themselves about and observe, at its own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

Any acceptance by Independent Shareholders, Convertible Bondholders and Optionholders and beneficial owners of the Shares, Convertible Bonds and/or Share Options who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders, Convertible Bondholders and Optionholders should consult their respective professional advisers if in doubt. Independent Shareholders, Convertible Bondholders and Optionholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date. For any Optionholders who do not accept the Option Offer, the relevant Share Options will remain valid and exercisable until the expiry or end of the exerciseable period of the Share Options in accordance with its terms and the terms of the Share Option Scheme.

- (g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares, Convertible Bonds or Share Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares, Convertible Bonds or Share Options held by such nominee for such beneficial owner who is accepting the Offers.
- (h) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof.
- (i) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders, Convertible Bondholders and Optionholders in the Forms of Acceptance shall be irrevocable except as permitted under the Code.
- (j) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. 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, 2014 and the unaudited condensed consolidated financial results of the Company for the six months ended 30 June 2014, 2015 as extracted from the published financial statements of the Group for the relevant periods.

	For the six months ended		For the year ended 31 December		
	30 June		2014	2013	2012
	2015	2014	2014	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	1,779,975	3,204,362	5,877,970	7,222,003	8,202,702
Profit (loss) before tax	(945,734)	(904,534)	(1,067,611)	(381,776)	72,034
Income tax expense	(1,070)	(2,180)	(3,629)	(25,742)	(32,683)
Profit (loss) for the period/year attributable to:					
Owners of the Company	(949,641)	(896,030)	(1,057,980)	(382,920)	88,591
Non-controlling interests	2,837	(10,684)	(13,260)	(24,598)	(49,240)
	<u>(946,804)</u>	<u>(906,714)</u>	<u>(1,071,240)</u>	<u>(407,518)</u>	<u>39,351</u>
Earning (loss) per share					
– basic	HK\$(0.809)	HK\$(0.857)	HK\$(1.01)	HK\$(0.37)	HK\$0.08
– diluted	<u>HK\$(0.809)</u>	<u>HK\$(0.857)</u>	<u>HK\$(1.01)</u>	<u>HK\$(0.37)</u>	<u>HK\$0.08</u>
Dividends	–	–	–	–	HK\$22,143,000
Dividends per share	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>HK\$2.12 cents</u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

	For the six months ended		For the year ended 31 December		
	30 June		2014	2013	2012
	2015	2014	2014	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	6,757,298	3,749,820	3,641,025	4,917,292	5,201,979
Total liabilities	<u>(2,109,636)</u>	<u>(2,950,806)</u>	<u>(2,997,669)</u>	<u>(3,210,603)</u>	<u>(3,128,437)</u>
Net assets	<u>4,647,662</u>	<u>799,014</u>	<u>643,356</u>	<u>1,706,689</u>	<u>2,073,542</u>
Equity attributable to owners of the Company	4,725,554	876,671	724,050	1,774,360	2,115,005
Non-controlling interests	<u>(77,892)</u>	<u>(77,657)</u>	<u>(80,694)</u>	<u>(67,671)</u>	<u>(41,463)</u>
	<u>4,647,662</u>	<u>799,014</u>	<u>643,356</u>	<u>1,706,689</u>	<u>2,073,542</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 were exceptional because of size, nature or incidence for each of the years ended 31 December 2012, 2013 and 2014.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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 II**FINANCIAL INFORMATION OF THE GROUP**

		2014	2013
	<i>NOTES</i>	<i>HK\$'000</i>	<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

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
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	<i>29</i>	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	<i>30</i>	<u>(80,694)</u>	<u>(67,671)</u>
Total equity		<u>643,356</u>	<u>1,706,689</u>
Non-current liabilities			
Convertible bonds	<i>31</i>	–	759,406
Embedded derivative components of convertible bonds	<i>31</i>	–	13,353
Warrants	<i>32</i>	–	1,331
Deferred tax liabilities	<i>33</i>	<u>37,505</u>	<u>35,257</u>
		<u>37,505</u>	<u>809,347</u>
		<u>680,861</u>	<u>2,516,036</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	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	Capital reserve <i>(note i)</i>	Statutory general reserve <i>(note ii)</i>	Enterprise expansion fund <i>(note ii)</i>	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 <i>(Note 29 (note i))</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 <i>(Note 37)</i>	-	-	-	3,567	-	-	-	-	-	-	3,567	-	3,567
Transfer of reserves	-	-	-	-	-	670	670	-	-	(1,340)	-	-	-
At 31 December 2014	<u>10,494</u>	<u>909,061</u>	<u>224</u>	<u>20,383</u>	<u>222,760</u>	<u>105,046</u>	<u>105,046</u>	<u>-</u>	<u>161,751</u>	<u>(810,715)</u>	<u>724,050</u>	<u>(80,694)</u>	<u>643,356</u>

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 II**FINANCIAL INFORMATION OF THE GROUP**

	2014	2013
	<i>HK\$'000</i>	<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>270,835</u>	<u>270,779</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	271,556	271,095
Bank overdrafts (<i>Note 28</i>)	<u>(721)</u>	<u>(316)</u>
	<u>270,835</u>	<u>270,779</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 Reoycling 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	2013
	<i>HK\$'000</i>	<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 HK\$'000	2013 HK\$'000
(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
	<u> </u>	<u> </u>

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Liabilities	<u>291,783</u>	<u>1,086,913</u>

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
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	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
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		Company's share price	
	10% higher		10% lower	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Increase) decrease in loss	<u>(5)</u>	<u>(7,163)</u>	<u>–</u>	<u>5,470</u>

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
		–	–	15	–	15	15
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	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	as at 31 December 2014 HK\$’000	as at 31 December 2013 HK\$’000				
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

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
3) Provisional pricing arrangements classified as derivative financial instruments in the consolidated statement of financial position	–	2,149	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
5) Embedded derivative component of convertible bonds (<i>note i</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.

Financial assets (financial liabilities)	Fair value as at December 2014 HK\$ '000	Fair value as at December 2013 HK\$ '000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to 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	<u>402,917</u>	<u>15</u>	<u>–</u>	<u>402,932</u>
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	<u>–</u>	<u>–</u>	<u>1,331</u>	<u>1,331</u>

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	<u>(71,937)</u>	<u>(6,715)</u>
At 31 December 2013	13,353	1,331
Gain recognised in profit or loss	<u>(13,353)</u>	<u>(1,331)</u>
At 31 December 2014	<u>–</u>	<u>–</u>

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

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

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			Elimination	Total
	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		
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			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		Elimination HK\$'000	
								without processing HK\$'000	Copper cathode HK\$'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											<u>(172,342)</u>
Loss before tax											(381,776)
Income tax expense											<u>(25,742)</u>
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 HK\$'000	2013 HK\$'000
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 HK\$'000	2013 HK\$'000
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>3,629</u>	<u>25,742</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>3,629</u>	<u>25,742</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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
nil (2013: 2012 final dividend paid – HK2.12 cents per share)	<u>–</u>	<u>22,143</u>

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

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>HKS'000</i>	Plant and machinery <i>HKS'000</i>	Office furniture and equipment <i>HKS'000</i>	Motor vehicles <i>HKS'000</i>	Leasehold improvements <i>HKS'000</i>	Construction in progress <i>HKS'000</i>	Total <i>HKS'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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
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	Fair value at	Valuation techniques	Unobservable input
	31 December 2014	31 December 2013		
	HK\$'000	HK\$'000		
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	2013
	Level 3	Level 3
	HK\$'000	HK\$'000
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	2013
	HK\$'000	HK\$'000
Raw materials	574,724	1,032,564
Finished goods	533,065	1,537,709
	1,107,789	2,570,273

22. TRADE AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
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>

- (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>6,215</u>	<u>13,541</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>2,609</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 HK\$ '000	2013 HK\$ '000
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 HK\$ '000	2013 HK\$ '000
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	-
Carrying amount of the Group's interest in Poly Metals	2,609	-

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
Aluminium future contracts:			
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
Copper future contracts:			
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

Contract price	Standard trading unit	Total unit	Maturity date
Zinc future contracts:			
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
Steel rebar future contracts:			
Buy at prices ranging from RMB2,480 to RMB2,641 per tonne	10 tonnes	69,267	15 May 2015
Nickel future contracts:			
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
Lead future contracts:			
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
Aluminium future contracts:			
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
Copper future contracts:			
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

Contract price	Standard trading unit	Total unit	Maturity date
Zinc future contracts:			
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
Steel rebar future contracts:			
Buy at prices ranging from RMB3,570 to RMB3,700 per tonne	10 tonnes	1,700	15 May 2014
Nickel future contracts:			
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	<u>0.01% to 1.15%</u>	<u>0.01% to 1.15%</u>

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	<u>24,462</u>	<u>7,558</u>

27. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables:		
Sims	71,077	78,721
Third parties	<u>106,924</u>	<u>130,820</u>
	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	<u>15,652</u>	<u>28,349</u>
	<u>234,208</u>	<u>197,464</u>
	<u>412,209</u>	<u>407,005</u>

notes:

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

	2014 HK\$'000	2013 HK\$'000
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 HK\$'000	2013 HK\$'000
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>
	178,001	209,541
	<u> </u>	<u> </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> </u>	<u> </u>
	1,324,831	1,958,680
	<u> </u>	<u> </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	–	15,591
	<u> </u>	<u> </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	–	(15,591)
	<u> </u>	<u> </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 HK\$'000	2013 HK\$'000
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 HK\$'000	2013 HK\$'000
HK\$	830	830
USD	<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 HK\$
Authorised:			
Ordinary shares of HK\$0.01 at 1 January 2013, 31 December 2013 and 2014		<u>5,000,000,000</u>	<u>50,000,000</u>
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>	<u>(406,000)</u>	<u>(4,060)</u>
At 31 December 2013		1,044,612,706	10,446,127
Exercise of share options	<i>(i)</i>	<u>4,830,000</u>	<u>48,300</u>
At 31 December 2014		<u>1,049,442,706</u>	<u>10,494,427</u>

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)
	<u> </u>	<u> </u>
At 31 December	<u>(80,694)</u>	<u>(67,671)</u>

31. CONVERTIBLE BONDS

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

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

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	Number	Lapsed/ forfeited during the year	Number	Lapsed/ forfeited during the year	Number	Lapsed/ forfeited during the year	Number
					of options outstanding as at 1.1.2013		of options outstanding as at 31.12.2013		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:

- (a) The date of grant was the date when Participants accepted the offer of options under the Pre-IPO Scheme.
- (b) 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).
- (c) 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 II
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/ 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
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)	-	-	470,000
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)	-
					20,700,000	19,150,000	-	(19,547,500)	20,302,500	(135,000)	-	(19,547,500)	620,000
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**

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	Nature of transaction	2014	2013
	<i>notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Connected transactions and related party transactions</i>			
Sims	(a) & (b) 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.	(b) Purchase of scrap metals	–	8,950
Delco	(c) Interest expense on convertible bonds	34,351	31,992
HWH	(c) Interest expense on convertible bonds	7,428	7,423
<i>Related party transaction</i>			
Poly Metals	(d) Purchase of scrap metals	25,222	–

