CHAOYUE GROUP LIMITED
超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 147)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET COMPANIES AND (2) RESUMPTION OF TRADING

THE ACQUISITION

On 9 July 2013, the Purchaser and the Company entered into the Acquisition Agreement with the Vendor and the Vendor's Guarantor, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares. The Sale Shares represent 100% interests in the Target Companies. The consideration for the Sale Shares is HK$10,000,000,000 and will be satisfied by the Company as to HK$3,000,000,000 in cash, as to HK$2,750,000,000 by the issue of the Consideration Shares at the Issue Price, and as to HK$4,250,000,000 by the issue of the Convertible Bonds.

The Target Group is a leading producer of stainless steel and copper products in the PRC that use scrap stainless steel and scrap copper as raw materials.

LISTING RULES IMPLICATIONS ON THE ACQUISITION

The Acquisition and the transactions contemplated under the Acquisition Agreement constitute a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and are subject to the approval by the Shareholders at the SGM by way of poll.

The Listing Committee of the Stock Exchange resolved in its meeting held on 15 August 2013 that the Acquisition would not constitute a reverse takeover for the purpose of Rule 14.06(6), subject to compliance with the following conditions:

(a) the Company to include in the circular enhanced disclosure of the information about the Target Group comparable to prospectus standard; and

(b) the Company to appoint a financial adviser acceptable to the Stock Exchange to conduct due diligence on the Target Group with reference to Practice Note 21 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) the details of the Acquisition; (ii) the financial and other information on the Group; (iii) the financial information on the Target Group; (iv) the pro forma financial information of the enlarged Group assuming Completion; and (v) the notice convening the SGM will be sent to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders on or about 15 November 2013.

SUSPENSION OF TRADING AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 10 July 2013 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 19 August 2013.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions under the Acquisition Agreement. As the transactions may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE ACQUISITION AGREEMENT

On 9 July 2013, the Purchaser and the Company entered into the Acquisition Agreement with the Vendor and the Vendor's Guarantor. The principal terms of the Acquisition Agreement are set out below:

Date

9 July 2013

Parties

Purchaser: Rising Vast Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.

Vendor: Chung Ming Metal Resources Holdings Limited.

Guarantors: Mr. Lu, as guarantor to the Vendor; and the Company, as guarantor to the Purchaser.

The Vendor is an investment holding company. The Vendor, its beneficial owners and the Vendor's Guarantor are third parties independent of and not connected with the Company, the Company's connected persons or the Shareholders. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there was no previous business or other relationship among the Vendor, the Vendor's Guarantor and the Company, the Company's connected persons or the Shareholders.

Assets to be acquired

The Purchaser agreed to acquire from the Vendor the Sale Shares, representing 100% interests in the Target Companies. Further information regarding the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The consideration for the Sale Shares is HK$10,000,000,000 and was determined after arm's length negotiations with reference to, among other things, (i) the prospects of the Target Group, (ii) the positive potential of the metal business in the PRC, and (iii) price-earnings multiple of approximately 5.84 times of the after-tax profit of the Target Companies for the year ended 31 December 2012.

The consideration will be satisfied in the following manner:

(a) as to HK$3,000,000,000 in cash;

(b) as to HK$2,750,000,000 by the issue of the Consideration Shares at the Issue Price upon Completion; and

(c) as to HK$4,250,000,000 by the issue of the Convertible Bonds upon Completion.

It is a condition of the Acquisition Agreement that the Company is to raise funding of not less than HK$3,000,000,000 whether by way of issue of new equity or debt equity or incurrence of any secured or unsecured indebtedness. Such fund will be used to settle the cash consideration of the Acquisition Agreement. It is expected that such fund raising exercise will be conditional upon the Acquisition Agreement becoming unconditional. As of the date of this announcement, discussions or negotiations in respect of the fund raising exercise have not commenced. The Company will make further announcement in compliance with the requirements of the Listing Rules if and when the Company has entered into any binding agreements to raise fund.

Consideration Shares

The Consideration Shares to be allotted and issued by the Company upon Completion represent (i) approximately 26.26% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 20.80% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 15.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares.

The Consideration Shares will be allotted and issued under a specific mandate to be sought at the SGM. The Consideration Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of allotment and the issue of the Consideration Shares. The Consideration Shares may not be transferred, assigned or otherwise dealt with within the Lock-up Period.

The Consideration Shares have a nominal value of HK$5,000,000 and a market value of approximately HK$2,750 million based on the closing price of the Shares of HK$0.55 per Share on the Last Trading Day.

Issue Price

The Consideration Shares will be issued at HK$0.55 per Share. The Issue Price represents:

(i) the closing price of the Shares of HK$0.55 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 5.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$0.522 per Share;

(iii) a premium of approximately 8.06% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.509 per Share;

(iv) a premium of approximately 27.08% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.4328 per Share; and

(v) a premium of approximately 3,828.57% over the equity attributable to owners of the Company of HK$0.014 per Share as at 31 March 2013.

The Issue Price was determined after arm's length negotiations between the Vendor and the Company with reference to the prevailing market prices of the Shares on the date of the Acquisition Agreement.

Application for listing of the Consideration Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Convertible Bonds

Principal terms of the Convertible Bonds

Principal amount	HK$4,250,000,000
Maturity date	The date falling on the fifth anniversary of the issue date.
Interest	The Convertible Bonds bear no interest.
Conversion price	HK$0.55 per Conversion Share, subject to adjustment in accordance with the terms of the Convertible Bonds including, among other things, subdivision or consolidation of Shares, the making of a free distribution of Shares, bonus issue, the declaration of a dividend in Shares, capital distribution, issuance of options, rights or warrants, and the issue of new Shares at less than current market price.

Issues of Shares at less than current market price

If and whenever the Company shall issue wholly for cash any Shares or on the grant of options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90% of the current market price of the Share on the trading day last preceding the date of announcement of the terms of such issue, the conversion price of the Convertible Bonds will be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the following fraction:

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

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such current market price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

Issues of convertible securities at less than current market price

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities, if and whenever the Company or any subsidiary shall issue wholly for cash any convertible securities which by their terms of issue carry rights of conversion into, or exchange or subscription for Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90 per cent. of the current market price per Share on the last trading day preceding the date of announcement of the terms of issue of such securities, the conversion price will be adjusted, by multiplying the conversion price in force immediately prior to such issue (or grant) by the following fraction:-

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

where:

A is the number of Shares in issue immediately before such issue (or grant);

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such current market price per Share; and

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

Number of Conversion Shares issuable	7,727,272,727 new Shares will be issued upon full conversion of the Convertible Bonds based on the initial conversion price of HK$0.55.
Conversion period	Subject to the restrictions set out below, the Bondholder has the right to convert the Convertible Bonds in whole or in part into Conversion Shares at any time after the expiration of the Lock-up Period until the expiry of the maturity date of the Convertible Bonds.

	Notwithstanding the conversion rights attaching to the Convertible Bonds, the Company will not issue any Shares if (i) upon such issue, any Bondholder(s) and parties acting in concert with it/them will trigger a change of control or being obligated to carry out a general offer under the Takeovers Code, and/or (ii) upon such issue, the shareholding in the Company by the public will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time, and/or (iii) the Company has a right of set-off against the debt represented by the Convertible Bonds, and the relevant Convertible Bonds will continue until redeemed on the maturity date or in the case of a right of set-off until such right is exercised or is extinguished or released.
Set-off	The debt represented by the Convertible Bonds is subject to set-off in respect of or diminution to the extent of any claim the Company may at any time and from time to time against the Vendor and/or the Vendor's Guarantor under or in connection or in relation with the Acquisition Agreement. When such a claim has been asserted by the Company, the conversion right and the transfer of the Convertible Bonds will be suspended, and the Company will also be entitled to redeem the Convertible Bonds to the extent of the claim and deduct or hold back out of the redemption proceeds the amount of such claim without obligation to account subsequently for any interest on any amount mistakenly deducted or on any amount (mistakenly or otherwise) held back. The Company is only entitled to set-off against the redemption proceeds of any amounts under the Convertible Bonds which have been finally adjudicated to be owed by the Bondholder, or such amount as has been agreed with the Bondholder by way of compensation.
Redemption at maturity	Each Convertible Bond will be redeemed on maturity at a value equal to the aggregate of 100% of the outstanding principal amount of the Convertible Bonds.
Transferability	Subject to the Lock-up Period and the set-off arrangement, the Convertible Bonds may be transferred or assigned.
Status	The Convertible Bonds will represent direct, unsubordinated and unconditional obligations of the Company and will at all times rank pari passu with all existing and future unsubordinated and unsecured obligations of the Company.
Voting	A Bondholder will not be entitled to vote at any general meetings of the Company by reason only of it being a Bondholder.
Listing	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other exchange.

Comparison of conversion price

The initial conversion price of HK$0.55 per Conversion Share was arrived at after arm's length negotiation between the Company and the Vendor and represents:

(i) the closing price of the Shares of HK$0.55 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 5.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$0.522 per Share;

(iii) a premium of approximately 8.06% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.509 per Share;

(iv) a premium of approximately 27.08% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.4328 per Share; and

(v) a premium of approximately 3,828.57% over the equity attributable to owners of the Company of HK$0.014 per Share as at 31 March 2013.

Conversion Shares

Assuming full conversion of the Convertible Bonds at the conversion price of HK$0.55 per Conversion Share, the Convertible Bonds will be convertible into 7,727,272,727 new Shares, representing (i) approximately 40.59% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 28.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (iii) approximately 24.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the Consideration Shares.

The Conversion Shares have a nominal value of HK$7,727,272.73 and a market value of approximately HK$4,250 million based on the closing price of the Shares of HK$0.55 per Share on the Last Trading Day.

The Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

Application for listing of the Conversion Shares

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon conversion of the Convertible Bonds. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Lock-up Period

Pursuant to the terms of the Acquisition Agreement, the Vendor agreed and has undertaken that it will not and the Vendor's Guarantor will procure that the Vendor will not, without the prior written consent of the Purchaser, at any time during the Lock-up Period:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, all or part of the Consideration Shares or the Convertible Bonds;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic benefits of any of the Consideration Shares or the Convertible Bonds;

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) in the case of the Convertible Bonds, convert all or part of the Convertible Bonds into Conversion Shares.

