



# GLAUCUS RESEARCH GROUP

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UHSRUWHG YROXPH RI SURFHVVHG PHWDOV

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DQ DYHUDJH RI a WRQV RI RQ IHUURXV VFUDS WBRU SRQWK  
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VFUDS WKDQ LWV TXRWDV DOORZHG ,QVWHDG &05†V &KDLUPD  
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&05†V VWDWPHQWV LQ LWV VHFUXLWLHV ILOLQJV ZLWK WKH +R

<sup>1</sup> <http://www.hket.com/eti/article/a1315f6540745ae83545929835f779e243002>

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 WR VHOO

**GISE Volumes - non-ferrous metals**

All figures are in Tons

	2006	2007	2008	2009	2010	2011
<b>Quota</b>	2,000	48,400	1,720	18,000	6,170	9,000
<b>Reported Volume</b>	140,100	136,600	112,400	107,800	130,700	81,800

Source: See Appendix I

7KH RQO\ ORJLFDO H[SODQDWLRQ LV WKDW WKH \*,6( \*URXS UHO  
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)XUWKHUPRUH &05¶V UHSRUWHG VDOHV YRDMPE\ H[FRPH VHU,6R  
 LPSRUW TXRWDV RZQ LQ WKH FKDUW EHZ

**GISE Volumes - non-ferrous metals**

All figures are in Tons(unless otherwise noted)

	2006	2007	2008	2009	2010	2011
<b>Quota*</b>	2,000	48,400	1,720	18,000	6,170	9,000
<b>Implied Non-Ferrous Volume sold to GSEG (tons)†</b>	7,167	7,742	33,410	49,979	90,618	75,000**
<b>% Reported Volume Exceeds Quotas</b>	<b>258%</b>	<b>-</b>	<b>1842%</b>	<b>178%</b>	<b>1369%</b>	<b>733%</b>

\*Source: MEP Data

†From Glaucus Initiation Report on 28 Jan 2013

\*\* 2011 Actual Non - Ferrous Sales Volume sourced from CMR Chairman on the UBS Call

7KH GDWD LV FOHDU WKH \*,6( \*URXS &05¶V ELJJHVW FXVWRPHU  
 WKH UHTXLUHG YROXPH RI VFUDS IRU WKH UHSRUWHG &05¶V VDOHV  
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8QGHU FXUUHQW 35& ODZV DQG UHJXODWLRQV RXU LPSRUW  
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quantity and category of imported waste in each import license is fixed, we need to apply for  
import licenses from time to time based on the requirements of our operations 7R DSSO\ IRU DQ  
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 LPSRUW OLFHQVHV IRU VFUDS PHWDO RU RWKHU UHTXLUHG  
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or difficulty in obtaining such import licenses may adversely impact the volume of our  
imported scrap metal, thereby adversely affecting our business, financial condition and results  
of operations ,Q DGGLWLRQ ZH FDQQRW DVVXUH \RX WKDW WKH 3  
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JOREDO SURVSHFWXV <HW WKHUH6RVHQRIQPHLQWIKHQ&RIPSDQVJWH  
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<sup>2</sup> <http://www.hket.com/eti/article/a13156640745ae83545929835f779e243002>  
<sup>3</sup> <http://www.cmra.cn/a/jinshuqikan/zhongguoxunhuanjingji/2012/0312/228448.htm>  
<sup>4</sup> <http://www.hket.com/eti/article/a13156640745ae83545929835f779e243002>

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**China Nonferrous Scrap - Industry Yield %**

*All figures are in MM Tons*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Copper Content	0.88	0.93	1.16	1.42	1.68	2.00	1.90	1.60	1.30	1.40
Raw Import	3.08	3.06	3.96	4.82	4.94	5.58	5.58	3.90	4.50	4.60
<b>% Yield</b>	<b>29%</b>	<b>30%</b>	<b>29%</b>	<b>29%</b>	<b>34%</b>	<b>36%</b>	<b>34%</b>	<b>41%</b>	<b>29%</b>	<b>30%</b>

Source: CMRA (China Nonferrous Metals Industry Association Recycling Metal Branch)

URL: <http://www.cmra.cn/a/jinshuqikan/zhongguoxunhuanjingji/2012-2/2012/0312/228448.html>

Chinese Exhibit link: [http://www.cmra.cn/uploads/allimg/120312/1\\_120312132552\\_1.jpg](http://www.cmra.cn/uploads/allimg/120312/1_120312132552_1.jpg)