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	31 December 2013
		HK\$'000	HK\$'000
<i>Balances with connected and related parties</i>			
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
		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	2013
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases during the year:		
Premises	16,328	16,106

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	6,147	3,068
	<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 <i>HK\$'000</i>	2013 <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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
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 <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(note a)</i>	Investment revaluation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 (<i>Note 15</i>)	–	–	–	–	–	(22,143)	(22,143)
Share options exercised <i>(Note 29 (note i))</i>	4,827	–	(1,105)	–	–	–	3,722
Lapse of share options	–	–	(7,809)	–	–	7,809	–
Recognition of equity- settled share-based payments (<i>Note 37</i>)	–	–	10,762	–	–	–	10,762
Shares repurchased and cancelled <i>(Note 29 (note ii))</i>	(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 <i>(Note 29 (note i))</i>	16,568	–	(4,070)	–	–	–	12,498
Lapse of share options	–	–	(10,949)	–	–	10,949	–
Recognition of equity- settled share-based payments (<i>Note 37</i>)	–	–	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 (note)						<u>(86,446)</u>	<u>(78,057)</u>
						<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

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 as extracted from the interim report of the Company for the six months ended 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	1,779,975	3,204,362
Cost of sales	4	<u>(1,718,466)</u>	<u>(3,341,297)</u>
Gross profit (loss)		61,509	(136,935)
Other income		42,809	24,843
Other gains and losses	5	(902,000)	(640,516)
Distribution and selling expenses		(4,826)	(13,245)
General and administrative expenses		(67,916)	(57,985)
Finance costs	6	(75,618)	(80,696)
Share of profit of an associate		<u>308</u>	<u>–</u>
Loss before tax		(945,734)	(904,534)
Income tax expense	7	<u>(1,070)</u>	<u>(2,180)</u>
Loss for the period	8	<u>(946,804)</u>	<u>(906,714)</u>
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to the Group's presentation currency		<u>(954)</u>	<u>(13,590)</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 (loss) gain on available-for-sale investment		<u>(2,995)</u>	<u>918</u>
		<u>(2,995)</u>	<u>1,417</u>

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Other comprehensive expense for the period		(3,949)	(12,173)
Total comprehensive expense for the period		<u>(950,753)</u>	<u>(918,887)</u>
Loss for the period attributable to:			
Owners of the Company		(949,641)	(896,030)
Non-controlling interests		<u>2,837</u>	<u>(10,684)</u>
		<u>(946,804)</u>	<u>(906,714)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(953,555)	(908,901)
Non-controlling interests		<u>2,802</u>	<u>(9,986)</u>
		<u>(950,753)</u>	<u>(918,887)</u>
		HK\$	HK\$
Loss per share			
– basic	10	<u>(0.809)</u>	<u>(0.857)</u>
– diluted	10	<u>(0.809)</u>	<u>(0.857)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		At 30 June 2015	At 31 December 2014
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	549,042	508,265
Prepaid lease payments		416,262	421,461
Investment properties		21,653	22,351
Interest in an associate		2,917	2,609
Available-for-sale investment	23	68,805	–
Deposits paid for acquisition of property, plant and equipment		26,784	19,033
Deferred tax assets		872	8,189
		<u>1,086,335</u>	<u>981,908</u>
Current assets			
Inventories		1,031,540	1,107,789
Trade, bills and other receivables	12	343,177	431,443
Prepaid lease payments		10,623	10,620
Derivative financial instruments	13	81,397	391,476
Tax recoverable		10,178	10,382
Pledged bank deposits		128,562	182,559
Margin deposits		68,859	253,292
Bank balances and cash		3,996,627	271,556
		<u>5,670,963</u>	<u>2,659,117</u>
Current liabilities			
Trade and other payables	14	360,121	412,209
Derivative financial instruments	13	120,370	402,932
Tax payable		2,887	3,771
Loan from a director	21	62,021	–
Bank borrowings	15	931,726	1,324,831
Debt component of convertible bonds	17	154,977	816,421
Embedded derivative components of convertible bonds	17	121,155	–
		<u>1,753,257</u>	<u>2,960,164</u>
Net current assets (liabilities)		<u>3,917,706</u>	<u>(301,047)</u>
Total assets less current liabilities		<u><u>5,004,041</u></u>	<u><u>680,861</u></u>

		At 30 June 2015	At 31 December 2014
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Capital and reserves			
Share capital	16	15,870	10,494
Share premium and reserves		<u>4,709,684</u>	<u>713,556</u>
Equity attributable to owners of the Company		4,725,554	724,050
Non-controlling interests		<u>(77,892)</u>	<u>(80,694)</u>
Total equity		<u>4,647,662</u>	<u>643,356</u>
Non-current liabilities			
Debt component of convertible bonds	17	183,316	–
Embedded derivative components of convertible bonds	17	142,910	–
Deferred tax liabilities		<u>30,153</u>	<u>37,505</u>
		<u>356,379</u>	<u>37,505</u>
		<u>5,004,041</u>	<u>680,861</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company											Attributable to non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Capital reserve	Statutory general reserve	Enterprise expansion fund	Investment revaluation reserve	Foreign currency translation reserve	Accumulated profits (losses)	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 2014 (audited)	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
Loss for the period	-	-	-	-	-	-	-	-	-	(896,030)	(896,030)	(10,684)	(906,714)
Exchange difference arising on translation to the Group's presentation currency	-	-	-	-	-	-	-	-	(14,288)	-	(14,288)	698	(13,590)
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 income (expense) for the period	-	-	-	-	-	-	-	1,417	(14,288)	(896,030)	(908,901)	(9,986)	(918,887)
Exercise of share options	32	11,363	-	(2,825)	-	-	-	-	-	-	8,570	-	8,570
Lapse of share options	-	-	-	(7,857)	-	-	-	-	-	7,857	-	-	-
Recognition of equity-settled share-based payments	-	-	-	2,642	-	-	-	-	-	-	2,642	-	2,642
Transfer of reserve	-	-	-	-	-	170	170	-	-	(340)	-	-	-
At 30 June 2014 (unaudited)	10,478	903,856	224	23,795	222,760	104,546	104,546	-	157,323	(650,857)	876,671	(77,657)	799,014
At 1 January 2015 (audited)	10,494	909,061	224	20,383	222,760	105,046	105,046	-	161,751	(810,715)	724,050	(80,694)	643,356
Loss for the period	-	-	-	-	-	-	-	-	-	(949,641)	(949,641)	2,837	(946,804)
Exchange difference arising on translation to the Group's presentation currency	-	-	-	-	-	-	-	-	(919)	-	(919)	(35)	(954)
Fair value loss on available-for-sale investment	-	-	-	-	-	-	-	(2,995)	-	-	(2,995)	-	(2,995)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(2,995)	(919)	(949,641)	(953,555)	2,802	(950,753)
Issue of subscription shares	4,569	4,112,100	-	-	-	-	-	-	-	-	4,116,669	-	4,116,669
Cost of issuance of subscription shares	-	(6,596)	-	-	-	-	-	-	-	-	(6,596)	-	(6,596)
Conversion of convertible bonds	726	804,517	-	-	-	-	-	-	-	-	805,243	-	805,243
Exercise of share options	81	52,975	-	(13,741)	-	-	-	-	-	-	39,315	-	39,315
Lapse of share options	-	-	-	(3,360)	-	-	-	-	-	3,360	-	-	-
Recognition of equity-settled share-based payments	-	-	-	428	-	-	-	-	-	-	428	-	428
Transfer of reserve	-	-	-	-	-	260	260	-	-	(520)	-	-	-
At 30 June 2015 (unaudited)	15,870	5,872,057	224	3,710	222,760	105,306	105,306	(2,995)	160,832	(1,757,516)	4,725,554	(77,892)	4,647,662

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Operating activities		
Loss before taxation	(945,734)	(904,534)
Adjustments for:		
Depreciation of property, plant and equipment	16,373	17,792
Loss (gain) on fair value of the derivatives on convertible bonds	559,913	(8,139)
Gain on fair value of warrants	–	(760)
Loss on derecognition of convertible bonds	1,210	–
Interest expenses	75,618	80,696
Share of profit of an associate	(308)	–
Net foreign exchange loss	35,953	29,280
(Reversal of allowance) allowance for inventories	(8,481)	8,454
Other adjustments	(4,077)	5,591
	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	(269,533)	(771,620)
Decrease in inventories	85,670	1,114,608
Decrease in trade, bills and other receivables	88,147	283,106
Decrease in derivative financial instruments	27,517	226,919
Decrease (increase) in margin deposits	184,119	(172,142)
(Decrease) increase in trade and other payables	(50,080)	26,190
	<u> </u>	<u> </u>
Cash generated from operations	65,840	707,061
Tax paid	(1,757)	(1)
Interest paid	(47,635)	(52,780)
	<u> </u>	<u> </u>
Net cash from operating activities	16,448	654,280
	<u> </u>	<u> </u>
Net cash used in investing activities		
Purchases of property, plant and equipment	(58,571)	(81,501)
Purchases of available-for-sale investment	(72,277)	–
Proceeds from disposal of available-for-sale investment	–	14,917
Placement of pledged bank deposits	(201,785)	(183,450)
Withdrawal of pledged bank deposits	255,726	142,998
Other investing activities	4,569	9,843
	<u> </u>	<u> </u>
	(72,338)	(97,193)
	<u> </u>	<u> </u>

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from (used in) financing activities		
Net proceeds from issue of subscription shares	4,110,073	–
New bank and other borrowings raised	1,259,408	2,448,867
Advance from a director	62,021	–
Proceeds from issue of new shares from exercise of share options	39,315	8,570
Repayment of bank and other borrowings	<u>(1,686,948)</u>	<u>(2,871,992)</u>
	<u>3,783,869</u>	<u>(414,555)</u>
Net increase in cash and cash equivalents	3,727,979	142,532
Cash and cash equivalents at 1 January	270,835	270,779
Effect of foreign exchange rate changes	<u>(2,187)</u>	<u>(2,133)</u>
Cash and cash equivalents at 30 June represented by bank balances and cash	<u><u>3,996,627</u></u>	<u><u>411,178</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014. In addition, the Group has applied the following accounting policy for substantial modification of convertible bonds during the current interim period:

Derecognition of financial instruments

When the contractual terms of convertible bonds are modified such that the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original convertible bonds and the recognition of new convertible bonds. The difference between the carrying amounts of convertible bonds derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2010-2012 Cycle*
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2011-2013 Cycle*

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The following is an analysis of the Group's segment revenue and segment results by operating and reportable segments.