Conditions precedent

Completion will be conditional upon the satisfaction or (as the case may be) waiver of the following conditions:

(a) all necessary approvals and consents required to be obtained by any member of the Target Group and/or the Vendor and/or the Vendor's Guarantor and/or the Purchaser and/or the Company from any government authority in respect of the Acquisition Agreement and/or the transactions contemplated thereunder being obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Purchaser or the Vendor (as the case may be) acting reasonably;

(b) the Purchaser being satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position or projections of the Target Group carried out by the Purchaser or any of its officers, employees, agents, professional advisers or other persons authorised by the Purchaser as the Purchaser in its discretion deems necessary, desirable or appropriate to undertake and issuing to the Vendor a notice in writing to such effect;

(c) the Vendor's warranties save with respect to the matters fully and fairly disclosed to the Purchaser under the Acquisition Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion by reference to the facts and circumstances subsisting as at the date of Completion and each of the Vendor and the Vendor's Guarantor having performed all its obligations under the Acquisition Agreement which are required to be performed by it at or prior to the date of Completion;

(d) the Purchaser being satisfied that the Acquisition Agreement and/or the transactions contemplated thereunder will not trigger a general offer of Shares under the Takeovers Code or be deemed to be or constitute a reverse takeover for the purpose of Rule 14.06(6) under the Listing Rules;

(e) the Shareholders who do not have any material interest in the Acquisition approving in general meeting of the Company in compliance with the Listing Rules (i) the Acquisition Agreement and the transactions contemplated thereunder; and (ii) the allotment and issue of the Consideration Shares and the Conversion Shares;

(f) the Stock Exchange granting the listing of and permission to deal in on the Stock Exchange of the Consideration Shares and the Conversion Shares;

(g) the Company raising funding of not less than HK$3,000,000,000 whether from the issuance of new equity or debt securities or by the incurrence of any indebtedness secured or unsecured;

(h) (i) there having occurred since 31 December 2012 no material adverse effect with respect to any member of the Target Group or the Target Group taken as a whole, and (ii) there having been promulgated, put into effect, commenced, granted or issued since 31 December 2012 and subsisting or pending as at the date of Completion, no statute, regulation, proceeding, or order pertaining to any member of the Target Group or the Target Group which would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Acquisition Agreement; and

(i) the Company being satisfied that the information disclosed in the disclosure letter to the Acquisition Agreement does not constitute a breach of the Vendor's warranty under the terms of the Acquisition Agreement.

The Purchaser may, in its absolute discretion, waive conditions (b), (c), (g) and (h) at any time by specific notice in writing to such effect to the Vendor. The Purchaser has no present intention in waiving any of the conditions precedent to the Acquisition Agreement.

If the conditions other than conditions (c), (d), (g) and (h) above will not have been fulfilled or waived by the Company by 5:00 p.m. on 31 March 2014 (or such later time or date as may be agreed among the parties to the Acquisition Agreement in writing), or the conditions (c), (d), (g) and (h) above are not fulfilled or waived on the date of Completion, or if the Company exercises its right to rescind the Acquisition Agreement in accordance with the terms of the Acquisition Agreement, the Acquisition Agreement will become null and void and of no effect, except for clauses relating to costs and other matters, and for any antecedent breach of the Acquisition Agreement.

Completion

Completion will take place on the date falling on the fifth business day after all the conditions to the Acquisition Agreement having been fulfilled or waived (as the case may be) (or any other date as may be agreed among the parties to the Acquisition Agreement in writing).

On and from the Completion Date, each of the Vendor and the Vendor's Guarantor will release and discharge all the members of the Target Group and, to the extent any Target Group company has vicarious liability in respect of the same, of their respective officers, directors, employees, shareholders and assigns, from any liability whatsoever (including liability for any antecedent breach), whether known or unknown, which they may have to the Vendor, the Vendor's Guarantor or their respective associates. With regard to the loans, balances and other indebtedness disclosed to the Company pursuant to the terms of the Acquisition Agreement involving a company under the Target Group and either the Vendor or the Vendor's Guarantor, the Vendor and the Vendor's Guarantor have undertaken to take all necessary action in accordance with applicable laws that no company under the Target Group will suffer any material adverse change including any material adverse accounting treatment, and to procure that (a) there is no material increase on a net basis for the companies under the Target Group as a whole between the date of the Acquisition Agreement and the Completion Date; (b) all such amounts are reduced to zero except for a shareholder's loan from the Vendor to Hong Ming and a shareholder's loan from the Vendor to Shiyi Investments representing the net balance owed; and (c) at Completion, at the election of the Purchaser, such shareholder's loans are assigned to the Purchaser together with the Sale Shares, as part of the assets purchased by the HK$10,000,000,000 consideration paid by the Purchaser under the Acquisition Agreement.

The Vendor and the Vendor's Guarantor will also procure that the directors of each of the companies under the Target Group will remain as directors of the respective company between the date of the Acquisition Agreement and the date of Completion. The Vendor and the Vendor's Guarantor have also undertaken to cause the unpaid registered capital of US$9,510,000 of Shandong Zhongming to be contributed in full in accordance with applicable laws in the PRC not later than the earlier of 20 September 2013 and the date of Completion.

Pursuant to the terms of the Acquisition Agreement, the Vendor does not have the right to nominate any person to the Board to act as a Director, and the Company currently has no plan to appoint any senior management personnel of the Target Group as Directors. Upon Completion, the Company will nominate representatives to each of the companies in the Target Group as directors to control their board. Given that the existing management team of the Target Group will remain with the Target Group upon Completion, the Company does not expect that there will be any interruption to the operations of the Target Group as a result of the Acquisition. The Company believes that its existing management team possesses the necessary skill and corporate management experience to manage the operating companies of the Target Group at the board level. The Company will consider recruiting candidates who possess the relevant industry experience to supplement the existing management team of the Target Group when necessary.

INFORMATION ON THE TARGET GROUP

Set out below is the information of the business, shareholding structure and financial information of the Target Group based on the information provided by the Vendor.

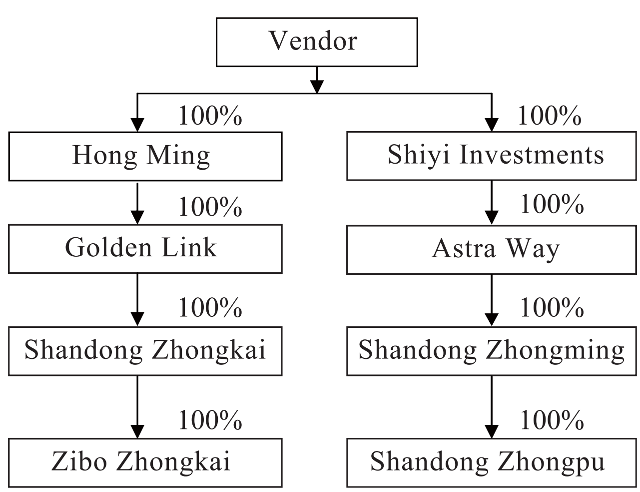
The Target Group

Each of the Target Companies is wholly owned by the Vendor. The Vendor is an investment holding company incorporated in the Cayman Islands and has no other business other than the holding of the Target Group. The Vendor is owned as to 78.73% by Peng Yi Investments Limited, an investment holding company established in the BVI which is 90% owned by the Vendor's Guarantor. The remaining equity interests in the Vendor are held by 13 other shareholders, who are independent investors each holding less than 5% interest in the Vendor and are not involved in the day-to-day management of the Target Group.

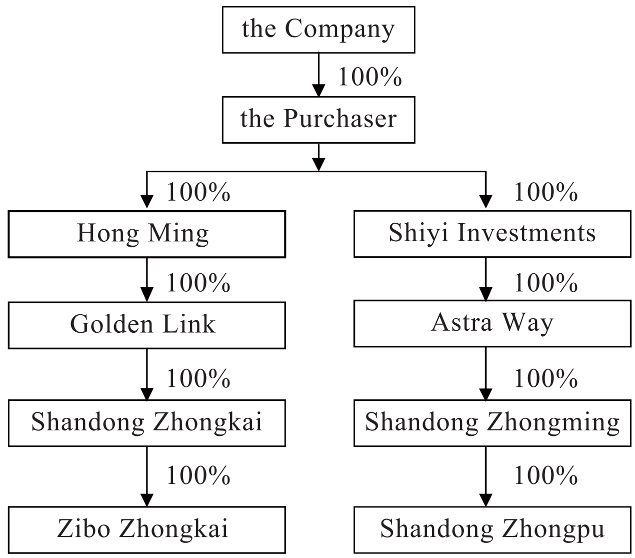
The Vendor's Guarantor and the business of the Target Group were introduced to Mr. Yam Yu, the controlling shareholder of Long Grand Limited which is the controlling shareholder of the Company, through a mutual business associate of the Vendor's Guarantor and Mr. Yam. Mr. Yam as a Shareholder understood that the Company has been looking for potential investment and business opportunity and subsequently introduced the Vendor's Guarantor to Mr. Yuen Leong, an executive Director. The Target Group is a leading producer of stainless steel and copper products in the PRC that use scrap stainless steel and scrap copper as raw materials. Based on a market research study conducted by CRU International Limited, a global market research and consulting company independent of the Company and the Target Group, the Target Group is one of the ten largest scrap-based stainless steel producers and one of the five largest scrap-based copper producers in the PRC in 2012 in terms of production capacity.

Shareholding structure of the Target Group

(i) Shareholding structure of the Target Group as at the date of this announcement:



(ii) Group structure of the Company and the Target Group upon Completion:



The Target Group's operating subsidiary, Shandong Zhongkai, commenced its recycle stainless steel production business in January 2010, and Shandong Zhongpu, another operating subsidiary of the Target Group commenced its recycle copper production in November 2009, respectively. The production facility of Shandong Zhongkai is located at the Zibo National High-tech Industrial Development Zone in Zibo City, Shandong province, the PRC and occupies a total site area of approximately 351,935 square meters with a total gross floor area of approximately 72,926.6 square meters. Shandong Zhongkai operates an integrated production process from scrap stainless steel smelting to continuous casting and steel rolling. As of 31 March 2013, Shandong Zhongkai had a total designed annual rolling capacity of 750,000 tons of stainless steel products, consisting of 450,000 tons of stainless steel strips and 300,000 tons of stainless steel rods and wires.