,I &05 LQ IDFW LPSRUWHG WRQV RI SXUHRFRSSHU WKH FRSSHU LPSRUW PDUNHW 7KLV PDUNHW VKDUH LV QRW SODXV &KDLUPDQ¶V RZQ VWDWHPHQWV WKDW &05¶V PDUNHW VKDUH RI

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:H UHLWHUDWH RXU FRQFOXVLRQ WKDW WKHUH LV VLPSO\ QRV UHSRUWHG YROXPH WR EH WUXH DQG WKUHIRUH ZH FRQFOGX PLVOHDGLQJ DQG IDOVH VWDWHPHQWV WR WKH PDUNHW

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6WUDQJHO\ WKH &RPSDQ\ DGPLWWHG GXULQJ WKH 2010 RQ IHUURXV PHWDOV WR WKH \*,6( \*URXS LQ 7KLV LV PDWHULD ZKLFK FDQ EH IRXQG RQ SDJH RI RXU UHSRUW

7KH \*,6( \*URXS RQO\ SURGXFHG WRQV RI QRQ IHUURXV PHW LQ WKH \*XDQJ]KRX <H DUERN ZKLFK ZH KHUJURHUHQV &DJH

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**Sales to GSEG Group, aka Guangzhou Iron & Steel**

*Figures in HK\$ MM (unless otherwise noted)*

	2006A	2007A	2008A	2009A	2010A	2011A
<b>Total CMR Sales to GSEG Group</b>	664	679	1,981	2,254	5,666	5,369

[2011 Data, Company Annual Report, pages 112 and 172; http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0404/LTN20120404004.pdf](http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0404/LTN20120404004.pdf)

[2010 Data, Company Annual Report, pages 109 and 169; http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0408/LTN20110408806.PDF](http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0408/LTN20110408806.PDF)

[2009 Data, Company Annual Report, pages 101 and 157; http://www.hkexnews.hk/listedco/listconews/SEHK/2010/0426/LTN20100426263.pdf](http://www.hkexnews.hk/listedco/listconews/SEHK/2010/0426/LTN20100426263.pdf)

[2006 - 2008 Data, Global Offering, pages 114 and 153; http://www.hkexnews.hk/listedco/listconews/SEHK/2009/0610/LTN20090610004.pdf](http://www.hkexnews.hk/listedco/listconews/SEHK/2009/0610/LTN20090610004.pdf)

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**Questionable Tax Profile - 773 HK vs. 976 HK**

All figures are in HK\$ x '000

	2009	2010	2011	1H 2012
<b>China Metal Recycling (0773 HK)</b>				
Pretax Profit	503,635	944,501	1,964,783	1,126,650
Tax Paid	24,950	52,598	92,189	36,370
<b>0773 HK Effective Tax Rate</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>
<b>Chiho-Tiande (0976 HK)</b>				
Pretax Profit	587,194	482,034	204,459	47,917
Tax Paid	167,540	129,478	88,208	19,885
<b>0976 HK Effective Tax Rate</b>	<b>29%</b>	<b>27%</b>	<b>43%</b>	<b>41%</b>

Source: Respective Company Filings

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**Tax Impact of CMR Macau Subsidiary**

All figures are in HK\$ MM

	2006	2007	2008
Profit Before Taxation	100	187	331
PRC Enterprise Income Tax Rate	33%	33%	25%
Tax Payable at PRC Income Tax Rate	33	62	83
<b>Tax Effect of Macau Exemption</b>	<b>22</b>	<b>47</b>	<b>95</b>

Source: CMR Prospectus (Appendix 1-36)

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 a ELOOLRQ DQG WKH WD[ HIIHFW RI WKH 0DFDX H[HPSWLRQ JUH  
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 ILQDQFLDO VWDWHPHQWV DUH QRW PDWHULDOO\ PLVOHDGLQJ

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&05 \$QQXDO 5HSRUW	SDJH
&05 \$QQXDO 5HSRUW	SDJH
&05 \$QQXDO 5HSRUW	SDJH
&05 ,QWHULP 5HSRUW	SDJH

&21&/86,21

,Q FRQFOXVLRQ ZH EHOLHYH WKDW &05 KDV IDLOHG WR DGHT  
DUJXPHQWV ZH KDYH UDLVHG LQ RXU UHSRUW ZKLFK WDNHQ V  
SXEOLF ILOLQJV DQG VWDWHPHQWV FRQWDLQ PDWHULDOO\ IDOV  
&RPSDQ\ LV HQJDJLQJ LQ VHFUXULWLHV IUDXG DQG KDV GHFHLYH  
DQG &05¶V WUXH YDOXH