Six months ended 30 June 2015

	Metal recycling business				Foundry business			Wholesales business			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	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE											
External sales	1,053,024	256,476	88,024	54,472	16,277	109,573	13,549	139,627	48,953	-	1,779,975
Inter-segment sales	12,282	8,332	68,229	-	299	-	-	505,092	-	(594,234)	-
Total segment revenue	<u>1,065,306</u>	<u>264,808</u>	<u>156,253</u>	<u>54,472</u>	<u>16,576</u>	<u>109,573</u>	<u>13,549</u>	<u>644,719</u>	<u>48,953</u>	<u>(594,234)</u>	<u>1,779,975</u>
Segment profit (loss)	<u>35,293</u>	<u>4,417</u>	<u>10,398</u>	<u>(2,929)</u>	<u>675</u>	<u>6,205</u>	<u>5,292</u>	<u>7,637</u>	<u>(940)</u>	<u>(4,539)</u>	61,509
Other income											42,809
Other gains and losses											(902,000)
Distribution and selling expenses											(4,826)
General and administrative expenses											(67,916)
Finance costs											(75,618)
Share of profit of an associate											308
Loss before tax											(945,734)
Income tax expense											<u>(1,070)</u>
Loss for the period											<u>(946,804)</u>

Six months ended 30 June 2014

	Metal recycling business				Foundry business			Wholesales business			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	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE											
External sales	2,116,257	382,675	78,175	89,460	24,347	132,781	10,101	255,989	114,577	-	3,204,362
Inter-segment sales	64,878	18,235	98,509	-	1,675	-	-	1,104,595	-	(1,287,892)	-
Total segment revenue	<u>2,181,135</u>	<u>400,910</u>	<u>176,684</u>	<u>89,460</u>	<u>26,022</u>	<u>132,781</u>	<u>10,101</u>	<u>1,360,584</u>	<u>114,577</u>	<u>(1,287,892)</u>	<u>3,204,362</u>
Segment (loss) profit	<u>(123,432)</u>	<u>(16,343)</u>	<u>(10,215)</u>	<u>(4,790)</u>	<u>(3,321)</u>	<u>6,056</u>	<u>(4,124)</u>	<u>34,323</u>	<u>(11,585)</u>	<u>(3,504)</u>	<u>(136,935)</u>
Other income											24,843
Other gains and losses											(640,516)
Distribution and selling expenses											(13,245)
General and administrative expenses											(57,985)
Finance costs											(80,696)
Loss before tax											(904,534)
Income tax expense											(2,180)
Loss for the period											<u>(906,714)</u>

Information on segment assets and segment liabilities of the Group are not reviewed by the chief operating decision maker ("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.

4. COST OF SALES

Included in cost of sales are the following (reversal of allowance) allowance for inventories:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Allowance of inventories to net realisable value recognised	15,406	43,783
Reversal of prior year's inventories allowance	<u>(23,887)</u>	<u>(35,329)</u>
(Reversal of allowance) allowance for inventories	<u>(8,481)</u>	<u>8,454</u>

Management assesses whether the carrying value of inventories exceeds their net realisable value at the end of the interim 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.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) gain on fair value of:		
– derivative financial instruments (note)		
realised loss	(276,813)	(489,108)
unrealised loss	(38,973)	(127,535)
– the derivatives on convertible bonds (Note 17)	(559,913)	8,139
– warrants (Note 17)	–	760
Loss on derecognition of convertible bonds (Note 17)	(1,210)	–
Impairment loss recognised on trade and other receivables	–	(832)
Recovery of doubtful debts	2,525	–
Net foreign exchange loss	(35,953)	(29,280)
Gain on disposal of property, plant and equipment	3,641	1,033
Reclassified to profit or loss on disposal of available-for-sale investment	–	(499)
Others	4,696	(3,194)
	<u>(902,000)</u>	<u>(640,516)</u>

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

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	23,155	36,686
Interest on loan from a director (Note 21)	1,096	–
Effective interest expense on convertible bonds (Note 17)	51,367	44,010
	<u>75,618</u>	<u>80,696</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	–	69
The People's Republic of China (the "PRC")		
Enterprises Income Tax ("EIT")	867	620
Netherlands	244	240
	<u>1,111</u>	<u>929</u>
(Over)underprovision in prior periods:		
Hong Kong	–	331
PRC EIT	(15)	1
	<u>1,096</u>	<u>1,261</u>
Deferred tax (credit) expense	(26)	919
	<u>1,070</u>	<u>2,180</u>

PRC

The Group's subsidiaries are subject to PRC EIT at the rate of 25%.

Hong Kong

All Hong Kong subsidiaries are subject to Hong Kong Profits Tax at the rate of 16.5% on their respective estimated assessable profit.

Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting) the following items:		
Cost of inventories recognised as an expense	1,718,466	3,341,297
Depreciation of investment properties	698	933
Depreciation of property, plant and equipment	16,373	17,792
Share-based payment expense (Note 20)	428	2,642
Amortisation of prepaid lease payments	5,304	5,302
Interest income	(4,341)	(3,337)
	<u>1,736,928</u>	<u>3,385,636</u>

9. DIVIDEND

No dividends were paid, declared or proposed during the current and previous interim periods. The directors of the Company have determined that no dividend will be paid in respect of the current and previous interim periods.

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	949,641	896,030
	<u> </u>	<u> </u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,174,102,839	1,045,383,003
	<u> </u>	<u> </u>

In current and previous interim periods, 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.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired plant and equipment of HK\$58,571,000 (2014: HK\$81,501,000).

12. TRADE, BILLS AND OTHER RECEIVABLES

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

An analysis of the Group's trade and bills receivables by age, presented based on the invoice dates, which approximated the revenue recognition date, net of allowance for doubtful debts, is as follows:

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Trade receivables:		
0-30 days	40,943	62,366
31-60 days	239	–
61-90 days	1,636	5,572
91-180 days	17,490	17,413
Over 180 days	58,593	56,546
	<u>118,901</u>	<u>141,897</u>
Bills receivables:		
0-30 days	–	127
Other receivables		
Deposits and prepayments	21,543	29,140
Deposits paid for purchase of raw materials (note)	164,034	221,534
VAT recoverable	30,332	28,485
Others	8,367	10,260
	<u>224,276</u>	<u>289,419</u>
	<u><u>343,177</u></u>	<u><u>431,443</u></u>

note: As at 31 December 2014, it comprised an amount of HK\$4,294,000 paid to Sims Metal Management Dragon Holdings Limited (“Sims”), a former shareholder with significant influence over the Company, which disposed of its entire shareholdings in the Company to unrelated third parties on 5 March 2015 and has become an independent third party to the Group since then.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Derivative financial assets		
Metal commodities future contracts (note i)	81,250	390,786
Foreign currency forward contracts (note ii)	147	690
	<u>81,397</u>	<u>391,476</u>
Derivative financial liabilities		
Metal commodities future contracts (note i)	120,273	402,917
Foreign currency forward contracts (note ii)	97	15
	<u>120,370</u>	<u>402,932</u>

notes:

(i) Metal commodities future contracts (net settlement)

The Group entered 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 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.

(ii) Foreign currency forward contracts (gross settlement)

The Group entered into foreign currency forward contracts in order to minimise its exposure to 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.

14. TRADE AND OTHER PAYABLES

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Trade payables		
Sims	–	71,077
Third parties	110,793	106,924
	<u>110,793</u>	<u>178,001</u>
Other payables		
Other payables and accruals	179,998	160,839
Provision for pending legal litigations (Note 24)	51,484	51,464
Interest payable	4,096	6,253
Receipts in advance from customers	13,750	15,652
	<u>249,328</u>	<u>234,208</u>
	<u>360,121</u>	<u>412,209</u>

The following is an analysis of trade payables by age, presented based on the invoice date.

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Trade payables:		
0-30 days	85,775	113,241
31-60 days	6,154	56,525
61-90 days	2,316	253
91-180 days	8,460	92
Over 180 days	8,088	7,890
	<u>110,793</u>	<u>178,001</u>

15. BANK BORROWINGS

During the current interim period, the Group obtained new secured bank borrowings of HK\$1,259,408,000 (2014: HK\$2,448,867,000) and made repayments of HK\$1,686,948,000 (2014: HK\$2,871,992,000). The bank borrowings bear interest at Hong Kong Inter-bank Offered Rate or London Inter-bank Offered Rate plus premiums.

16. SHARE CAPITAL

	Number of shares	Amounts HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2015 and 30 June 2015	5,000,000,000	50,000,000
Issued and fully paid:		
At 1 January 2015	1,049,442,706	10,494,427
Issue of subscription shares (note)	456,900,000	4,569,000
Conversion of convertible bonds (Note 17)	72,600,000	726,000
Exercise of share options (Note 20)	8,098,000	80,980
At 30 June 2015	1,587,040,706	15,870,407

The new shares issued ranked pari passu in all respects with the other shares then in issue.

note: On 21 March 2015, the Company entered into the first and second subscription agreements with an independent investor, USUM Investment Group Hong Kong Limited (“USUMHK”) for the first subscription of 203,900,000 shares and second subscription of 253,000,000 shares respectively at the subscription price of HK\$9.01 per share. The first subscription and second subscription were completed on 30 April 2015 and 29 May 2015 respectively, 203,900,000 shares and 253,000,000 shares were allotted and issued to USUMHK respectively. After deducting all relevant costs and expenses, the net proceeds from the first and second subscriptions amounted to HK\$1,833,841,000 and HK\$2,276,232,000 respectively. Upon the completion of the first and second subscriptions, USUMHK becomes a controlling shareholder of the Company since 29 May 2015.

17. CONVERTIBLE BONDS

	Debt component HK\$'000	Derivative component HK\$'000
Convertible Bonds I at 1 January 2014	759,406	13,353
Interest charge	89,647	–
Interest paid	(32,632)	–
Fair value gain	–	(13,353)
Carrying amount at 31 December 2014	816,421	–
Derecognition of the Convertible Bonds I	(815,800)	–
Issuance of Convertible Bonds II	655,771	161,239
Interest charge	51,367	–
Interest paid	(21,310)	–
Conversion during the period	(348,156)	(457,087)
Fair value loss	–	559,913
Carrying amount at 30 June 2015	338,293	264,065
Analysed for reporting purposes as:		
Current liabilities	154,977	121,155
Non-current liabilities	183,316	142,910
	338,293	264,065

notes:

- (i) On 1 March 2012 (the “Issue Date”), the Company issued convertible bonds to HWH Holdings Limited (“HWH”), Delco Participation B.V. (“Delco”) and Sims (collectively the “Subscribers”) with an aggregate principal sum of HK\$815,800,000 (the “Convertible Bonds I”) with detachable three-year warrants (the “Warrants”) at total consideration of HK\$815,800,000 (the “Subscription”). On 16 January 2013, HWH transferred the convertible bonds with the principal amount of HK\$120,000,000 to an independent third party, Greenwoods China Alpha Master Fund (“Greenwoods”). No exercise of the Warrants had taken place since the Issue Date. On 1 March 2015, the Warrants were expired.
- (ii) The major terms of Convertible Bonds I are as below:
- (a) The Convertible Bonds I carry 4% coupon interest per annum payable in arrears semi-annually. Unless previously converted, the Convertible Bonds I would 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 I was allowed unless the Company committed an event of default under the terms and conditions of the Convertible Bonds I.
- (b) The holders of the Convertible Bonds I had the right to convert the principal amount of the Convertible Bonds I 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 the Issue Date up to 10 business days prior to the Maturity Date, subject to the minimum public float requirement.
- (iii) The Convertible Bonds I comprise debt component and derivative component (including conversion options), which were measured at fair value of HK\$659,611,000 and HK\$142,771,000, respectively, on initial recognition.
- (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 I was carried at amortised cost using the effective interest method.