The production facility of Shandong Zhongpu is located at the Changshanzhen Industrial Park in Zouping County, Shandong Province, the PRC and occupies a total site area of approximately 200,847.5 square meters with a total gross floor area of approximately 11,748 square meters. As at 31 March 2013, Shandong Zhongpu had a total designed annual production capacity of approximately 140,000 tons of cooper products, consisting of 80,000 tons of copper cathode and 60,000 tons of oxygen free copper rods.

Shandong Zhongming has obtained the land use rights to a piece of land located at the Zibo National High-tech Industrial Development Zone adjacent to Shandong Zhongkai, which occupies a total site area of approximately 232,729.0 square meters for the construction of a copper condenser tube and copper strip project in mid-2013.

Products of the Target Group

During the three years ended 31 December 2012, the principal stainless steel products of the Target Group consisted of steel strips, rods and wires and the principal refined copper products of the Target Group consisted of copper cathode and oxygen free copper ("OFC") rods. The Target Group began the production of stainless steel rods and wires in March 2012.

The following table sets out a description of the principal products currently being produced by the Target Group:

	Specifications	End uses
Stainless steel products:		
Stainless steel strips	Stainless steel strips of type 304 and type 316L. The Target Group produces stainless steel strips with thickness ranging from 1.5 millimeters to 4.5 millimeters and a width ranging from 145 millimeters to 425 millimeters, modifiable based on customer requirements. The stainless steel strips conform to national standard GB/T4237-2007.	Stainless steel strips are widely used in a large number of industries. Type 304 typically has mid-end applications, including general telecommunications, household and kitchen appliances, construction decoration and hardwares. Type 316L typically has high-end applications, including in the aerospace industry, petrochemical industry, information technology industry, medical and scientific instruments.
Stainless steel rods and wires	Stainless steel rods and wires of type 304, type 304L, type 316, and type 316L. The Target Group produces stainless steel rods and wires with diameters ranging from 5.5 millimeters to 130 millimeters. The stainless steel rods of the Target Group conform to national standard GB/T702-2004 and the stainless steel wires conform to national standard GB/T14981-2004.	Stainless steel rods and wires are widely used in the aerospace industry, automobile manufacturing, medical equipment, household appliances, textiles industry, food processing, electronics industry, precision instruments, military and construction decoration.
Refined copper products :		
Copper cathode	Electrolytic copper sheets produced by electrolytic refining which are 99.95% and above pure. The Target Group produces such electrolytic copper sheets with varying thickness in a standard size of 800 millimeters by 860 millimeters, modifiable based on customer requirements. The copper cathode of the Target Group conforms to national standard GB/T467-1997.	Copper cathode is widely used in the electronics industry, machinery production, household appliances, automobile parts, the construction industry, the defense industry and the transportation industry. It is a primary raw material input for copper wires, copper plates, copper strips, copper rods, copper and copper alloy tubes, copper alloy wire, copper ingots, and similar bronze products.

	Specifications	End uses
OFC rods	Copper rods produced by electrolytic refining which are 99.95% and above pure with oxygen level of 30 ppm or below. The Target Group produces OFC rods with a diameter of eight millimeters, modifiable based on customer requirements. OFC rods of the Target Group conform to national standard GB/T3952-2008.	OFC rods are typically used in the telecommunications industry, power transmission, aerospace industry and railways. It is a primary raw material input for power cables, magnetic wires, telephone cables, and other cables and wires for electrical equipment.

In addition to the above, the Target Group plans to begin producing copper strips and copper condenser tubes by mid-2014. Copper strips are important functional materials that are widely used in construction, transport, electric power, machinery manufacturing, electronic communication and general consumer goods. Copper condenser tubes are mainly used in thermal power generation, desalination, petrochemical, automotive, shipbuilding and other fields.

Production process

Scrap metal sourcing

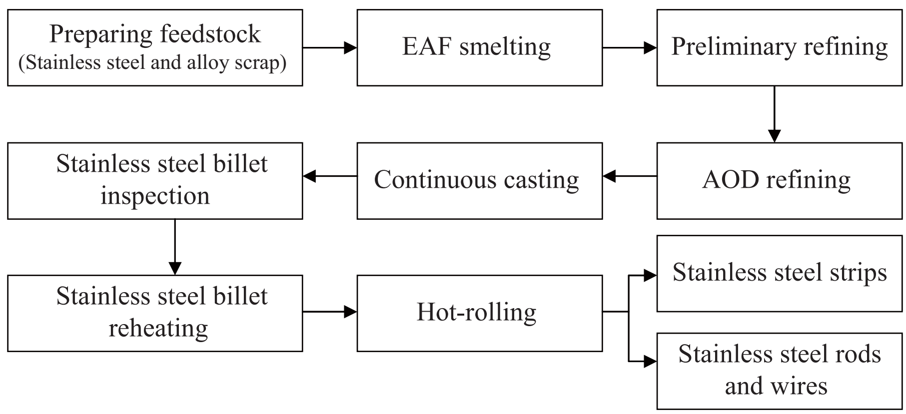
The Target Group's suppliers of scrap stainless steel and scrap copper generally pre-sort and bale the raw materials before they are delivered to the production facilities of the Target Group. Upon their delivery, the Target Group will examine and treat these scrap metals with automated equipment and manual labor. The process consists of a variety of steps, including opening, inspecting, sorting, stripping, shearing, cutting, shredding and re-baling. The precise steps involved depend on the types and condition of the scrap metal sourced.

For scrap stainless steel, the Target Group utilizes heavy machinery such as crushers and hydraulic shears to cut and reduce large pieces of scrap stainless steel (typically those longer than 1.5 meters) into smaller pieces for further processing.

For scrap copper, lighter machinery is used and the Target Group also utilizes stripping equipment to remove, or burn off, the plastic coating of scrap copper wiring. The scrap copper is cut and crushed, depending on the form and size of the scrap, and the Target Group uses manual labor to separate the scrap into high-grade scrap copper (purity of 99% or above) and low-grade scrap copper (purity of 96% or above). Higher-grade scrap copper is used in the production of OFC rods. Lower-grade scrap copper is used in the production of copper cathode. During the crushing process, the Target Group also uses an eddy current separator to separate and retrieve non-ferrous metals from the scraps. The non-ferrous metals are then manually separated into copper and other non-ferrous metals based on color and weight.

Stainless steel products manufacturing process

The production process of the Target Group's current operation can be broken down into four main stages: electric arc furnace ("EAF") smelting, argon-oxygen-decarburization ("AOD") refining, continuous casting and hot-rolling of the stainless steel products. The Target Group is equipped with three EAFs (each with a capacity of 35 tons), two AOD furnaces (each with a capacity of 35 tons), a LF induction furnace (with a capacity of 35 tons) and one dual-strand continuous caster. The flowchart below illustrates the production process for stainless steel manufacturing.



EAF smelting

Production begins with the smelting of scrap stainless steel in the three EAFs of the Target Group, each with a capacity of approximately 35 tons. The EAFs melts the feedstock of scrap stainless steel and other alloy metals additives into a molten steel bath. In the smelting process, the feedstock is heated to a temperature of over 1,660 ºC to remove impurities. During this stage, additional alloy metals may be added, such as high-carbon ferrochrome and nickel-iron, to the molten bath to achieve the desired chemical ratio. These alloys are critical in providing the qualities of the resulting stainless steel, such as corrosion resistance. As part of the quality control process, samples from the molten bath are taken and analyzed to determine the bath's chemical content, and depending on the result, further alloys are added to adjust their ratio.

AOD refining

The molten bath from the EAFs is poured into ladles and transported to the LF induction furnace for preliminary refining before moving to the AOD furnaces. This preliminary refining serves to optimize the molten steel content to prepare for further AOD refining. It involves further adjustments of alloy metals, adjustments of temperature, and removal of additional impurities by blowing argon gas into the molten bath.

After preliminary refining, the molten bath is transported to the AOD furnaces to undergo further decarburization, reduction and desulphurization processes. During the decarburization process, oxygen, argon and nitrogen are systematically blown into the bath to remove carbon. Specific ratios of the gases are blown into the molten bath via a top lance or side tuyeres. While undergoing the AOD refining processes, alloy metal levels are further and more precisely adjusted. The precise composition of alloy applied in this step determines the properties of the particular type of stainless steel that will result. With adjustment to the temperature and blend of an appropriate amount of alloy, different types of stainless steel, including type 304, type 304L, type 316 and type 316L will be produced. Samples are also taken from the molten bath for quality control analysis.

Continuous casting

The molten bath from the AOD furnace is then fed into the dual-strand continuous caster. In continuous casting, the molten bath is continuously fed into vessels and is released at a steady rate into crystallizers and cooled by water to form a stainless steel billet. After it is completely solidified, it is cut into various sizes. The dual-strand continuous caster is equipped with an electromagnetic stirrer and fully automated molten stainless steel flow controls. The magnetic field generated homogenizes the flow's chemical content and temperature, thus improving the quality of the resulting billets. The automated system controls valve sizes during the flow, allowing a more stable and synchronized continuous input and output flow, minimizing defects associated with excessive or insufficient surface flow of the molten stainless steel.

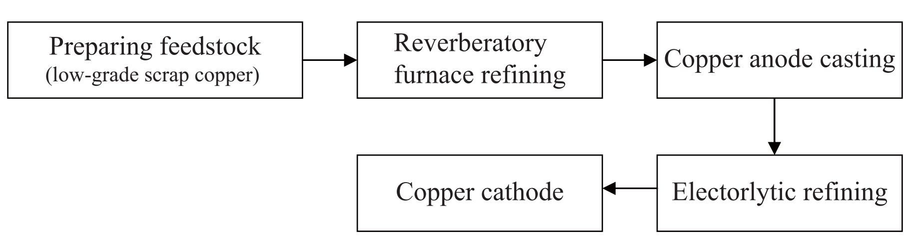
The resulting stainless steel billets are cooled, inspected and analyzed for defects. Any minor surface defects that do not affect further processing of the billets are fixed by polishing. Other unsatisfactory billets, due to more serious physical or chemical composition defects are returned to be used as feedstock.