# Disclaimer

:H DUH VKRUW VHOOHUV :H DUH ELDVHG 6R DUH ORQJ LQYHVWRUV 6  
 &RPSDQ\ ,I \RX DUH LQYHVWHG HLWKHU ORQJ RU VKRUW LQ &05 VR  
 WKDW ZH DUH ZURQJ :H OLNH HYHU\RQH HOVH DUH HQWLWOHG WR  
 SXEOLF IRUXP

<RX DUH UHDLQJ D VKRUW ELDVHG RSLQLRQ SLHFH 2EYLRXVO\ ZH  
 7KLV UHSRUW DQG DOO VWDWHPHQWV FRQWDLQHGH KHUHLQ DUH WKH  
 DUH QRW VWDWHPHQWV RI IDFW <RX FDQ SXEOLFO\ DFFHVV DQ\ SLHF  
 ZULWH WKLW UHSRUW 7KLN FULWLFDOO\ DERXW RXU UHSRUW DQG  
 GHFLVLRQ :H DUH SUHSDUHGH WR VXSSRUW HYHU\WKLQJ ZH VD\ LQD

\$V RI WKH SXEOLFDWLRQ GDWH RI RXU RULJLQDO UHSRUW \*ODXFXV 5  
 OLDELWLW\ FRPSDQ\ SRVVLEO\ DORQJ ZLWK RU WKURXJK RXU PHPEHU  
 DORQJ ZLWK RXU FOLHQWV DQG RU LQYHVWRUV KDV D GLUHFWRU LQ  
 FRPSDQ\ FRYHUHG KHUHLQ DQG WKHUHIRUH VWDQGV WR UHDO\H VLV  
 GHFOLQHV 8VH \*ODXFXV 5HVHDFK \*URXS &DOLIRUQLD //&¶V UHVH  
 UHVHDFK DQG GXH GLOLJHQFH EHIRUH PDNLQJ DQ\ LQYHVWPHQW GH  
 7KH RSLQLRQV H[SUHVVHG LQ WKLW UHSRUW DUH QRW LQYHVWPHQW D

)ROORZLQJ SXEOLFDWLRQ RI WKLW UHSRUW ZH LQWHQG WR FRQLQX  
 EH ORQJ VKRUW RU QHXWUDO DW DQ\ WLPH KHUHDIWHU UHJDUGOHV  
 VROLFLWDWLRQ RI DQ RIIHU WR EX\ DQ\ VHFUXLW\ QRU VKDOO DQ  
 MXULVGLFWLRQ LQ ZKLFK VXFK RIIHU ZRXOG EH XQODZIXO XQGHU WK  
 RULJLQDO UHSRUW RU FRQWDLQHGH KHUHLQ VKRXOG EH FRQVWUXHG  
 UHSUHVHQWDWLRQ RI DQ\ NLQG RU DQ\ DGYLFH RU UHFRPPHQGDWLRQ  
 W\SH RI LQYHVWPHQW 7R WKH EHVW RI RXU DELOLW\ DQG EHOLHI D  
 DQG KDV EHHQ REWDLQHGH IURP SXEOLF VRXUFHV ZH EHOLHYH WR EH  
 FRQQHFWHG SHUVRQV RI WKH VWRFN FRYHUHG KHUHLQ RU ZKR PD  
 FRQILGHQWLDOLW\ WR WKH LVVXHU +RZHYHU VXFK LQIRUPDWLRQ LV  
 H[SUHVV RU LPSOLHG

\*ODXFXV 5HVHDFK \*URXS &DOLIRUQLD //& PDNHV QR UHSUHVHQWD  
 WLPOLQHVV RU FRPSOHWHQHVV RI DQ\ VXFK LQIRUPDWLRQ RU ZLWK  
 H[SUHVVLRQV RI RSLQLRQ DUH VXEMHFW WR FKDQJH ZLWKRXW QRWLFH  
 XQGHUWDNH D GXW\ WR XSGDWH RU VXSSOHPHQW WKLW UHSRUW RU D  
 DQG RSHQLQJ WKLW UHSRUW \RX NQRZLQJO\ DQG LQGHSHQQGHQWO\ DJ  
 UHSRUW RU YLHZLQJ WKH PDWHULDO KHUHLQ VKDOO EH JRYHUQHGH E\  
 FRQIOLFW RI ODZ SURYLVLVRQV LL WR VXEPLW WR WKH SHUVRQDO D  
 ZLWKLQ WKH 6WDWH RI &DOLIRUQLD DQG ZDLYH \RXU ULJKW WR DQ\ R  
 5HVHDFK \*URXS &DOLIRUQLD //& LV D &DOLIRUQLD OLPLWHG OLDEL  
 DQG LLL WKDW UHJDUGOHVV RI DQ\ VWDWXWH RU ODZ WR WKH FRQW  
 WR XVH RI WKLW ZHEVLWH RU WKH PDWHULDO KHUHLQ PXVW EH ILOH  
 DURVH RU EH IRUHYHU EDUHG 7KH IDLOXUH RI \*ODXFXV 5HVHDFK  
 ULJKW RU SURYLVLVRQ RI WKLW GLVFODLPHU VKDOO QRW FRQVWLWXWH  
 GLVFODLPHU LV IRXQG E\ D FRXUW RI FRPSHWHQW MXULVGLFWLRQ WF  
 VKRXOG HQGHYRU WR JLYH HIIHFW WR WKH SDUWLHV LQWHQWLRQ  
 SURYLVLVRQV RI WKLW GLVFODLPHU UHPDLQ LQ IXOO IRUFH DQG HIIHFV  
 SURYLVLVRQ