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

	On issuance	At 31 December 2014
Stock price	HK\$4.33	HK\$2.80
Exercise price	HK\$6.00	HK\$6.00
Expected volatility (note 1)	53.189%	53.189%
Dividend yield	0.855%	0.000%
Option life	35.5 months	1.5 months
Risk free rate (note 2)	0.277%	0.028%

notes:

- (1) The expected volatility was determined with reference to the implied volatility of the Company’s shares as at the date of valuation.

- (2) The risk free rate was determined with reference to the Hong Kong Government Bond's and treasury bill's yield.
- (3) In subsequent periods, the derivative components were measured at fair value with changes in fair value recognised in profit and loss.
- (vi) No conversion of the Convertible Bonds I had taken place from the Issue Date to the Maturity Date.
- (vii) On 3 and 4 March 2015, the Company signed extension agreements with all bond holders with the modification of terms of convertible bonds include: (i) the Convertible Bonds I with principal amount of HK\$315,600,000 held by Sims (the "Sims Convertible Bonds") and the Convertible Bonds I with principal amount of HK\$67,600,000 held by HWH (the "HWH Convertible Bonds") together with the respective conversion options were extended for a further two years to 1 March 2017; (ii) the Convertible Bonds I with principal amount of HK\$312,600,000 held by Delco (the "Delco Convertible Bonds") will be repaid in seven quarterly instalments commencing on 1 September 2015 till 1 March 2017 and the conversion options held by Delco were extended to 1 March 2017; (iii) the Convertible Bonds I with the principal amount of HK\$120,000,000 held by Greenwoods (the "Greenwoods Convertible Bonds") together with the conversion options were extended to 1 March 2017 and Greenwoods shall have the right to demand for full repayment of principal and accrued interest on any of these date: 1 September 2015, 1 March 2016 or 1 September 2016. The Convertible Bonds I with modified terms is hereinafter collectively referred to as the "Convertible Bonds II" and considered as substantial modification. Details of the modification of terms of the Convertible Bonds I are set out in the Company's announcements dated 5 March 2015, 10 March 2015, 18 March 2015, 26 March 2015, 1 April 2015, 10 April 2015 and 27 April 2015.

Upon the derecognition of the Convertible Bonds I of HK\$815,800,000 and recognition of the Convertible Bonds II, the difference between the carrying amount of Convertible Bonds I and the fair value of Convertible Bonds II is recognised as loss on derecognition of Convertible Bonds I in the profit or loss. The fair values of the debt component and derivative components of the Convertible Bonds II are determined by the directors of the Company based on the valuation by Roma Appraisals Limited, independent qualified professional valuers not connected to the Group.

On 9 April 2015, USUMHK purchased the Sims Convertible Bonds from Sims in the aggregate principal amount of HK\$315,600,000 (the "USUMHK Convertible Bonds") without changing any terms of Convertible Bonds II. The purchase of the Sims Convertible Bonds was completed on 3 June 2015. Details of these are set out in the Company's announcements dated 9 April 2015 and 3 June 2015.

- (viii) Other than the Delco Convertible Bonds with quarterly instalments and the Greenwoods Convertible Bonds with early redemption option as disclosed in note (vii), the major terms of Convertible Bonds I discussed in note (ii)(a) and (b) above remain unchanged in the Convertible Bonds II.
- (ix) The fair value of the debt component of the Convertible Bonds II on initial recognition was calculated using the present value of contractually determined stream of future cash flows discounted at the effective interest rates of 16.957%, 17.492%, 17.492% and 17.492% for the Delco Convertible Bonds, the HWH Convertible Bonds, the USUMHK Convertible Bonds and the Greenwoods Convertible Bonds respectively.

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

- (x) The fair value of the derivative components of the Convertible Bonds II (including conversion options and early redemption option) was determined using the Binomial Option Pricing Model and the major inputs into the model are as follows:

The Delco Convertible Bonds

	On issuance	At 30 June 2015
Stock price	HK\$5.30	HK\$10.0
Exercise price	HK\$6.00	HK\$6.00
Expected volatility (note 1)	31.404%	35.917% to 64.345%
Dividend yield	0.000%	0.000%
Option life	6 to 24 months	2 to 20 months
Risk free rate (note 2)	0.475%	0.025% to 0.246%
	<u> </u>	<u> </u>

The HWH Convertible Bonds

	On issuance	At 30 June 2015
Stock price	HK\$5.47	HK\$10.0
Exercise price	HK\$6.00	HK\$6.00
Expected volatility (note 1)	31.404%	35.917%
Dividend yield	0.000%	0.000%
Option life	24 months	20 months
Risk free rate (note 2)	0.498%	0.246%
	<u> </u>	<u> </u>

The Sims Convertible Bonds/the USUMHK Convertible Bonds

	On issuance	On conversion
Stock price	HK\$5.47	HK\$12.38
Exercise price	HK\$6.00	HK\$6.00
Expected volatility (note 1)	31.404%	40.658%
Dividend yield	0.000%	0.000%
Option life	24 months	20.5 months
Risk free rate (note 2)	0.498%	0.343%
	<u> </u>	<u> </u>

The Greenwoods Convertible Bonds

	On issuance	On conversion
Stock price	HK\$5.47	HK\$11.40
Exercise price	HK\$6.00	HK\$6.00
Expected volatility (note 1)	31.404%	34.274%
Dividend yield	0.000%	0.000%
Option life	24 months	20.7 months
Risk free rate (note 2)	0.498%	0.381%
	<u> </u>	<u> </u>

notes:

- (1) The expected volatility was determined with reference to the implied volatility of the Company's shares as at the date of valuation.
 - (2) The risk free rate was determined with reference to the Hong Kong Government Bond's and treasury bill's yield.
 - (3) In subsequent periods, the derivative components are measured at fair value with changes in fair value recognised in profit and loss.
- (xi) During the period, the Greenwoods Convertible Bonds were fully converted into shares of HK\$0.01 each in the Company at the conversion price of HK\$6.00 per share. Accordingly, a total of 20,000,000 ordinary shares of HK\$0.01 each were allotted and issued by conversion of the Greenwoods Convertible Bonds.

During the period, the USUMHK Convertible Bonds were fully converted into shares of HK\$0.01 each in the Company at the conversion price of HK\$6.00 per share. Accordingly, a total of 52,600,000 ordinary shares of HK\$0.01 each were allotted and issued by conversion of the convertible bonds.

18. COMMITMENTS

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment, and prepaid lease payments	243,065	257,155
Investment authorised but not contracted for in respect of acquisition of a subsidiary (note)	81,158	81,126

note: On 1 December 2014, the Group entered into the Letters of Intent in relation for the acquisition of 80% equity interests in Yantai Liheng Environmental Protection Technology Co., Ltd. ("Yantai Liheng") from Mr. Li Yuhu and Yantai Liyang Industrial Co., Ltd.. Yantai Liheng is principally engaged in the sale of hazardous waste, lubricating oil, gas oil, base oil, residual oil, fuel oil and the related additives. Details are set out in the Company's announcements dated 1 December 2014 and 29 May 2015.

On 19 June 2015, the Group entered into a non-legally binding memorandum of understanding with Itochu Corporation, Itochu Metals Corporation and Suzuki Shokai Co., Ltd., in relation to a proposed acquisition of the entire equity interest in Dalian New Green Recycle & Resources Corporation ("DNG"), at a consideration to be settled by way of shares of the Company. DNG is principally engaged in recycle processing and utilisation of scrap metals, discarded appliances, office machines and other wastes. Details are set out in the Company's announcement dated 19 June 2015.

19. OPERATING LEASES

The Group as lessee

	At	At
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating leases during the year:		
Premises	7,296	6,424

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At	At
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	8,417	12,649
In the second to fifth years inclusive	4,103	6,147
	<u>12,520</u>	<u>18,796</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

Properties rental income earned during the current interim period was HK\$604,000 (2014: HK\$926,000) and reported as other income. At 30 June 2015, the Group had contracted with tenant for the following future minimum lease payments:

	At	At
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,007	403

20. SHARE-BASED PAYMENTS

Pursuant to a written resolution of all shareholders of the Company on 23 June 2010, a share option scheme (the “Post-IPO Share Option Scheme”) was adopted.

Details of the share options granted under the Post-IPO Share Option 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 outstanding as at 1.1.2015	Exercised during the period	Lapsed/ forfeited during the period (note)	Number of options outstanding as at 30.6.2015
Directors	3.5.2011	HK\$6.388	4.5.2014-3.5.2015	4.5.2014	470,000	(60,000)	(410,000)	-
Directors	28.3.2012	HK\$4.186	28.3.2013-27.3.2016	28.3.2013	45,000	(28,500)	-	16,500
			28.3.2014-27.3.2016	28.3.2014	45,000	(22,500)	-	22,500
			28.3.2015-27.3.2016	28.3.2015	60,000	(30,000)	-	30,000
					<u>620,000</u>	<u>(141,000)</u>	<u>(410,000)</u>	<u>69,000</u>
Employees and other participants	3.5.2011	HK\$6.388	4.5.2014-3.5.2015	4.5.2014	4,180,000	(2,400,000)	(1,780,000)	-
Employees and other participants	28.3.2012	HK\$4.186	28.3.2013-27.3.2016	28.3.2013	2,805,000	(2,177,500)	-	627,500
			28.3.2014-27.3.2016	28.3.2014	2,805,000	(1,821,500)	-	983,500
			28.3.2015-27.3.2016	28.3.2015	3,740,000	(1,558,000)	(40,000)	2,142,000
					<u>13,530,000</u>	<u>(7,957,000)</u>	<u>(1,820,000)</u>	<u>3,753,000</u>
					<u>14,150,000</u>	<u>(8,098,000)</u>	<u>(2,230,000)</u>	<u>3,822,000</u>
Number of options exercisable at the end of the period					<u>10,350,000</u>			<u>3,822,000</u>
Weighted average exercise price					<u>HK\$4.91</u>	<u>HK\$4.85</u>	<u>HK\$6.35</u>	<u>HK\$4.19</u>

note: 410,000 and 1,820,000 share options granted to directors and employees respectively, were lapsed due to maturity of unexercised options in the current period or forfeited due to the resignation of certain employees.

The share options granted are exercisable as follows:

Required service period for share options to be vested after date of grant	Maximum percentage of share options exercisable
Attaining 1 year	30% of the total number of options granted
Attaining 2 years	60% of the total number of options granted
Attaining 3 years	100% of the total number of options granted

In respect of the share options exercised during the current period, the share price on the dates of exercise ranged from HK\$5.12 to HK\$12.60.

The fair values of the options were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	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	<u>1.448%</u>	<u>1.448%</u>	<u>1.448%</u>
	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	<u>0.902%</u>	<u>0.902%</u>	<u>0.902%</u>

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.