Hot-rolling

Stainless steel billets from the continuous casting process are reheated in a natural gas-fired, walking hearth reheating furnace that employs regenerative combustion before they are moved to the rolling lines to be rolled into stainless steel strips or stainless steel rods and wires. A reheating furnace using regenerative combustion consumes less fuel, and produces less oxidation and a more uniform temperature across the billet, ensuring the physical performance and quality of the resulting hot-rolled stainless steel products. This enables a more systematic control of solution heat treatment and annealing. Once the stainless steel billets are reheated to the appropriate temperature, they are moved to the rolling mills and hot-rolled, and annealed, into strips, rods and wires according to customer specifications. As of the date of this announcement, the approximate designed annual production capacity of stainless steel strips and stainless steel rods and wires of the Target Group are 450,000 tons and 300,000 tons, respectively.

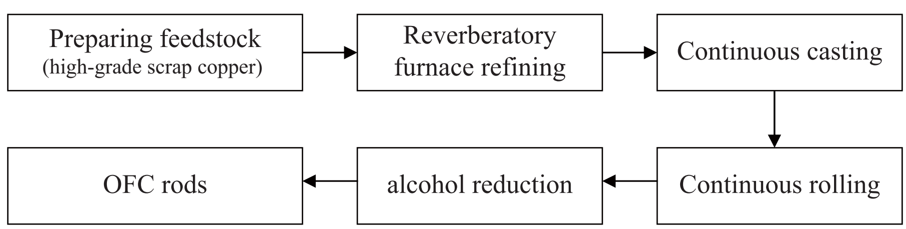
Refined copper manufacturing process

The flowchart below illustrates the Target Group's production process of copper cathode.



In the manufacturing of copper cathode, low-grade scrap copper is melted in natural gas-fired reverberatory furnaces. Oxidizing agents are added to the molten copper solution for impurities to oxidize and form insoluble slag that can be skimmed off from the molten copper solution. Reduction agents are then added to reduce the molten copper. At this stage, samples of the molten copper are extracted for quality control analysis. Purity is confirmed using spectrum analysis. When the molten copper reaches a purity of 99%, they are casted into anode plates in a disc-casting machine. The Target Group uses acid pickling to remove any surface impurity and improve the copper quality. The anode plates are then moved into the electrolytic cell and undergo electrolytic refining. The anode plates and copper cathode starter plates are hung alternately at carefully spaced intervals within the electrolytic cell which contains the electrolyte, essentially a solution of copper sulfate and sulfuric acid. When an electric current is passed through the electrolyte, the anode plate melts and copper cathode is created as the copper ions in the electrolyte become attached to the copper cathode starter plate. Additional impurities within the electrolyte sink to the bottom of the cell. The resulting copper cathode is 99.9% or above in purity. Once the copper cathode reaches a thickness of approximately 10 millimeters, samples are extracted for spectrum analysis to confirm its purity before removing the copper cathode plates for storage and sale. Depending on customer requirements, the copper cathode plates may be further casted into different sizes for sale.

The flowchart below illustrates the production process of OFC rods.



In the manufacturing of OFC rods, high-grade scrap copper is melted in reverberatory furnaces. As with the production of copper anode plates, oxidizing agents are added to remove impurities. Fresh wood is added to reduce the molten copper to a purity of 99.9% or above and a maximum oxygen content of 30 ppm. Samples are then extracted for spectrum analysis to confirm the purity of the copper. The molten copper is then casted into OFC rods of approximately eight millimeters in diameter and undergoes another reduction process by alcohol to remove any oxidized surface layer resulting from hot rolling to produce the finished product. Further sample testing is conducted before moving the OFC rods for storage and sale.

Raw materials and utilities

Raw materials

The Target Group is one of the few metal manufacturers in China that utilize scrap metal extensively in its production of stainless steel and copper products. The supply department of the Target Group comprises 20 full-time employees and is responsible for the procurement of raw materials, namely scrap copper and scrap stainless steel, and the assessment and selection of suitable suppliers. The Target Group select suppliers that are close to its operations and that have a wide and reliable collection coverage.

All of the Target Group's suppliers are independent third parties primarily engaged in the business of collecting unprocessed scrap metal in the PRC. As the suppliers bear the transportation costs of raw materials to the Target Group's production facilities, the suppliers are typically located in Shandong province and areas within a range of approximately 800 kilometers from the production facilities. The Target Group believes there is an abundance of suppliers of scrap stainless steel and scrap copper in this vicinity from which the Target Group can source its scrap input at reasonable prices, given Shandong province is an active industrial center in China and the local scrap supply industry is relatively fragmented, giving suppliers less power to negotiate. In selecting suppliers, the Target Group investigates their collection ability in terms of the coverage and reliability of the suppliers' own collection points. Annual framework agreements are generally signed with large suppliers which require them to provide a certain amount of scrap stainless steel and scrap copper without specifying, but contains a market benchmark as reference for determining, the price. These framework agreements are non-binding. Regular purchase orders are then submitted to the suppliers, depending on the needs of the Target Group, specifying the detailed terms of each particular supply batch such as quantity and price. Since 2011, suppliers are prepaid for up to 70% of their orders and the remaining balance would be settled upon delivery and satisfactory inspection in order to promote a more stable relationship with the suppliers.

Scrap stainless steel and scrap copper sourced are fully utilized in the production of stainless steel and copper products. Scrap stainless steel and scrap copper accounted for the majority of the costs of raw materials. Other raw materials used in the production of stainless steel include nickel-iron, and to a lesser extent, ferrochrome, molybdenum, oxygen gas, argon gas and nitrogen gas. Other supplementary raw materials used in the production of refined copper products include sulfuric acid, wood, alcohol, coal powder and other oxidizing agents such as limestone and fluorite flux. The Target Group also acquires anode plates directly from suppliers.

Utilities

The Target Group's operations consume electricity from the state electricity grid. Since the Target Group commenced its production in November 2009, the Target Group had not experienced any material electricity shortages. The Target Group was able to reduce its electricity costs by systematically operating high-energy consumption equipment, such as the EAFs, during off-peak hours at night. The Target Group also enjoys governmental preferential policies in electricity prices as the Target Group is a large electricity consumer.

Other resources used in the Target Group's operations include water and natural gas for industrial use. Water is used to cool the production equipment and semi-finished products in the production process, and natural gas is used by the reheating furnaces to reheat semi- finished products, such as stainless steel billets, before they are further processed.

Sales and marketing

Marketing

The sales department of the Target Group is responsible for the marketing of the stainless steel and copper products of the Target Group. The sales department consists of eight full-time employees who are responsible for marketing the products of the Target Group to potential and existing customers. They are each assigned a geographical region they will be responsible for marketing the products. They regularly conduct market research and analysis and liaise with potential and existing customers on their needs and expectations, which are taken into account when the Target Group formulate its research, production and sales strategies to develop and produce products. The Target Group also promote its products through online and industry magazine advertising, industry conferences and exhibitions, customers' plant tours and seminars where the characteristics, uses and specifications of the products could be introduced to potential and existing customers.

Sales

The Target Group sells its products directly to its customers who are mainly downstream manufacturers who use the products in their production of intermediate or end products. The Target Group does not sell to distributors or agents and the Target Group does not maintain sales offices outside of its facilities in Shandong, hence the Target Group is able to capture the full margin of the selling price. Its sales department is responsible for negotiating prices, taking sales orders, providing after-sales services and handling questions and feedback on its products. In terms of after-sales service, the sales and marketing staff regularly liaise with and visits customers to see if they are satisfied with the products and also try to gain insights into the customers' own product development which, in turn, may affect their demand for the products. Customer feedback from these liaisons is important. If there is any negative feedback in relation to products' quality or usage, the Target Group would arrange for its relevant personnel to attend to the customer's factory, analyze and seek to resolve the issue to the customer's satisfaction.

Customers

The customers of the Target Group are typically large industrial manufacturers that have a consistent demand for the Target Group products which form a critical part of their raw material input. The Target Group has established a strong reputation among its customers for timely delivery and for consistently supplying products that are of a quality and specification that meet or exceed customer requirements. Currently, the Target Group primarily sells its products to industrial customers located in provinces in northern and eastern China.

The Target Group sell products to its major customers typically under annual framework agreements where volume is pre-indicated and pricing is pre-determined at the time of receiving the purchase orders. These framework agreements are non-binding. Its customers are responsible for arranging and paying for the transportation of their purchases. However, the Target Group often assists its customers in making the necessary arrangements to pick up its products at its production site at their own costs. The Target Group did not maintain vehicles for delivery.

Sales to its customers are generally conducted on a cash basis. The Target Group did not have a universal credit policy for its customers. The Target Group generally requires its customers to make payment upon delivery of its products. The Target Group sometimes accepts deferred payments from certain long-standing customers that purchase in bulk and have a good payment history. The Target Group monitors and reviews closely such trade receivables and any overdue payments to minimize its exposure to credit risks.

Pricing

The price for the Target Group's products is determined by the Target Group based on its cost of production, its target profit margin and the general market demand. Its sales department is responsible for setting the prices on its products. Its sales department actively monitors market supply and demand conditions, competitor pricing and sales trends and communicates with other departments internally to determine product pricing strategies and pricing sensitivity of its products. These estimations are based in part on the cost estimates provided by the Target Group finance department as well as monitoring the spot prices of important raw materials such as nickel, ferrosilicon and molybdenum, which are important raw materials for the products.