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:H VRXUFHG \* ,6( QRQ IHUURXV SURGXFWLRQ ILJXUHV IURP

**GISE Production Breakdown**

All figures are in Tons (unless otherwise noted)

	2006A	2007A	2008A	2009A	2010A	2011A
<b>GISE Group</b>						
Steel Production	3,315,000	3,519,700	3,234,800	2,504,100	2,420,000	1,320,000
Steel Materials Production	3,542,600	3,890,600	3,668,000	2,994,300	2,990,000	1,970,000
Non-Ferrous Metal Production	140,100	136,600	112,400	107,800	130,700	81,800
<b>GISE NonFerrous Metals Group</b>						
Revenue (RMB MM)	7,633	7,861	6,442	6,932	9,478	6,319
Non-Ferrous Metal Production	140,100	136,600	112,400	107,800	130,700	81,800
Non-Ferrous Volume Supplied by CMR	7,167	7,742	33,410	49,979	90,618	68,786
<b>% share of GISE Production</b>	<b>5%</b>	<b>6%</b>	<b>30%</b>	<b>46%</b>	<b>69%</b>	<b>84%</b>

Source:

For GISE Group Production Data

2011 - From Guangzhou Yearbook (2012), available via order from yearbook@public.guangzhou.gd.cn

2010 - [http://www.guangzhou.gov.cn/node\\_450/node\\_724/2011nj/html/0462.htm](http://www.guangzhou.gov.cn/node_450/node_724/2011nj/html/0462.htm)

2009 - [http://www.guangzhou.gov.cn/node\\_450/node\\_724/2010nj/html/0450.htm](http://www.guangzhou.gov.cn/node_450/node_724/2010nj/html/0450.htm)

2008 - [http://www.guangzhou.gov.cn/node\\_450/node\\_724/2009nj/html/0710.htm](http://www.guangzhou.gov.cn/node_450/node_724/2009nj/html/0710.htm)

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2006 - <http://www.guangzhou.gov.cn/special/2008/2007gzni/html/0675.htm>

For Guangzhou Nanfang Nonferrous Metal Co., Ltd. Production on Nonferrous Metal, as well as the Categories Decomposition numbers

2011 - From Guangzhou Yearbook (2012), available via hardcopy at [http://www.bojianbook.com/nianjian/nianjian\\_4576.htm](http://www.bojianbook.com/nianjian/nianjian_4576.htm)

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2006 - <http://www.guangzhou.gov.cn/special/2008/2007gzni/html/0677.htm>

7KH 0LQLVWU\ RI (QYLURQPH WWDK W DU RUMH K WD RQ V<sup>3</sup> V FJ U DS P  
 &KLQD (DFK \H DU WDK RLO\ BR P S E Q L V K W H D X W K R U L J H G W R L P S F  
 LQWR WKH FRXQWU\ 7KH 0(3 DOVR PDLQWDLQV D VHS DUDV  
 LPSRUW TXRWDV IRU HDFK VXF W K L Q W Z L S E W Z D F H F Q W F L U Q P E H S I R R  
 DQG DFFHVVG E\ DQ\ LQYHVWRU RU UHJXODWRU :H LQFO  
 RULJLQDO UHSRUW

:H FKHFNHG WKH 0(3 GDWDEDVH IRU WKH LPSRUW OLFHQVH  
 WKH 0(3 GDWDEDVH LW DSSHUV WKDW RQO\ WKH IROORZL  
 QRQ IHUURXV VFUDS DQG RQO\ LQ DPRXQWV QRW WR H[FHH

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