In respect of the share options granted, 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\$428,000 for the current interim period (1.1.2014 to 30.6.2014: HK\$2,642,000).

21. CONNECTED AND RELATED PARTY DISCLOSURES

(a) Transactions

During the interim period, 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	Nature of transaction	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Connected and related party transactions			
Sims (<i>notes i & iii</i>)	Purchase of scrap metals	56,759	277,457
	Interest expense of convertible bonds with principal amount of HK\$315,600,000	6,538	17,025
Delco (<i>notes ii & iii</i>)	Interest expense of convertible bonds with principal amount of HK\$312,600,000	11,667	16,864
HWH (<i>note iii</i>)	Interest expense of convertible bonds with principal amount of HK\$67,600,000	4,422	3,647
USUMHK (<i>note iv</i>)	Interest expense of convertible bonds with principal amount of HK\$315,600,000	1,606	–
	Conversion of convertible bonds with principal amount of HK\$315,600,000	315,600	–
Mr. Fang Ankong (<i>note v</i>)	Interest expense of loan with principal amount of USD8,000,000	1,096	–
Related party transaction			
Poly Metals Company Limited (“Poly Metals”) (<i>note vi</i>)	Purchase of scrap metals	39,398	7,791

notes:

- (i) These represent transactions between the Group and Sims up to 5 March 2015, on which Sims disposed of its entire shareholdings in the Company and becomes an independent third party to the Group.
- (ii) Delco disposed of its entire shareholdings in the Company and becomes an independent third party to the Group on 17 April 2015.

- (iii) As set out in Note 17, the Company issued convertible bonds to Sims, Delco and HWH. HWH is a substantial shareholder with significant influence over the Company and Sims and Delco were substantial shareholders with significant influence over the Company up to 5 March 2015 and 17 April 2015 as disclosed in (i) and (ii).
- (iv) On 3 June 2015, the Sims Convertible Bonds were purchased by USUMHK, a controlling shareholder of the Company since 29 May 2015.
- (v) In January 2015, the Group borrowed USD8,000,000 from Mr. Fang Ankong who is a director of and a substantial shareholder with significant influence over the Company. The balance is unsecured, interest bearing at 4% per annum and fully repaid in July 2015.
- (vi) In April 2014, the Group invested in an associate, Poly Metals at consideration of HK\$40. The amount represents transaction between the Group and Poly Metals after April 2014.

(b) Connected and related party balances

The Group had the following balances with connected and related parties:

Name of parties	Nature of balance	At	At
		30 June 2015 HK\$'000	31 December 2014 HK\$'000
<i>Balances with connected and related parties</i>			
Sims	Deposit paid for purchase of raw materials (note i)	–	4,294
	Trade payables (note i)	–	71,077
	Warrants	–	75,831
	Convertible bonds	–	315,600
Delco	Convertible bonds	–	312,000
HWH	Convertible bonds	67,600	67,600
Mr. Fang Ankong	Loan from a director (note ii)	62,021	–
		–	746,302

notes:

- (i) The amounts are unsecured and interest-free. The average credit period of trade payables is 60 days and they are aged less than 60 days of their invoice dates.
- (ii) The amount is unsecured, interest-bearing at 4% per annum and has fixed repayment term within one year.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management were as follows:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	2,094	2,131
Post-employment benefits	55	41
Share-based payments	41	588
	2,190	2,760

22. PLEDGE OF ASSETS

The Group had pledged the following assets to banks to secure the general banking facilities granted to the Group:

	At 30 June 2015	At 31 December 2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Property, plant and equipment	65,786	68,258
Investment properties	21,653	22,351
Prepaid lease payments	339,028	304,746
Bank deposits	128,562	182,559
	<u>555,029</u>	<u>577,914</u>

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets (financial liabilities)	Fair value as at 30 June 2015 HK\$'000	Fair value as at 31 December 2014 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 Australia classified as available-for-sale investment in the condensed consolidated statement of financial position	68,805	–	Level 1	Quoted bid price on the Australian Securities Exchange.	N/A	N/A
2) Metal commodities future contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	81,250 (120,273)	390,786 (402,917)	Level 1	Quoted bid commodity futures prices on the London Metal Exchange and Shanghai Futures Exchange.	N/A	N/A
3) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	147 (97)	690 (15)	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
4) Embedded derivative components of convertible bonds (note)	(264,065)	–	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 of the average historical volatility of the Company's share price as at the date of valuation. Dividend yield, taking into account of 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.

note: 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 components of convertible bonds would increase by HK\$8,422,000 (31 December 2014: HK\$2,000) and decrease by HK\$5,866,000 (31 December 2014: nil) respectively.

No dividend was paid or proposed during the year ended 31 December 2014 and the six months ended 30 June 2015. Dividend yield as at valuation date of 30 June 2015 is nil (31 December 2014: nil), no sensitivity analysis for dividend yield was performed in the current interim period and prior year.

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 involves multiple variable where certain variables are interdependent.

Except as detailed in above table, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative components of convertible bonds <i>HK\$'000</i>
Convertible Bonds I	
At 1 January 2014	13,353
Gain recognised in profit or loss	(8,139)
	<hr/>
At 30 June 2014	5,214
	<hr/> <hr/>
At 1 January 2015 and 30 June 2015	–
	<hr/> <hr/>
Convertible Bonds II	
Issuance of Convertible Bonds II	161,239
Conversion of convertible bonds	(457,087)
Loss recognised in profit or loss	559,913
	<hr/>
At 30 June 2015	264,065
	<hr/> <hr/>

Of the total losses or gains for the current interim period included in profit or losses, unrealised losses of HK\$209,610,000 (1.1.2014 to 30.06.2014: unrealised gains of HK\$8,139,000) related to embedded derivative components of convertible bonds held at the end of the reporting period. The fair value losses or gains are included in other gains and losses.

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 derivative portion of convertible bonds required for financial reporting purpose, 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

There was a sharp increase in the market price of the Company's shares during current interim period that resulted in a significant deviation between the exercise price of the convertible bonds and the shares prices of the Company. The upward movement and the volatility in the Company's share led to the fair value loss on the derivative components of convertible bonds recognised in profit or loss.

During the current interim period, the Group experienced an 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.

24. PENDING LITIGATIONS

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 judgement in December 2013. In summary, the initial judgment is in favour to the Group, details of which are set out in the announcement of the Company dated on 15 January 2014. Both the Group and the lessor had applied for an appeal against this judgement. On 12 January 2015, the Baoshan District Court delivered the revised judgement in relation to these legal claims. The Group applied for an appeal against the judgement given on 12 January 2015. On 19 June 2015, the Shanghai No. 2 Intermediate People's Court revoked the appeal and upheld the judgement made on 12 January 2015. In summary, the revised judgment is in favour to the Group. Both the Group and the lessor have a right to appeal against the judgement.

Due to the uncertainty on any appeal made by the lessor after the judgement on 19 June 2015, the Group dose not reverse the provision made. The directors of the Company, after obtaining legal advice and considering the full provision already made by the Group, are of the opinion that any appeal made by the lessor will not have any material adverse impact to the Group's future results and financial position.

25. MAJOR NON-CASH TRANSACTION

During the current interim period, the Group derecognised the original convertible bonds upon the substantial modification of terms and recognised the new convertible bonds. Details of the derecognition and recognition of convertible bonds are set out in Note 17 above.

4. INDEBTEDNESS STATEMENT

At the close of business on 30 November 2015, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness and contingent liabilities prior to the printing of this Composite Document, the details of the Group's indebtedness and contingent liabilities are as follows:

Borrowings

As at close of business on 30 November 2015, the Group had outstanding borrowings of approximately HK\$999,357,000. These borrowings comprised (i) secured bank borrowings of approximately HK\$818,516,000 and (ii) unsecured bank borrowings of approximately HK\$180,841,000. Bank borrowings of approximately HK\$538,386,000 were guaranteed by the entities within the Group.

The aforesaid secured bank borrowings of approximately HK\$818,516,000 were secured by the Group's property, plant and equipment, prepaid lease payments and bank deposits with a total carrying amount of approximately HK\$60,871,000, HK\$122,057,000, and HK\$120,240,000 as at 30 November 2015, respectively.

Convertible Bonds

As at close of business on 30 November 2015, the Group had issued unsecured and unguaranteed convertible bonds with an aggregate principal sum of approximately HK\$380,200,000. A payment of HK\$44,500,000 has been made to one of the bondholders as at close of business on 30 November 2015.

Contingent liabilities

There are pending legal litigations shown as follows:

- A writ of summons was issued by Delco against the Company in relation to an alleged non-payment of a portion of the loans advanced by Delco Asia Company Limited to the Group for a sum of approximately HK\$57,827,000. The Company gave notice of intention to contest the proceedings on 4 January 2016, and the proceedings are now in progress; and
- Legal claims were brought by Shanghai Science and Technology Co., Ltd. for unpaid rent, management fees, early termination fee and reinstatement costs totalling approximately RMB40,600,000 (equivalent to approximately HK\$49,194,000). These proceedings were still in progress and the Directors, after obtaining legal advice and considering the provision of RMB40,600,000 already made by the Group as at 30 November 2015, 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.

At the close of business on 30 November 2015, the Group had no other material contingent liabilities.

Further details of the litigations were disclosed in the section headed “7. LITIGATION” in Appendix III to this Composite Document.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 30 November 2015, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or debt securities or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into HK\$ at the rates of exchange prevailing at the close of business on 30 November 2015.