As the Target Group is not currently subject to official price guidelines in PRC, the Target Group is able to formulate, review and adjust its pricing strategies in a flexible and market-oriented manner to help mitigate market risks. Periodically, the Target Group's sales department would take into account factors including customer negotiations, customer and sales staff feedback, its inventory levels and production costs, and conducts internal discussions with senior management from the finance department, marketing team and other departments in determining the need for price adjustments. Furthermore, the Target Group refer to commodity spot prices quotes on the SHFE, one of the largest futures exchanges in China, and product prices published on public sites in determining the market prices for its products. During the three years ended 31 December 2012, the prices for the stainless steel products of the Target Group typically fluctuate within approximately 2% of the market prices for such products, with reference primarily to the spot prices of nickel-iron and ferrochrome, while the copper products typically fluctuate within approximately 1% of their market prices.

Quality control

The Target Group places substantial emphasis on quality control and it implements stringent quality control measures in its production process. Shandong Zhongpu and Shandong Zhongkai have obtained ISO9001:2008 certificates in February 2010 and May 2010, respectively, for their quality control systems. The Target Group aims to enhance customer satisfaction through application of quality control measures, including the continual improvement of its production processes and compliance with applicable regulatory requirements. The Target Group has formulated a series of internal policies to ensure thorough and strict quality control during the various stages of its production, including raw material purchase, production process, monitoring controls, process testing, and sales and after-sales services. The Target Group employs a total of 36 full-time quality control personnel for Shandong Zhongkai and Shandong Zhongpu.

Sample testing of raw materials is conducted on each and every batch of raw materials received to ensure that the quality of the scrap metal sourced meets the required standard of the Target Group. Samples of the scrap metal the Target Group source are subject to physical and chemical analysis to determine their chemical content. The Target Group uses advanced quality control equipment, including a direct reading spectrometer and an x-ray fluorescence spectrometer in determining the chemical composition of the raw material feedstock. If test results indicate that the batch of raw material is unsatisfactory, the batch will be returned to the supplier.

During the production process, sample testing would also be conducted on the semi-finished products. Sample testing on the stainless steel would be conducted at the EAF smelting and AOD refining stages, and the Target Group would further inspect and examine the stainless steel billets that emerge from its continuous caster. Such tests involve using the same spectrometers and also oxygen/nitrogen/hydrogen/carbon/sulfur analyzers to determine the chemical content of the stainless steel, as well as testing of its physical performance. The Target Group also analyzes the purity of the molten copper in the reverberatory furnace before they are casted into anode sheets. In general, if the semi-finished product's quality fails short of its expectation or the relevant national standards, adjustments will be made at the refining stage if it is still in the molten state, otherwise it will be returned to the beginning of the production process as feedstock and be melted again.

Sample test would also be conducted on each and every batch of the final products to ensure the required quality standard has been met. Any of the final products that fail the final test and cannot be remedied will be returned to the beginning and be used as feedstock.

Since the commencement of its operations in November 2009, the Target Group had not received any complaints or claims of a material nature in relation to its products sold. If the customers have any technical issues regarding the products, the Target Group will liaise with and visit them to resolve the issue as part of its after-sales service.

Research and development

The Target Group recognizes the importance of research and development to the continued growth and development of its business. Its research and development activities are carried out by a team of 19 full-time researchers, including three senior researchers. In addition, the Target Group has experienced technicians handling its day-to-day operations. The Target Group focus its research effort on, among other things, improving production efficiency and the quality of its products, and designing new products with enhanced profitability. The Target Group also aims to enter into long-term cooperation agreements with universities, research institutes and industrial design firms to continually experiment and seek ways to improve its operations. The Target Group has entered into a cooperation agreement with the University of Science and Technology of Beijing in October 2011, whereby they will assist the Target Group in exploring ways to improve the utilization rate of scrap stainless steel from automobiles and the recycling and reuse of metal alloys such as nickel and chromium and other precious metals from slag, dust-ash and oxide scales, which are waste materials from the production of stainless steel products that the Target Group currently do not reuse and are sold to third parties as additives for construction materials. Under this agreement, the Target Group would be able to leverage on research expertise of the university to help solve technical issues that may be encountered in its operations.

Senior management

Since establishment, all members of the Target Group were centrally operated and managed by a core management team led by the Vendor's Guarantor (the "Core Management Team") and all major decisions of the Target Group were made and carried out by the Core Management Team. Details of the Core Management Team are set out below:

Lu Tao (魯濤), aged 39, is the founder of the Target Group. Mr. Lu is responsible for the overall strategic planning of the Target Group's business, as well as making various major decisions relating to the Target Group's development. Mr. Lu has over 10 years of corporate management and investment experience in the copper and stainless steel industry. He served as the manager of the corporate governance department of Zouping County Renewable Resources Reuse Co. Ltd. (鄒平縣物資再生資源利用公司) from September 1998 to December 2003 and as the general manager of the same company from January 2004 to October 2007. He was the deputy manager of Shengming Copper (Beijing) Co. Ltd. (盛銘銅業(北京)有限公司from November 2007 to December 2009 where he was involved in business development. He has served as Chairman of Shandong Zhongkai since November 2010, Chairman of Shandong Zhongming since March 2011, and Chairman of Shandong Zhongpu since June 2011. Mr. Lu has been the director of Hong Ming, Shiyi Investments, Golden Link and Astra Way since November 2011. Mr. Lu graduated from Shandong Economics College (山東經濟學院) with a bachelor's degree in marketing in 1996.

Zhai Naibiao (翟乃飆), aged 51, joined the Target Group in August 2009 and is the chief executive officer of the Target Group. He started working with the Target Group as the general manager of Shandong Zhongkai where he was in charge of formulating strategies for production development. He is currently responsible for overseeing the overall operations of the Target Group. He has over 20 years of experience in corporate management in businesses ranging from textile to stainless steel industries. He served as the assistant manager of Zibo Municipality Textiles Industrial Co. Ltd. (淄博市紡織工業公司) from December 1991 to May 1998 and as the general manager of Shandong Xinyuan Stainless Steel Co. Ltd. (山東鑫源不銹鋼有限公司) from June 1998 to December 2003. Prior to joining the Target Group, he was the general manager of Shandong Quanxin Stainless Steel Co. Ltd. (山東泉信不銹鋼有限公司) from January 2004 to July 2009. Mr. Zhai graduated from 山東機械工業學院with a bachelor's degree in electrical automation technology (電氣自動化專業) in 1983. Mr. Zhai is an engineer.

Yang Dongchang (楊東昌), aged 48, joined the Target Group in August 2009 and is the chief production officer of the Target Group. He started working with the Target Group as the deputy general manager of Shandong Zhongpu where he was in charge of production technology management and development. Mr. Yang is currently responsible for the production technology and development, as well as overseeing its overall production activities. He devises plans to improve the productivity of the Target Group and monitors the performance of its operating activities. Mr. Yang has over 20 years of production operations experience in the metals processing industry. He was the assistant plant manager of Zouping County Non-ferrous Metal Processing Plant (鄒平縣有色金屬型材廠) from September 1989 to December 1995, where he was in charge of monitoring production workflows. He served as the deputy general manager of Zouping County Renewable Resources Reuse Co. Ltd. (鄒平縣物資再生資源利用公司) from January 1996 to December 1997 where he was involved in production management. He was the general manager of Zouping Xinxing Renewable Copper Co. Ltd. (鄒平新星再生銅業有限公司) from January 1998 to July 2009 where he managed the operational activities of recycling copper. Mr. Yang graduated from Shandong Industrial University (山東工業大學) (currently, Shandong University (山東大學)) with a bachelor's degree in economic management in 1989. He is an engineer.

Zhang Zhiguo (張志國), aged 50, joined the Target Group in August 2009 and is the chief sales and procurement officer of the Target Group. He started working with the Target Group as the deputy general manager of Shandong Zhongpu where he was in charge of procurement of raw materials, sales and marketing. Mr. Zhang is currently responsible for the procurement of raw materials, as well as the sales and marketing of the products of the Target Group. Mr. Zhang has over 20 years of business development experience in the metal processing industry. He was the manager of the supplies and sales department of Shandong Zhenxing Non-ferrous Metals Production Plant (山東振興有色金屬鑄造廠) from May 1987 to December 1992 where he was in charge of the procurement of raw materials and responsible for formulating product sales strategies. He was the deputy general manager of Zouping County Stainless County Furnace Materials Co. Ltd. (鄒平縣不銹鋼爐料有限公司) from January 1993 to December 1998 where he was involved in devising sales strategies of stainless steel. He was the deputy general manager of Zouping County Xinxing Renewable Copper Co. Ltd. (鄒平新星再生銅業有限公司) from January 1999 to July 2009 where he was responsible for the sales activities of copper. Mr. Zhang graduated from Shandong University of Technology (山東理工學院) (currently known as Shandong University山東大學) with a bachelor's degree in mechanical engineering in 1983.

Cui Mingliang (崔明亮), aged 32, joined the Target Group in August 2009 and is the chief operating officer of the Target Group. He started working with the Target Group as the legal representative and deputy general manager of Shandong Zhongkai. Mr. Cui is currently responsible for the production management and strategic development of the Target Group. Prior to joining the Target Group, he was the deputy manager of Weimin County Metallic Materials Co. Ltd. (惠民縣金屬材料有限公司) from October 2005 to March 2006 where he oversaw day-to-day operations. He was the deputy general manager of Weimin County Materials Sale and Supply Co. Ltd. (惠民縣物資供銷總公司) from April 2006 to May 2007 where he managed general corporate affairs and business development. He served as the general manager of Zibo Mingtai Renewable Resources Co. Ltd. (淄博銘泰再生資源有限公司) from June 2007 to July 2009 where he was responsible for business development. Mr. Cui graduated from Shandong University of Technology (山東理工大學) with a bachelor's degree in computer science and technology in 2005.

Chen Yuankai (陳遠凱), aged 70, has been appointed the chief technology officer of the Target Group since August 2009. He has over 40 years of experience in research and development in the secondary metals processing industry. He is currently responsible for making major decisions relating to production technologies, as well as formulating and implementing technical solutions, for the Target Group. In addition, he devises the production workflows with the aim of optimizing internal work processes. Prior to joining the Target Group, Mr. Chen had worked as chief engineer of Jiexiu Steel Rolling Mill of Taiyuan Iron & Steel (Group) Co., Ltd. from January 1978 to December 1979. From January 1980 to December 2002, he served as senior engineer of No.1 Steel Rolling Mill of Taiyuan Iron & Steel (Group) Co., Ltd., during which he was responsible for the research and development of new products. Mr. Chen graduated from Xi'an University of Architecture and Technology with a bachelor's degree in metal processing and is a senior engineer.

Lo Cheuk Kwong (盧卓光), aged 49, joined the Target Group as its chief financial officer in January 2012. He has over 20 years of experience in auditing, accounting, asset management, and financial management. He is currently responsible for overseeing all financial matters of the Target Group, including setting annual budgets and financial plans, monitoring treasury activities, managing internal control compliance, raising funds for the operational needs of the Target Group and assessing the risks involved in its operating activities. Prior to joining the Target Group, Mr. Lo worked as senior accountant in KPMG from October 1984 to August 1987. From September 1991 to April 2000, he served as assistant general manager of Bowden Industries Ltd. From May 2000 to August 2001, he acted as chief officer – finance, personnel & administration division of Chen Hsong Machinery Co., Ltd, a subsidiary of Chen Hsong Holdings Limited. From February 2004 to June 2005, he worked as financial controller of Chen Chien Holdings Ltd. From July 2005 to June 2011, he served as director of Perfect Team Consultants Ltd. Mr. Lo has become a Certified Practising Accountants of the CPA Australia in 1992 and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1998. He received his MBA from the Hong Kong Polytechnic University in 1997.

Risk factors

The business prospect of the Target Group may be difficult to evaluate due to its short operating history.

The Target Group commenced its operations of copper production in November 2009 and its stainless steel production in January 2010. As its business operating history is relatively short, there may be limited historical operational data available to establish long-term trends to evaluate the performance and prospects of its business. In the future, the Target Group may not be able to grow at a rate comparable to that during the three years ended 31 December 2012, or at all. The sustainability of the future growth of the Target Group will depend on a number of other factors, including its management systems, continuous expansion of its business in terms of scrap metal collection and copper and stainless steel production capacities, changes in market demand and sentiment, as well as the general economic, political and legal developments in China. It cannot be assured that the growth rate of the Target Group can be maintained at any particular level. Should there be any changes which adversely affect its operations, its growth rate and profitability could be affected.

Furthermore, as the Target Group have not established a long-term relationship with its customers and suppliers, the Target Group have to compete with existing steel and copper manufacturers which have established sufficient goodwill and reputation on both fronts. The Target Group may be less experienced in its operations than competitors that have a longer operating history and its expansion into the production of new products, such as stainless steel rods and wires which the Target Group began producing in March 2012, may not be successful. It cannot be assured that the Target Group will be able to successfully establish themselves in the stainless steel and copper market or compete with other stainless steel and copper manufacturers. Failure to do so could materially and adversely affect its business, financial condition and results of operations.

Fluctuations in the average selling prices of the Target Group's products or its raw material costs may adversely affect its profit margins and results of operations.

The average selling prices of the stainless steel and copper products and the costs of scrap stainless steel and scrap copper of the Target Group are subject to fluctuation. These fluctuations are primarily caused by fluctuations in market prices which are, in turn, affected by general market conditions, such as market competition, changes in demand as a result of the development of the stainless steel and copper industry, the availability of raw materials, the availability of substitutes, and other factors that are beyond the control of the Target Group, such as the global financial crisis and the more recent economic crisis in Europe, which affected the businesses of its downstream customers and, in turn, their demand for the Target Group's products. Meanwhile, an increase in iron and copper mineral ore supply may stimulate primary stainless steel and copper production and would also increase the competition faced by the Target Group. Although it is expected that changes in the selling prices of the products may be accompanied by corresponding changes in raw material costs, it cannot be assured that such changes in raw material costs will occur, or if they occur, will be proportionate to changes in the average selling prices of the products. Further, increases in raw material prices will increase the total cost of sales. It cannot be assured that the Target Group will be able to fully or even partially transfer such increases in its cost of sales to its customers by increasing the selling prices of its products. The ability of the Target Group to increase the selling prices of its products is subject to, among other things, the general market condition, competition from other producers of steel and copper products and its customers' bargaining power. If the Target Group cannot fully or partially transfer the increase in raw material prices to its customers, its profit margin will be adversely affected or the Target Group may reduce its production output and its production capacity may not be fully utilized. It cannot be assured you that the Target Group will not experience volatile changes in the selling prices for its products or costs of raw materials in the future or that any such changes will not result unfavorably to the Target Group in reducing its profit margin, and in turn, materially and adversely affect its business, financial condition and results of operations.

The Target Group is reliant on the growing use of stainless steel and copper in the PRC market and, in particular, Shandong province and the surrounding regions.

As a result of the limitations set by transportation costs, the customers and suppliers of the Target Group are typically located in Shandong province and within approximately 800 kilometers from the production facilities of Shandong Zhongpu and Shandong Zhongkai. The Target Group currently sells to customers in Shandong, Shanxi, Anhui, Jiangsu, Hebei and Zhejiang provinces as well as in Tianjin. The Target Group anticipates that the Target Group will continue to generate substantially all of its revenue from these regions. Accordingly, its operating results and financial position are largely subject to the economic, political, social and legal developments in these regions where its customers and suppliers are located, and in the PRC generally, as well as changes in the demand for its products in these regions. Although China has experienced significant growth in the consumption of stainless steel and copper in the past few years due to its rapid development and industrialization, it cannot be assured that such development will be able to continue in these regions or in the PRC generally. If the demand for stainless steel and copper products in the regions or in the PRC generally, or the supply of scrap stainless steel and scrap copper in the regions or in the PRC generally, decreases, the Target Group's business, financial condition and results of operations could be materially and adversely affected.

Stainless steel and copper production is capital intensive and if the Target Group is unable to obtain the capital resources required to continue to upgrade its facilities, its results of operations and growth prospects may be adversely affected.

The production of stainless steel and copper products is capital intensive. The Target Group requires additional capital resources to pursue its business strategy of growing its business and to remain competitive by responding timely to technological changes or market demand. In particular, the Target Group would need significant capital to build, maintain and operate its production facilities and improve its production processes, and to conduct research and development on new products and processes and to resolve production issues, some of these activities require a considerable period of time before the Target Group can generate any revenue or investment returns, if at all. It is expected that the Target Group would be able to meet its funding needs through cash flows from operations, bank borrowings and other external financing sources. Its ability to obtain additional financing will depend on a number of factors, including China's economic condition, prevailing conditions in capital markets, regulatory requirements, its financial condition, results of operations and cash flows, and costs of financing including changes in interest rates. If the Target Group cannot obtain sufficient funding on acceptable terms or receive necessary approvals from the regulatory authorities, the Target Group may not be able to successfully implement its business strategy and expansion plans, and its business and prospects could be materially and adversely affected.

The operation of the Target Group depends on its key management and skilled personnel.

The senior management of the Target Group had been the key to its achievements to date. Its success is, to a significant extent, attributable to the contribution and continuous service of its key management as stated in the paragraph headed "Senior management" above. It cannot be assured that the Target Group will be able to retain member(s) of the management team or recruit competent personnel for its further development. If any of the member(s) of the management team cease to be involved in its operations, and the Target Group is unable to recruit replacement personnel, its operations may be adversely affected.

The Target Group also depends on the continued service of its skilled employees, particularly its technical and engineering personnel. Its business could suffer if the Target Group loses the services of any of these personnel and cannot adequately replace them. In addition, its business and production expansion are dependent on its ability to continue to recruit qualified skilled employees. It cannot be assured that the Target Group will be able to recruit a sufficient number of employees with the qualification and skills to meet the need from its business expansion in both production and sales and marketing. In the event of labor shortages, the Target Group may have difficulties recruiting or retaining employees or may face increasing labor costs. It cannot be assured that the Target Group will not experience difficulty in recruiting or retaining personnel at its existing or new facilities, nor can it be assured that any personnel changes in its existing facilities in connection with its expansion plans will not adversely affect the business and operations of its existing facilities.

The operations of the Target Group are subject to environmental protection and production safety regulations, the compliance of which involves significant expenditures.

The operations of the Target Group are subject to certain PRC laws and regulations relating to environmental matters. The discharge of waste materials during its operations could give rise to liabilities which may require the Target Group to incur costs to remedy such discharge. These environmental laws and regulations impose stringent standards regarding airborne emissions, waste water discharge, the use, handling, discharge and disposal of solid waste and hazardous materials, noise pollution and remediation of environmental contamination. The Target Group has in place certain environmental protection installations and measures at its production facilities. However, it cannot be assured that the Target Group will be able to be in full compliance with all environmental requirements that apply to its operations at all times. Any failure to comply with these laws and regulations or the occurrence of gas discharge, hazardous materials or noise or other unanticipated environmental contamination could subject the Target Group to substantial fines, clean-up costs, other environmental liabilities or require the Target Group to suspend or modify its operations.

The operations of the Target Group are also subject to certain PRC laws and regulations relating to production safety. These laws and regulations require entities engaged in production activities to take measures to protect the health and the rights of employees. The business of the Target Group involves the operation of heavy machinery and the handling of industrial chemicals which are inherently dangerous and the Target Group has made and expect to continue to make necessary capital and other expenditures for compliance with relevant workplace safety laws and regulations. However, it cannot be assured that the Target Group will be able to be in full compliance with all workplace safety requirements that apply to its operations at all times. Any failure to comply with these laws and regulations or the occurrence of accidents due to insufficient safety measures could subject the Target Group to substantial fines, civil or criminal liabilities or require the Target Group to suspend or modify its operations.

Any failure, or any claim that the Target Group has failed, to comply with environmental protection or production safety laws and regulations could cause delays in its production and capacity expansion and affect its public image, either of which could harm its business. Further, these environmental protection and production safety laws and regulations are constantly evolving and may become increasingly stringent. It cannot be assured that the state or local authorities would not enact additional regulations or enforce current or new regulations in a more rigorous manner. Accordingly, the Target Group may not be able to estimate the future cost of complying with environmental and safety laws and regulations that will be implemented in the future. Any future change in environmental protection and production safety laws and regulations could force us to incur substantially more capital and operating costs for its business, which may have a material and adverse effect on its financial condition and results of operations.

The Target Group requires various governmental approvals, permits and licenses for the operation of its business.