5. MATERIAL CHANGE

The Directors confirm that save for the following matters, there had been no material changes in the financial or trading position or outlook of the Group subsequent to 31 December 2014 (being the date to which the latest audited accounts of the Company were made up) up to and including the Latest Practicable Date:

- (a) change in the financial performance as disclosed in the Interim Report, in particular:
 - (1) the decrease in revenue from HK\$3.2 billion for the six months ended 30 June 2014 to HK\$1.8 billion for the six months ended 30 June 2015, mainly attributable to a decrease in the sales volume and a decrease in the average selling prices of the recycled metal products and foundry products;
 - (2) the corresponding decrease in cost of sales from HK\$3.3 billion for the six months ended 30 June 2014 to HK\$1.7 billion for the six months ended 30 June 2015 and distribution and selling expenses from HK\$13.2 million for the six months ended 30 June 2014 to HK\$4.8 million for the six months ended 30 June 2015;
 - (3) the decrease in loss on fair value changes of derivative financial instruments from HK\$616.6 million for the six months ended 30 June 2014 to HK\$315.8 million for the six months ended 30 June 2015; and
 - (4) the loss on fair value of the derivatives on convertible bonds of HK\$559.9 million for the six months ended 30 June 2015 as compared to a gain of HK\$8.2 million for the six months ended 30 June 2014;

- (b) change in the financial position as disclosed in the Interim Report, in particular:
- (1) the increase in cash and bank balances by HK\$3,725 million as at 30 June 2015 as compared to 31 December 2014 as a result of a total proceed of HK\$4.1 billion from the subscriptions of the Company's shares in April and May 2015;
 - (2) the decrease in both asset and liability portions of the derivative financial instruments as at 30 June 2015 by HK\$310.1 million and HK\$282.6 million as compared to those as at 31 December 2014; and
 - (3) the decrease in debt components of the convertible bond by HK\$478.1 million as at 30 June 2015 as compared to 31 December 2014 following the extension of the maturity date of the convertible bonds for a further two years to 1 March 2017 and the exercise of such convertible bonds and the issue of 72.6 million conversion shares in relation thereto.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Share Offer, the Convertible Bond Offer and the Option Offer and the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and its Concert Parties, the terms of the Offers and the Offeror's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those relating to the Offeror and its Concert Parties, the terms of the Offers and the Offeror's intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' Interests and Short Positions in Shares and Underlying Shares of the Company and Its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares and underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Long positions in Shares:

Name of Director	Capacity/Nature of Interest	Total number of Shares interested	Approximate percentage of shareholding in the Company (Note 1)
Mr. Tu	Interest in controlled corporations	899,287,256 (Note 2)	56.61%
Mr. Zhang	Interest in controlled corporations	230,197,990 (Note 3)	14.49%
Mr. Meng	Beneficial owner	108,000	0.01%

Notes:

- (1) As at the Latest Practicable Date, the total number of issued Shares was 1,588,514,706 Shares.
- (2) The 899,287,256 Shares were held by the Offeror, a company in which Mr. Tu was indirectly interested. The Offeror is directly wholly owned by USUM Group, a limited liability company incorporated in the PRC. The single largest shareholder of USUM Group is Loncin Holdings, with an equity interest in USUM Group of 46.78%. The remaining equity interests in USUM Group are held by 21 individuals and 30 companies, all of whom are independent third parties of Loncin Holdings and Mr. Tu, and they each hold between 0.32% to 8.12% equity interests in USUM Group. Loncin Holdings is 98% owned by Loncin Group and 2% owned by Mr. Tu. Loncin Group is 98% owned by Mr. Tu; 1% owned by Ms. Tu Jianmin and 1% owned by Ms. Tu Jianrong, both being sisters of Mr. Tu. The Offeror held 899,287,256 Shares as at the Latest Practicable Date. Therefore, Mr. Tu was deemed to be interested in the Shares held by the Offeror pursuant to the SFO.
- (3) The 230,197,990 Shares were directly held by Good Union Hong Kong Investment Limited (“**Good Union**”) and Tai Security Holding Limited (“**Tai Security**”), companies directly wholly-owned by Mr. Zhang (please refer to Notes 3 and 4 in sub-section (b) of this section for details), as beneficial owners. Therefore, Mr. Zhang was deemed to be interested in the same number of Shares held by Good Union and Tai Security pursuant to the SFO.

Mr. Zhang has given an irrevocable undertaking not to accept the Share Offer. The Irrevocable Undertaking given by Mr. Zhang is disclosed in the section headed “5. The Irrevocable Undertaking” in the “Letter from the Board” of this Composite Document. Save as disclosed above and save for Mr. Tu and Mr. Meng who are Concert Parties to the Offeror, none of the Directors held any beneficial shareholding in the Company which would otherwise entitle them to accept or reject the Offers.

(b) Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at the Latest Practicable Date, so far as was known to any Director, the interests and short positions of the persons, other than the Directors, in the Shares, underlying Shares and debentures of the Company (a) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (b) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (c) which 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, were as follows:

(i) Long positions in Shares:

Name of Shareholder	Capacity/Nature of Interest	Total number of Shares interested	Approximate percentage of shareholding in the Company (Note 1)
Offeror	Beneficial owner	899,287,256 (Note 2)	56.61%
USUM Group	Interest in controlled corporations	899,287,256 (Note 2)	56.61%
Loncin Holdings	Interest in controlled corporations	899,287,256 (Note 2)	56.61%
Loncin Group	Interest in controlled corporations	899,287,256 (Note 2)	56.61%
Mr. Tu	Interest in controlled corporations	899,287,256 (Note 2)	56.61%
Tai Security	Beneficial owner	110,197,990 (Note 3)	6.94%
Central Huijin Investment Ltd.	Person having a security interest in shares	100,000,000	6.30%
China Construction Bank Corporation	Person having a security interest in shares	100,000,000	6.30%

Name of Shareholder	Capacity/Nature of Interest	Total number of Shares interested	Approximate percentage of shareholding in the Company (Note 1)
Good Union	Beneficial owner	120,000,000 (Note 4)	7.55%
Mr. Zhang	Interest in controlled corporations	230,197,990 (Notes 3 & 4)	14.49%

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

Name of the member of the Group	Name of shareholder	Capacity/Nature of Interest	Number of shares/ Amount of equity interest held	Approximate percentage of shareholding in the Company (Note 1)
綠鑫鉞清潔能源有限公司 (Lu Xin Cheng Clean Energy Limited*)	山東大磁場環保工程有限公司 (Shangdong Dacichang Environmental Engineering Co., Ltd.*)	Beneficial owner	–	40%
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%
	Kwok Suk Ling	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.*)	上海路永國際貿易有限公司 (Shanghai Luyong International Trading Co., Limited*)	Beneficial owner	–	49%

* for identification purposes only

Notes:

- (1) As at the Latest Practicable Date, the total number of issued Shares was 1,588,514,706 Shares.
- (2) The 899,287,256 Shares were held by the Offeror, a company in which Mr. Tu was indirectly interested. The Offeror is directly wholly owned by USUM Group, a limited liability company incorporated in the PRC. The single largest shareholder of USUM Group is Loncin Holdings, with an equity interest in USUM Group of 46.78%. The remaining equity interests in USUM Group are held by 21 individuals and 30 companies, all of whom are independent third parties of Loncin Holdings and Mr. Tu, and they each hold between 0.32% to 8.12% equity interests in USUM Group. Loncin Holdings is 98% owned by Loncin Group and 2% owned by Mr. Tu. Loncin Group is 98% owned by Mr. Tu; 1% owned by Ms. Tu Jianmin and 1% owned by Ms. Tu Jianrong, both being sisters of Mr. Tu. The Offeror held 899,287,256 Shares as at the Latest Practicable Date. Therefore, Mr. Tu was deemed to be interested in the Shares held by the Offeror pursuant to the SFO.
- (3) The 110,197,990 Shares were held by Tai Security as beneficial owner and Tai Security is wholly-owned by Mr. Zhang as at the Latest Practicable Date. Therefore, Mr. Zhang was deemed to be interested in the same number of Shares as held by Tai Security pursuant to the SFO.
- (4) The 120,000,000 Shares were held by Good Union as beneficial owner and Good Union is wholly-owned by Mr. Zhang as at the Latest Practicable Date. Therefore, Mr. Zhang was deemed to be interested in the same number of Shares as held by Good Union pursuant to the SFO.
- (5) According to the disclosure of interest forms filed by each of Delco, Mr. Fang, HWH, SVO Company B.V. (“**SVO**”) and Mr. Stephanus Maria van Ooijen (“**Mr. van Ooijen**”), the arrangement pursuant to Section 317 of the SFO between Mr. Fang, Mr. van Ooijen, Mr. Herman Maurits de Leeuw (“**Mr. de Leeuw**”), HWH and Delco no longer existed since 1 September 2015. Delco was 50%-owned by each of SVO and H.P.L. Metals B.V. (“**HPL**”). SVO was wholly-owned by Mr. van Ooijen. HPL was wholly-owned by Stichting Beheer Aandelen H.P.L. Metals (“**Stichting HPL**”), a foundation for the sole benefit of Mr. de Leeuw. Therefore, notwithstanding no further disclosure of interest forms were filed subsequent to 1 September 2015 by Mr. de Leeuw, HPL and Stichting HPL, Mr. de Leeuw, HPL and Stichting HPL were considered to have no interests in the Shares by the Directors since 1 September 2015.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares, underlying Shares or debentures of the Company (a) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (b) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (c) which 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:

- (i) Mr. Tu is the chairman of USUM Group, the director of Loncin Group and Loncin Holdings respectively;
- (ii) Mr. Zhang is the director of Good Union and Tai Security respectively; and

- (iii) Mr. Meng is the director, president and chief executive officer of USUM Group,

none of the Directors was a director or employee of a company (or its subsidiary) which had 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.

(c) Interests of parties acting in concert with the Offeror in the Shares

As at the Latest Practicable Date, Mr. Meng, a Concert Party of the Offeror, held an aggregate of 108,000 Shares, representing approximately 0.01% of the issued share capital of the Company.

(d) Interests in the Offeror

As at the Latest Practicable Date, save as disclosed in this section 2 and section 3 below, and save and except for Mr. Tu, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror, and no such person had dealt in the shares of the Offeror during the Relevant Period.

(e) Other Interests

As at the Latest Practicable Date, save as disclosed in sections 2(a) to (d) above:

- i. the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- ii. none of the Offeror, the sole director of the Offeror or any of its other Concert Parties owned or controlled or had any interest or short positions which they had taken or are deemed to have taken pursuant to Divisions 2 and 3 of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- iii. none of the subsidiaries of the Company, any of the pension funds of the Group Company and any adviser to the Company as specified in class (2) of the definition of “associate” under the Code (excluding exempt principal traders), owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of Shares;
- iv. there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Code between any person and any member of the Group or with 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 Code;

- v. no Shares or any convertible securities, warrants, options or derivatives in respect of Shares were managed on a discretionary basis by fund managers;
- vi. none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares;
- vii. save for Mr. Zhang who has given the Irrevocable Undertaking, and save for Mr. Tu and Mr. Meng who are Concert Parties to the Offeror, none of the Directors held any beneficial shareholding in the Company which would otherwise entitle them to accept or reject the Offers; and
- viii. neither USUM Group nor the Offeror has any shares in the Group or any other convertible securities, warrants, options or derivatives in respect of shares in Group.

3. DEALINGS DISCLOSURE

During the Relevant Period, save for (a) the entering into of the Facility Agreement, the Deed, the Share Charge and the CCBI Facility; (b) the exercise of the Option; and (c) the transfer of the Option Shares, the Offeror, its sole director and its Concert Parties have not (i) dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares and (ii) dealt for value in any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company.