The operations of the Target Group require licenses, permits and approvals, and in some cases, renewals of these licenses, permits and approvals from various governmental authorities in the PRC. These relevant laws and regulations include but are not limited to, for example, the Environmental Protection Law of the PRC and the Regulations on Administration of Construction Project Environmental Protection that apply to the environmental protection aspects of its operations. The ability of the Target Group to obtain, maintain, or renew such licenses, permits and approvals on acceptable terms is subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. The Target Group is required to comply with laws and standards in relation to its production processes, and the relevant regulatory authorities will also carry out regular inspections to ascertain its compliance with applicable laws and regulations. It cannot be assured that the Target Group will be successful and timely in obtaining and renewing the required approvals, licenses and permits. Failure to do so may subject the Target Group to monetary fines or other penalties, including possible suspension of its operations. Failure to pass these inspections, loss of or failure to renew its licenses and permits could result in its having to temporarily or permanently suspend some or all of its production activities, which could disrupt its operations and could result in its being unable to meet its contractual obligations. This may adversely affect its business, financial condition and results of operations. In addition, it cannot be assured that the PRC Government will not adopt stricter standards in handling any required approvals, licenses and permits in the future or that the Target Group will be able to meet such standards in a timely manner or at all.

The industry that the Target Group is in is dependent on the performance of the metal manufacturing and metal consuming industries in the PRC as well as general economic and market conditions in the PRC and other countries.

The PRC metal industry depends heavily on the performance of the industries that consume metal in the PRC, including construction and manufacturing of heavy equipment, automobiles, aircraft, ships and household appliances. The PRC has experienced rapid growth in the past two decades, which has contributed to the strong demand for stainless steel, copper and other metal. For example, from 2006 to 2011, production of stainless steel in the PRC has risen from 5.3 million tons to 13.2 million ton, representing a CAGR of approximately 20%. A significant slowdown in the PRC economy likely would adversely affect demand for stainless steel and copper in the PRC. In addition, the results of the Target Group are also affected by local market conditions in the regions where the Target Group or its major customers operate. The Target Group currently sells to customers in northern and eastern parts of the PRC, economic downturns in these areas could impact the businesses of its customers and adversely affect its sales and profitability. The stainless steel and copper industries have been affected in the past few years due to general economic slowdown in the global economy and may not recover or grow at a level and speed as the Target Group may anticipate.

In addition, the PRC Government has in the past adopted, and may in the future adopt from time to time, restrictive measures to, among other things, control excess liquidity, credit flows and lending growth in the banking system, to curtail the growth of various industry sectors to control inflation. These measures required PRC commercial banks to place more money in reserve and tighten lending practice. Such measures may adversely affect the metal manufacturing and consuming industries, such as construction, automobiles, aircraft, ships and household appliances. It cannot be assured that the PRC Government will not take actions in the future that would adversely affect demand and prices for stainless steel and copper in the PRC. Such actions could materially and adversely affect its business, financial condition and results of operations.

Furthermore, many metal consuming industries in the PRC depend on exports to the United States, the European Union, and other countries that experienced severe downturns in their economies due to the global and regional financial crisis in recent years. It cannot be assured that the economic conditions in these affected regions will, or continue to, recover or improve. In addition, a variety of other factors, such as rising manufacturing costs in the PRC or the appreciation of the Renminbi against other currencies, and the recent economic crisis experienced by some European countries, could adversely affect demand for Chinese products, which in turn may adversely affect demand for metal in China. If demand for stainless steel and copper in the PRC does not continue to grow or grows more slowly than expected, stainless steel and copper prices may decline, the production capacity of the Target Group may not be fully utilized, and its business, financial condition and results of operations could be materially and adversely affected.

The Target Group operates in a highly competitive industry that may become saturated.

The stainless steel and copper industries in China are highly concentrated and competitive. The Target Group competes with other stainless steel and copper manufacturers for sales of stainless steel and copper as well as for raw materials. Competition for sales of stainless steel and copper is primarily based on price and quality of the products, the level of service in terms of capacity, reliability and timely delivery and proximity to customers. Competition for raw materials is primarily based on purchase price, procurement volume and proximity to the source of raw materials. Further, the period of profitability in the domestic market may lead to potential over-capacity as existing and new stainless steel and copper manufacturers invest in new equipment and technology as well as undertake capacity expansion projects. Such expansion in capacities would lead to increased competition among domestic manufacturers in both the national and regional markets and result in lower selling price, reduced revenues, lower profit or loss of market share for the Target Group. The Target Group may also face competition from overseas competitors. As competition becomes more intense, its financial position may be adversely affected.

While the Target Group believe that the size of its operations, its use of advanced equipment, its experience in the industry and its primary use of scrap stainless steel and scrap copper as raw materials allow it to compete effectively, it cannot be assured that the Target Group will be able to continue to compete successfully in its existing markets or in the new markets where it is expanding. If the intensity of competition in its existing and future markets increases, it may lead to decrease in sales volume and selling prices of its products, which may have an adverse effect to its profit margin and financial results. The intensity of competition in the domestic markets may be affected by a number of factors which are beyond the Target Group control and any unpredictable impact on the intensity of competition may materially and adversely affect its profit margin.

Demand for products may decrease if substitute products become more readily available and cost efficient.

The Target Group plans to produce higher value-added copper and stainless steel products that may be used in a wide range of downstream industries. In these industries, such copper and stainless steel products may be replaced by other materials or alloys in certain applications. For example, certain applications of stainless steel in the oil and natural gas pipeline, machinery equipment and automobile industries can be replaced by aluminium, fiber-glass, plastic or other basic materials products. If customers of the Target Group elect to substitute other materials for the products, demand for the products of the Target Group may decrease, and the sales volume and price of its products and profitability of its business may be adversely affected. In light of continuous advancement in material science research, it cannot be assured that the products of the Target Group will not be gradually replaced by lower cost substitutes, which will adversely affect its business, financial condition and results of operations.

Changes in the PRC governmental rules and regulations may cause us to incur additional compliance costs, which may have a significant impact on the Target Group business.

The operations of the Target Group are subject to regulations and policies by the PRC and local governments. These regulations and policies affect many aspects of its operations, including industry-specific fees, custom duties, labor, business qualifications, advancement of bank loans, environmental and safety standards. For example, in accordance with relevant PRC labor laws and regulations, the Target Group is required to contribute to a number of employee social insurance schemes including medical, maternity, work-related injury, unemployment and pension insurance, and to the employee housing accumulation fund.

Changes in PRC laws and regulations may result in the involvement of significant investment in order to maintain compliance with such laws and regulations and may delay or impede business plans. The business and operations of the Target Group in the PRC also entail the procurement of permits, licenses and certificates from the relevant government authorities. From time to time, changes in the rules and regulations or the implementation thereof may require the Target Group to obtain additional approvals and licenses from the PRC authorities for the conduct of its operations. In such event, the Target Group may need to incur additional expenses in order to comply with such requirements. It cannot be assured that such approvals or licenses will be granted to the Target Group promptly at a reasonable cost or at all. Further, it cannot be assured that the Target Group will be able to comply with changes in any such laws and regulations in a timely manner, the failure of which may result penalties, revocation of permits or licenses for its operations, or litigation, that may adversely affect its business, financial condition and results of operations.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of each of the Target Companies for the two years ended 31 December 2012 prepared in accordance with the Hong Kong Financial Reporting Standards:

Hong Ming

	For the year ended 31 December 2011 *RMB'000*	For the year ended 31 December 2012 *RMB'000*
Before tax profit	783,959	963,721
After tax profit	586,950	721,600

	As at 31 December 2011 *RMB'000*	As at 31 December 2012 *RMB'000*
Net assets value	1,072,625	1,794,197

Shiyi Investments

	For the year ended 31 December 2011 *RMB'000*	For the year ended 31 December 2012 *RMB'000*
Before tax profit	817,354	840,796
After tax profit	612,276	630,521

	As at 31 December 2011 *RMB'000*	As at 31 December 2012 *RMB'000*
Net assets value	1,055,492	1,686,417

The financial information on the Target Companies disclosed above is subject to audit and an accountants' report on the Target Group prepared in compliance with the requirements of the Listing Rules will be included in the circular to be despatched to the Shareholders.

REASON FOR THE ACQUISITION

The Company is principally engaged in investment holding. In 2012, the Group disposed of its water purification equipment business and 70% of its interest in the mining operation in the Republic of Kyrgyz. As of the date of this announcement, the businesses of the Group comprise (i) 60% interest in United (Fujian) Enterprise Management Co., Ltd., a company that is involved in the provision of business consulting services, trading of goods and construction, operation and maintenance of websites and/or e-commerce platform, and (ii) 30% interest in the gold and copper mining operation in the Republic of Kyrgyz.

It is the Company's strategy to review from time to time potential business opportunity and investments to enhance Shareholders' value. The Group has been focusing on finding suitable investments that present development opportunities and also able to provide a sustainable stream of cash flow and profit in the long run.

The Target Group is one of the few metal manufacturers in the PRC that utilise recycled scrap metal extensively in production. It is one of the ten largest scrap-based stainless steel producers and one of the five largest scrap-based copper producers in the PRC. The PRC government considers environmental protection and resource recovery a priority in its strategic development. The 12th five-year plan of the PRC stipulated the increase of scrap steel usage in steel production. The continued development of the PRC economy and the improvement in per capita income have propelled the growth in demand of stainless steel by the downstream industries such as the appliance, transportation, food processing and chemical industries. Similarly, economic growth will drive the growth in demand of copper through the infrastructure development in the PRC, including the power grid, and increased electrical machinery and equipment and transportation equipment production and growth in the construction sector.

With its large production scale and its extensive use of scrap metal in production, the Target Group is well positioned to capture the growth in demand for stainless steel and copper products and compliance with the PRC government's goals of environmental protection and better utilisation of resources.

The Company believes that the Acquisition represents an opportunity to invest in an industry that presents growth opportunities and favorable government policies. The Company believes that the Target Group commands promising prospects and will become the key business of the Group going forward.