Save as disclosed below, during the Relevant Period, (a) neither the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror; and (b) save as disclosed in this section, the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

During the Relevant Period, some of the Directors had dealt for value in the Shares and Share Options, the particulars of which are as follows:

(a) Dealings in Shares or Convertible Bonds

Sale and purchase

Name	Date	Transaction	Number of Shares dealt for value	Execution price per Share (HK\$)
Executive Directors				
Mr. Tu	23 October 2015	Grant of the Option over the Option Shares pursuant to the Deed and charge of Option Shares pursuant to the Share Charge by HWH to the Offeror	389,787,256	3.5
	22 December 2015	Acquisition of Option Shares by the Offeror from HWH pursuant to the exercise of the Option under the Deed (Note 1)	389,787,256	3.5
	29 December 2015	Pledge of Shares by the Offeror to CCBI pursuant to the CCBI Facility	390,000,000	N/A
Mr. Fang	22 July 2015	Transfer of Convertible Bonds from HWH to an independent third party (Note 2)	11,266,667	6
	16 September 2015	Transfer of Shares from HWH to an independent third party (Note 2)	51,330,000	5.3
	23 October 2015	Grant of the Option over the Option Shares pursuant to the Deed and charge of Option Shares pursuant to the Share Charge by HWH to the Offeror	389,787,256	3.5
	22 December 2015	Sale of Option Shares from HWH to the Offeror pursuant to the exercise of the Option under the Deed by the Offeror (Note 2)	389,787,256	3.5

Name	Date	Transaction	Number of Shares dealt for value	Execution price per Share (HK\$)
Mr. Zhang	8 July 2015	Acquisition of 100% interest in Tai Security Holding Limited (Note 3)	175,197,990	9.703
	13 July 2015	Sale of Shares by Tai Security Holding Limited (Note 3)	65,000,000	7.4
	3 August 2015	Pledge of Shares by Tai Security Holding Limited (Note 3)	100,000,000	N/A
	8 September 2015	Pledge of Shares by Tai Security Holding Limited (Note 3)	10,000,000	N/A
	5 November 2015	Release of pledged Shares in Good Union Hong Kong Investment Limited (Note 4)	120,000,000	N/A

Independent non-executive Directors

Ms. Zhang Jingdong	30 June 2015	Sale of Shares after exercise of Share Options	6,000	9.5
	3 November 2015	Sale of Shares after exercise of Share Options	8,000	5.02
	4 November 2015	Sale of Shares after exercise of Share Options	6,000	5.41
	11 November 2015	Sale of Shares after exercise of Share Options	20,000	5.33
	1 December 2015	Sale of Shares after exercise of Share Options	35,000	5.149

Notes:

1. Mr. Tu was deemed to be interested in Shares dealings conducted by the Offeror, a controlled corporation of Mr. Tu pursuant to the SFO.
2. HWH was wholly-owned by Mr. Fang.
3. Tai Security was wholly-owned by Mr. Zhang.
4. Good Union was wholly-owned by Mr. Zhang.

(b) Dealings in Share Options

Name	Date of grant	Exercisable period	Number of Shares under the Company Options	Exercise price per Share (HK\$)	Date of exercise of the Company Options	Total Exercise price Paid (HK\$)
Ms. Zhang Jingdong	28 March 2012	From 28 March 2013 to 27 March 2016	6,000	4.186	30 June 2015	25,116
	28 March 2012	From 28 March 2013 to 27 March 2016	8,000	4.186	3 November 2015	33,488
	28 March 2012	From 28 March 2013 to 27 March 2016	6,000	4.186	4 November 2015	25,116
	28 March 2012	From 28 March 2013 to 27 March 2016	2,500	4.186	11 November 2015	10,465
	28 March 2012	From 28 March 2014 to 27 March 2016	17,500	4.186	11 November 2015	73,225
	28 March 2012	From 28 March 2014 to 27 March 2016	5,000	4.186	1 December 2015	20,930
	28 March 2012	From 28 March 2015 to 27 March 2016	30,000	4.186	1 December 2015	125,580

(c) During the Offer Period and ending on the Latest Practicable Date:

- (i) no subsidiary of the Company, nor any pension fund of the Group nor any adviser to the Company as specified in class (2) of the definition of associate, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) no person who had an arrangement of the kind referred to Note 8 to Rule 22 of the Code with the Company nor any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and

- (iii) no fund manager connected with the Company, who manages funds on a discretionary basis, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

4. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

<i>Authorised:</i>	<i>HK\$</i>
5,000,000,000 Shares of HK\$0.01 each	50,000,000
<i>Issued and fully paid up:</i>	
1,588,514,706 Shares of HK\$0.01 each	15,885,147.06

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares are listed on the Main Board and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Since 31 December 2014 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date, 539,072,000 Shares had been issued by the Company.

As at the Latest Practicable Date, the total outstanding Convertible Bonds were in the aggregate principal amount of HK\$380,200,000 held by Delco and Great Roc Capital Limited and would confer rights to the Convertible Bondholders to convert approximately 63,366,667 new Shares.

The Company has issued 72,600,000 new Shares pursuant to the exercise of the Convertible Bonds since 31 December 2014, being the end of the last financial year of the Company, up to the Latest Practicable Date.

As at the Latest Practicable Date, the outstanding number of the Share Options in respect of the Share Option Scheme were 2,188,000 at an exercise price of HK\$4.186 per Share.

If all of such Share Options under the Share Options Scheme were exercised, a total of 2,188,000 new Shares would be issued.

The Company has issued 9,572,000 new Shares pursuant to the exercise of the Share Options since 31 December 2014, being the end of the last financial year of the Company, up to the Latest Practicable Date.

As at the Latest Practicable Date, apart from the Convertible Bonds and Share Options, the Company had no outstanding options, warrants, derivatives or convertible securities in respect of the Shares which were issued by the Company.

As at the Latest Practicable Date, apart from disclosed above, 456,900,000 new Shares has been issued by the Company pursuant to the subscription agreements set out in items (h) and (i) in section headed “8. Material Contracts” below and issued on 30 April 2015 and 29 May 2015 respectively.

As at the Latest Practicable Date, there were no outstanding derivatives in respect of the Shares entered into by the Offeror or any of its Concert Parties (excluding exempt traders).

5. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
30 June 2015	10.00
31 July 2015	7.91
31 August 2015	5.43
30 September 2015	Suspended
30 October 2015	5.23
30 November 2015	5.30
17 December 2015 (Last Trading Day)	5.17
31 December 2015	Suspended
22 January 2016 (Latest Practicable Date)	4.42

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$10 per Share on 30 June 2015; and
- (ii) the lowest closing price of the Share as quoted on the Stock Exchange was HK\$4.42 per Share on 22 January 2016.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into service contracts with the following Directors which (a) (including both continuous and fixed term contracts) have been entered into or amended within six months prior to the commencement of the Offer Period; (b) are continuous contracts with a notice period of 12 months or more; or (c) are fixed term contracts with more than 12 months to run irrespective of the notice period:

- (i) a service contract dated 17 December 2014 with Mr. Zhu Dajian, in relation to his appointment as the independent non-executive Director, for a fixed term of three years commencing on 17 December 2014 and at an annual remuneration of HK\$150,000;
- (ii) a service contract dated 29 April 2015 with Mr. Tu, in relation to his appointment as the executive Director, for a fixed term of three years commencing on 29 April 2015 at an annual remuneration of HK\$1,280,000;
- (iii) a service contract dated 22 August 2015 with Mr. Zhang, in relation to his appointment as the executive Director, for a fixed term of three years commencing on 22 August 2015 at an annual remuneration of HK\$600,000; and
- (iv) a service contract dated 22 August 2015 with Mr. Meng, in relation to his appointment as the executive Director, for a fixed term of three years commencing on 22 August 2015 at an annual remuneration of HK\$600,000.

Each of Mr. Tu, Mr. Zhang and Mr. Meng is entitled to a discretionary bonus provided that the total amount of bonus together with the total salary and benefits to be paid to all the executive Directors in each year ending 31 December shall not exceed 5% of the audited consolidated net profit after taxation but before extraordinary items of the Group for the relevant year (and before deducting such discretionary bonus, salary and benefits).

None of the service contracts disclosed above replaced or amended any earlier service contract entered into between any Director and any member of the Group or any associated company of the Group.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Group which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within six months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation or arbitration or claims of material importance and no litigation, arbitration or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

A writ of summons was issued by Delco as plaintiff on 21 December 2015 in the High Court of Hong Kong (High Court Action No. 3040 of 2015, “**HCA 3040/2015**”) against the Company as defendant for a sum of HK\$57,827,118 together with interest and costs. The claim relates to an alleged non-payment of a portion of the loans advanced by Delco Asia Company Limited (“**Delco Asia**”) to subsidiaries of the Company in accordance with the terms of a Shareholders Loan Assignment and Capitalisation Agreement dated 24 June 2010 between, amongst others, Delco Asia and the Company. Delco alleged that it acquired all the assets and receivables of Delco Asia pursuant to an Assets & Liabilities Transfer Agreement dated 3 October 2011 between itself and Delco Asia.

The Company gave notice of intention to contest the proceedings on 4 January 2016, and the proceedings are now in progress.

Each of Mr. Fang and HWH undertook to the Company to indemnify and hold harmless on demand (on an after-tax basis) the Company against all losses arising out of, *inter alia*, HCA 3040/2015 in accordance with the terms of a letter of indemnity signed by Mr. Fang and HWH in favour of the Company on 17 December 2015. Further, HWH has also agreed that a sum including the amount of HK\$57,827,118 be held in escrow as security for any liability of the Company in respect of, *inter alia*, HCA 3040/2015.

Whilst the Directors do not consider HCA 3040/2015 to be a claim of material importance for the reasons set out above, details of HCA 3040/2015 are disclosed herein for the sake of completeness.

With regard to the legal proceedings in the PRC between Shanghai Chiho-Tiande Resource Recycling Co., Ltd.* (上海齊合天地再生資源有限公司) (“**Shanghai JV**”), an indirect 51%-owned subsidiary of the Company, and Shanghai Science and Technology Co., Ltd.* (上海民營科技實業發展公司) (“**SST**”) in relation to certain housing and land lease contracts, disclosures have been made by the Company in its announcements dated 14 December 2012, 15 January 2014, 22 January 2014 as well as its interim reports for the six months ended 30 June 2014 and 2015 and its annual report for the year ended 31 December 2014.