In addition to the business of the Target Group, the Company intends to maintain its existing businesses after Completion. The Company has no present intention to enter into any agreements, understanding or arrangement to dispose of or discontinue any of its current business, and as at the date of this announcement, the Company has no intention and has not entered into any agreements, understanding or arrangement for any other potential acquisition or investment.

BUSINESS AND DEVELOPMENT PLAN OF THE COMPANY OVER THE NEW BUSINESS

Upon Completion, the Company aims to maintain and further strengthen the Target Group's position as a leading scrap-based producer of stainless steel and copper products in Shandong and in the PRC and to expand its business by pursuing the following strategies:

Continue to expand its existing production capacity and optimize its product mix

To strengthen the position of the Target Group as a market leader in the scrap-based stainless steel and copper industries in the PRC, the Group plans to expand the existing product lines of the Target Group further to cater for the production of other specialized, higher-margin products, or products in short supply, such as high-speed tool steel, die block steel and stainless steel bright bars. In addition, there is plan to enhance the production technologies and processes to increase the added value of the products. For example, using acid pickling, surface impurity can be removed from the recycled products and produce products with greater precision and higher quality. Through cooperative efforts with reputable external industrial engineering firms and research institutes, the production lines of the Target Group are efficiently designed to facilitate the expansion into new products and the re-specification and improvement of its existing products.

Continuously strengthen the research and development capabilities through collaboration with external partners

The Target Group places strong emphasis on the continuous improvement of its existing technologies and products and the development of new technologies and products to meet customer needs. The Group plans to increase the collaborative research and development efforts of the Target Group with universities, research institutes and industrial engineering firms to improve its overall operational efficiency, especially to enhance utilization rate of metal recycling, product quality and production efficiency, and to develop high value-added products. As noted above, the Target Group has a cooperation agreement with the University of Science and Technology Beijing to explore ways to improve the utilization rate of scrap stainless steel from automobiles and the recycling and reuse of metal alloys and other precious metals. The Group will continue to examine other potential research topics and explore further cooperation opportunities with external partners.

Further develop scrap metal collection capabilities

The Group will investigate plan to expand the existing supply network of the Target Group to increase its product range and production volume by establishing scrap metal collection centers in strategic locations in the coastal regions in northern and eastern China, such as Jiangsu, Zhejiang, Guangdong and Hebei provinces, where imported scrap metals are generally cheaper and the supply of scrap metals are generally more abundant, and in selected cities overseas where scrap stainless steel may be of higher quality with rich nickel and chrome content. The Company believes that an extensive supplier network combining resources from the scrap collection centers and external suppliers will provide the Target Group with reliable quantities of raw materials and significant cost savings, thereby strengthening its leading position as a scrap-based metal producer.

Expansion plans

The Group plans to further increase the total production capacity of the Target Group to meet demand for its products and to increase its market share by purchasing new machinery and equipment, constructing additional production capacity at the Target Group's existing production facilities and possible acquisitions of third-party producers. It is currently intended that the future business plans, capital expenditures and related expenses will be funded by cash from operating activities, short-term and long-term borrowings, and fund-raising exercise.

In addition, in order to capture opportunities in downstream industries, the Group also intends to evaluate the production of other copper and stainless steel products that are currently not part of the product mix of the Target Group, such as high-speed tool steel and stainless steel bright bars. The Company believes that with the established strength and reputation in its existing core products, the Target Group will be able to broaden its product portfolio and diversify its sources of revenue.

As of the date of this announcement, the expansion plans with regard to the Target Group is under the initial planning stage. It cannot be assured that such expansion plans will be fully implemented or successful.

LISTING RULES IMPLICATIONS ON THE ACQUISITION

The Acquisition and the transactions contemplated under the Acquisition Agreement constitute a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and are subject to the approval by the Shareholders at the SGM by way of poll. To the best knowledge of the Directors, no Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement. Accordingly, no Shareholder will be required to abstain from voting at the SGM in respect of the resolution relating to the Acquisition.

The Listing Committee of the Stock Exchange resolved in its meeting held on 15 August 2013 that the Acquisition would not constitute a reverse takeover for the purpose of Rule 14.06(6), subject to compliance with the following conditions:

(a) the Company to include in the circular enhanced disclosure of the information about the Target Group comparable to prospectus standard; and

(b) the Company to appoint a financial adviser acceptable to the Stock Exchange to conduct due diligence on the Target Group with reference to Practice Note 21 of the Listing Rules.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the possible effects of the Acquisition on the shareholding structure of the Company assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of Completion:

	As at the date of this announcement		Upon the issue of the Consideration Shares		Upon the issue of the Consideration Shares and the Conversion Shares *(Note 1)*	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Long Grand Limited *(Note 2)*	12,887,473,880	67.69	12,887,473,880	53.61	12,887,473,880	40.57
Vendor	–	–	5,000,000,000	20.80	12,727,272,727	40.07
Sub-total	12,887,473,880	67.69	17,887,473,880	74.41	25,614,746,607	80.64
Other public Shareholders	6,151,598,440	32.31	6,151,598,440	25.59	6,151,598,440	19.36
Total	19,039,072,320	100.00	24,039,072,320	100.00	31,766,345,047	100.00

Notes:

1. The table assumes full conversion of the Convertible Bonds and is for illustration purpose only. Pursuant to the terms of the Convertible Bonds, the Company will not issue any Shares if (i) upon such issue, any Bondholder(s) and parties acting in concert with it/them will trigger a change in control or being obligated to carry out a general offer under the Takeovers Code, and/or (ii) upon such issue, the shareholding by the public in the Company will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time.

2. Long Grand Limited is owned as to 70% by Mr. Yam Yu and as to 30% by Mr. Yuen Leong.

GENERAL

A circular containing, among other things, (i) the details of the Acquisition; (ii) the financial and other information on the Group; (iii) the financial information on the Target Group; (iv) the pro forma financial information of the Group assuming Completion; and (v) the notice convening the SGM will be sent to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders on or about 15 November 2013.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions under the Acquisition Agreement. As the transactions may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUSPENSION OF TRADING AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 10 July 2013 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 19 August 2013.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following respective meanings:

"Acquisition"	the proposed acquisition of the Sale Shares by the Company;
"Acquisition Agreement"	the conditional agreement dated 9 July 2013 entered into among the Purchaser, the Company, the Vendor and the Vendor's Guarantor in relation to the Acquisition;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Astra Way"	Astra Way International Limited (普威國際有限公司), a company incorporated in Hong Kong which is a wholly owned subsidiary of Shiyi Investments;
"Board"	the board of Directors;
"Bondholder(s)"	holder(s) of the Convertible Bonds;
"BVI"	the British Virgin Islands;
"Company"	Chaoyue Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration Shares"	an aggregate of 5,000,000,000 new Shares to be allotted and issued by the Company to the Vendor (or its nominee);
"Convertible Bonds"	the HK$4,250,000,000 zero coupon bonds due 2018 convertible into Shares to be issued by the Company to the Vendor pursuant to the terms of the Acquisition Agreement;
"Director(s)"	the director(s) of the Company;
"Golden Link"	Golden Link Capital Resources Limited (金興資本有限公司), a company incorporated in Hong Kong which is a wholly owned subsidiary of Hong Ming;

"Group"	the Company and its subsidiaries from time to time;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Hong Ming"	Hong Ming Investments Limited (宏明投資有限公司), a company incorporated in the BVI with limited liability;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Issue Price"	the issue price of HK$0.55 for each Consideration Share;
"Last Trading Day"	9 July 2013, being the last trading day for the Shares on the Stock Exchange before the date of this announcement;
"Listing Committee"	has the meaning ascribed to it in the Listing Rules;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Lock-up Period"	(a) in respect of any of the Consideration Shares, the period commencing from (and including) the date of Completion up to (and including) the first anniversary of the date of Completion; (b) in respect of the conversion of any of the Convertible Bonds, the period commencing from (and including) the date of Completion up to (and including) the 6 months therefrom; (c) in respect of any other disposition of any of the Convertible Bonds, the period commencing from (and including) the date of Completion up to (and including) the expiration of 18 months therefrom; and (d) in respect of any of the Conversion Shares, the period commencing from (and including) the date of issue up to (and including) the first anniversary of the date of issue of such Conversion Shares;
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	Rising Vast Limited, a company incorporated in the BVI and is a wholly owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	the entire issued share capital of the Target Companies as at the date of the Acquisition Agreement;
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, to approve the Acquisition;

"Shandong Zhongkai"	山東中凱不銹鋼有限公司 (Shandong Zurich Stainless Steel Co., Ltd.), a company established under the laws of the PRC with limited liability which is a wholly owned subsidiary of Golden Link;
"Shandong Zhongming"	山東中銘鋼業有限公司 (Shandong Zhongming Copper Co., Ltd.), a company established under the laws of the PRC with limited liability which is a wholly owned subsidiary of Astra Way;
"Shandong Zhongpu"	山東中普銅業有限公司 (Shandong Zhongpu Copper Co. Ltd.), a company established under the laws of the PRC with limited liability which is a wholly owned subsidiary of Shandong Zhongming;
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Shiyi Investments"	Shi Yi Investments Limited (碩益投資有限公司), a company incorporated in the BVI with limited liability;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Target Companies"	Hong Ming and Shiyi Investments;
"Target Group"	the Target Companies and their subsidiaries;
"Vendor"	Chung Ming Metal Resources Holdings Limited, a company incorporated in the Cayman Islands;
"Vendor's Guarantor"	Mr. Lu Tao (魯濤); and
"Zibo Zhongkai"	淄博中凱再生資源有限公司(Zibo Zhongkai Renewable Resources Co. Ltd.), a company established under the laws of the PRC with limited liability which is a wholly owned subsidiary of Shandong Zhongkai.

By order of the Board of
Chaoyue Group Limited
Yuen Leong
Executive Director

Hong Kong, 16 August 2013

* *An exchange rate of HK$1 = RMB0.79 has been used in this announcement for reference purpose.*

As of the date of this announcement, the Board comprises Mr. Yuen Leong and Ms. Luan Li as executive Directors, and Dr. Lam Man Kit, Dominic, Mr. Yap Yung and Mr. Zhang Guang Sheng as independent non-executive Directors.