On 18 December 2015, the Shanghai JV applied to Shanghai High People’s Court for re-trial and seek for further legal relief. On the same date, Shanghai High People’s Court accepted the re-trial application. The re-trial application was in the process of being reviewed as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Group after the date two years before the commencement of the Offer Period:

- (a) a Letter of Intent dated 1 December 2014 between Chiho-Tiande Investments Limited and Mr. Li Yuhu, pursuant to which, among other things, the parties agreed to set up an investment company with registered capital of RMB80,000,000 (the “**Investment Company**”) to acquire 80% (subsequently changed to 100%) equity interest in 烟台立衡环保科技有限公司 (Yantai Liheng Environmental Technology Co., Ltd.*) (“**Yantai Liheng**”);
- (b) a Letter of Intent dated 1 December 2014 between Yantai Liheng, Chiho-Tiande Investments Limited, Mr. Li Yuhu and 烟台力揚工貿有限公司 (Yantai Liyang Industrial Co., Ltd.*) (“**Yantai Liyang**”), pursuant to which, among other things, the Investment Company acquires 55% and 25% (subsequently changed to 45%) equity interests in Yantai Liheng from Mr. Li Yuhu and Yantai Liyang respectively;
- (c) the Delco Undertaking;
- (d) the Delco Supplemental Undertaking;
- (e) a letter dated 4 March 2015 pursuant to which the Company provided certain undertakings to Greenwoods China Alpha Master Fund in relation to the extension of the 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 issued by the Company;
- (f) a letter dated 4 March 2015 pursuant to which the Company provided certain undertakings to HWH in relation to the extension of the 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 issued by the Company;
- (g) a letter dated 4 March 2015 pursuant to which the Company provided certain undertakings to Sims Metal Management Dragon Holdings Limited in relation to the extension of the 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 issued by the Company;
- (h) a subscription agreement dated 21 March 2015 between the Company and the Offeror in relation to the subscription of 203,900,000 new shares in the capital of the Company at the subscription price of HK\$9.01 per Share;
- (i) a conditional subscription agreement dated 27 March 2015 between the Company and the Offeror in relation to the subscription for shares in the capital of the Company for an aggregate amount of HK\$2,279,530,000 at an initial subscription price of HK\$9.01 per Share;

- (j) a letter agreement dated 8 April 2015 between the Company and Sims Metal Management Dragon Holdings Limited in relation to the 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 issued by the Company;
- (k) a supplemental Letter of Intent dated 29 May 2015 between Chiho-Tiande Investments Limited and Mr. Li Yuhu to amend certain clauses in the Letter of Intent dated 1 December 2014 between Chiho-Tiande Investments Limited and Mr. Li Yuhu;
- (l) a supplemental Letter of Intent dated 29 May 2015 between Yantai Liheng, Chiho-Tiande Investments Limited, Mr. Li Yuhu and Yantai Liyang to amend certain clauses in the Letter of Intent dated 1 December 2014 between Yantai Liheng, Chiho-Tiande Investments Limited, Mr. Li Yuhu and Yantai Liyang;
- (m) a memorandum of understanding dated 19 June 2015 between the Company, ITOCHU Corporation, ITOCHU Metals Corporation and SUZUKI SHOKAI Co., Ltd. in relation to the acquisition of 大連新綠再生資源加工有限公司 (Dalian New Green Recycle & Resources Corporation*) and the formation of a new joint venture company;
- (n) a master agreement dated 21 August 2015 between ITOCHU Corporation, SUZUKI SHOKAI Co., Ltd., Chiho-Tiande Investments Limited and the Company in relation to the acquisition of Dalian New Green Recycle & Resources Corporation;
- (o) a shareholders' agreement dated 21 August 2015 between Chiho-Tiande Investments Limited, ITOCHU Metals Corporation and SUZUKI SHOKAI Co., Ltd. in relation to establish a new joint venture company; and
- (p) a sino foreign joint venture agreement dated 28 November 2015 between Jinlian International Group Limited and 山東大磁場環保工程有限公司 (Shandong Dacichang Environmental Engineering Co., Ltd.*) ("**Shandong Dacichang**"), pursuant to which Jinlian International Group Limited and Shandong Dacichang will invest RMB48,000,000 (holding 60% equity interest) and RMB32,000,000 (holding 40% equity interest) respectively in a new joint venture company.

9. EXPERTS

The following are the qualifications of the expert who has been engaged by the Company and who has been named in this Composite Document or who has given their opinion or advice, which is contained in this Composite Document:

Name	Qualification
Somerley Capital Limited	a corporation licensed by SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

10. CONSENTS

Somerley Capital has given and has not withdrawn its consent to the issue of this Composite Document with the inclusion in this Composite Document of the text of its letter and references to its name in the form and context in which they are included.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the websites of the Company (<http://www.chiho-tiande.com>) and the SFC (<http://www.sfc.hk>); and (ii) at the principal place of business of the Company at 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays) from the date of this Composite Document until the Closing Date or the date on which the Offers are withdrawn or lapse, whichever is the earliest:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for the two years ended 31 December 2014;
- (c) the interim report of the Company for the period ended 30 June 2015;
- (d) the letter from the Board, the text of which is set out on pages 24 to 31 of this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 34 to 58 of this Composite Document;
- (g) the Irrevocable Undertaking given by Mr. Zhang in respect of non-acceptance of the Share Offer;
- (h) the Directors' service contracts as referred to the section headed "6. Directors' Service Contracts";

- (i) the letter of written consents as referred to in the section headed “10. Consents” in this Appendix III;
- (j) the material contracts as referred to in the section headed “8. Material Contracts” in this Appendix III; and
- (k) the Composite Document.

12. MISCELLANEOUS

- (a) As at the Latest Practicable Date, save for Mr. Tu and Mr. Meng who were Concert Parties of the Offeror, none of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Offers.
- (b) The emoluments of the Directors will not be affected by the Offers or by any other associated transactions.
- (c) As at the Latest Practicable Date, save for Mr. Tu and Mr. Meng who were Concert Parties of the Offeror, there is no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror, any person acting in concert with the Offeror and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers.
- (d) As at the Latest Practicable Date, save for Mr. Tu and Mr. Meng who were Concert Parties of the Offeror, there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.
- (e) As at the Latest Practicable Date, there is no material contract entered into by the Offeror in which any Director (other than Mr. Tu and Mr. Meng who were Concert Parties of the Offeror) has a material personal interest.
- (f) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong.
- (g) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (h) As at the Latest Practicable Date, the Board comprises four executive Directors, being Mr. Tu Jianhua, Mr. Fang Ankong, Mr. Zhang Mingjie and Mr. Meng Yi, and three independent non-executive Directors, being Dr. Loke Yu, Ms. Zhang Jingdong and Mr. Zhu Dajian.

- (i) The principal place of business of the Company is:
 - a. in China: Taizhou Industrial Zone of Metal Recycling, Fengjiang, Luqiao, Taizhou, Zhejiang, the PRC, Post Code 318054; and
 - b. in Hong Kong: 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong.
- (j) The principal place of business of the Independent Financial Adviser is 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.
- (k) The English language text of this Composite Document shall prevail over the Chinese language text.

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror, and the directors of Loncin Group, the ultimate controller of the Offeror, jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests of the Offeror in the Company**

As at the Latest Practicable Date, the Offeror was interested in 899,287,256 Shares (representing approximately 56.61% of the issued share capital of the Company) and did not have any interest in any warrants, options, derivatives or securities carrying conversion of subscription rights into Shares.

(b) Interests of the Offeror's sole director in the Company

The Offeror's sole director does not have any interest in any Shares, warrants, options, derivatives or securities carrying conversion of subscription rights into Shares.

(c) Interests of Offeror's Concert Parties in the Company

As at the Latest Practicable Date, the Offeror's Concert Parties, namely Mr. Meng, held an aggregate of 108,000 Shares, representing approximately 0.01% of the issued share capital of the Company.

(d) Interests of parties that have irrevocably committed to reject the Offers

As disclosed in the section headed "2. The Offers" in the "Letter from China Galaxy" in this Composite Document, Mr. Zhang has irrevocably undertaken not to accept the Share Offer and as at the Latest Practicable Date, he holds 230,197,990 Shares, representing approximately 14.49% of the issued share capital of the Company.

(e) Other disclosures

As at the Latest Practicable Date:

- (i) there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Code which existed between the Offeror, or any of its Concert Parties, and any other person;

- (ii) save for Mr. Zhang, no person/party had irrevocably committed himself/itself to accept or reject the Offers;
- (iii) no relevant securities (as defined in Note 4 to Rule 22 of the Code) was owned or controlled by a person with whom the Offeror or any of its Concert Parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code;
- (iv) neither the Offeror nor any of its Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company; and
- (v) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror, its ultimate beneficial owner and/or any of its Concert Parties, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

3. DEALINGS IN SECURITIES IN THE COMPANY

During the Relevant Period, save for (a) the entering into of the Facility Agreement, the Deed, the Share Charge and the CCBI Facility; (b) the exercise of the Option; (c) the transfer of the Option Shares, the Offeror, its sole director and Concert Parties have not dealt for value in any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company.

4. ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory or pre-existing contractual compensation) will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and its Concert Parties and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependence on the Offers;
- (c) there was no agreement or arrangement to which the Offeror or its ultimate beneficial owner is a party which relates to circumstances in which it may or may not seek to invoke a pre-condition or a condition to the Offers; and
- (d) save for pledging of all the Shares acquired under the Share Offer pursuant to the CCBI Facility, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons.

5. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert whose letter/opinion is contained in this Composite Document:

Name	Qualification
China Galaxy	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice, letter and/or references to its name in the form and context in which it appears.

6. MISCELLANEOUS

- (a) The Offeror is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of USUM Group, a limited liability company incorporated in the PRC. The single largest shareholder of USUM Group is Loncin Holdings, with an equity interest in USUM Group of 46.78%. The remaining equity interests in USUM Group are held by 21 individuals and 30 companies, all of whom are independent third parties of Loncin Holdings and Mr. Tu, and they each hold between 0.32% to 8.12% equity interests in USUM Group. Loncin Holdings is 98% owned by Loncin Group and 2% owned by Mr. Tu, an executive Director. Loncin Group is 98% owned by Mr. Tu; 1% owned by Ms. Tu Jianmin and 1% owned by Ms. Tu Jianrong, both being sisters of Mr. Tu.
- (b) The registered office of the Offeror is at Room 1602, 16/F, LHT Tower, No. 31 Queen's Road Central, Hong Kong.
- (c) The registered office of USUM Group is at No. 8 Fengqi Road, Caijiagangzhen, Beibei, Chongqing, the PRC.
- (d) The registered office of Loncin Holdings is at No. 5 Shipingqiao Cross Street, Jiulongpo, Chongqing, the PRC.
- (e) The registered office of Loncin Group is at No. 5 Shipingqiao Cross Street, Jiulongpo, Chongqing, the PRC.
- (f) As at the date of this Composite Document, the sole director of the Offeror is Ms. Chen Danni.
- (g) As at the date of this Composite Document, the directors of USUM Group are Mr. Duan Xiaohua, Mr. Liao Changguang, Mr. Meng Yi, Mr. Peng Jianqiang, Mr. Song Xiaoping, Mr. Tu Jianhua, Mr. Wang Huadong, Mr. Yue Longqiang and Mr. Xiao Huaan.

- (h) As at the date of this Composite Document, the directors of Loncin Holdings are Mr. Tu Jianhua, Ms. Tu Jianmin and Ms. Tu Jianrong.
- (i) As at the date of this Composite Document, the directors of Loncin Group are Mr. Tu Jianhua, Ms. Tu Jianmin and Ms. Tu Jianrong.
- (j) The registered office of China Galaxy is at Units 3501-3507 & 3513-3514, 35/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Sheung Wan, Hong Kong.
- (k) USUM Group, Loncin Holdings and Loncin Group constitute the principal members of the Offeror's concert group.
- (l) In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the websites of the Company (<http://www.chiho-tiande.com>) and the SFC (<http://www.sfc.hk>); and (ii) at the principal place of business of the Company at 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays) from the date of this Composite Document until the Closing Date or the date on which the Offers are withdrawn or lapse, whichever is the earliest:

- (a) the articles of association of the Offeror;
- (b) the letter from China Galaxy, the text of which is set out on pages 11 to 23 of this Composite Document;
- (c) the written consent from China Galaxy as referred to in the section headed "Qualifications and Consent of Expert" in this Appendix IV;
- (d) the Irrevocable Undertaking given by Mr. Zhang in respect of non-acceptance of the Share Offer; and
- (e) the CCBI Facility.