



Manfield Chemical Holdings Limited

萬輝化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1561

PLACING AND PUBLIC OFFER

Sponsor

ALTUS CAPITAL LIMITED

Lead Manager

 **結好證券有限公司**
GET NICE SECURITIES LIMITED

Co-Lead Manager

 **太平基業證券有限公司**
Pacific Foundation Securities Limited

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Manfield Chemical Holdings Limited

萬輝化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares : 150,000,000 Shares

Number of Placing Shares : 135,000,000 Shares (subject to reallocation)

Number of Public Offer Shares : 15,000,000 Shares (including 1,500,000 Employee Reserved Shares) (subject to reallocation)

Offer Price : HK\$1.00 per Share (payable in full upon application, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)

Nominal value : HK\$0.01 each

Stock code : 1561

Sponsor

ALTUS CAPITAL LIMITED

Lead Manager



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太平基業證券有限公司
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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong" in Appendix VI to this prospectus which are available for public inspection in Hong Kong, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Miscellaneous Provisions Ordinance. The SFC and the Registrar of Companies of Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Share Offer should note that the Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate the Underwriting Agreement by giving written notice to our Company upon the occurrence of any of the events stated in the Underwriting Agreement, as summarised in the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Should the Lead Manager (for itself and on behalf of the Underwriters) terminate the Underwriting Agreement, the Share Offer will not proceed and will lapse.

No information on any website forms part of this prospectus.

EXPECTED TIMETABLE

Our Company will issue an announcement in Hong Kong to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese), on the website of our Company at www.irasia.com/listco/hk/manfield and the website of the Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Share Offer. All times and dates stated below refer to Hong Kong local times and dates. Details of structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.

2015

Latest time for lodging **PINK** Application Forms 4:00 p.m. on Thursday, 19 November

Application lists open⁽²⁾ 11:45 a.m. on Friday, 20 November

Latest time for lodging **WHITE** and **YELLOW** Application Forms
and giving electronic application instructions to HKSCC⁽³⁾ . . . 12:00 noon on Friday, 20 November

Application lists close⁽²⁾ 12:00 noon on Friday, 20 November

Announcement of the level of indication of interest in
the Placing, the level of applications in the Public Offer
and the Employee Preferential Offering and
the basis of allocation of the Public Offer Shares
and the Employee Reserved Shares
to be published on the website of the Stock Exchange
at www.hkexnews.hk and the website of our Company
at www.irasia.com/listco/hk/manfield on Monday, 30 November

Results of allocation in the Public Offer
and the Employee Preferential Offering
(with successful applicants' identification document
numbers, where appropriate) to be available through a
variety of channels (see paragraph headed “Publication of results”
in the section headed “How to apply for the Public Offer Shares
and the Employee Reserved Shares” of this prospectus) on Monday, 30 November

Results of allocation in the Public Offer and the Employee
Preferential Offering will be available at www.tricor.com.hk/ipo/result
with a “Search by ID Number/Business Registration Number” function . . . Monday, 30 November

Despatch/collection of share certificates and refund cheques in respect
of wholly or partially unsuccessful applications pursuant to
the Public Offer and the Employee
Preferential Offering on^(4, 5, 6 & 7) Monday, 30 November

Dealings in the Shares on the Stock Exchange expected
to commence at 9:00 a.m. on Tuesday, 1 December

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local times and dates, except as otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 November 2015, the application lists will not open or close on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” of the section headed “How to apply for the Public Offer Shares and the Employee Reserved Shares” of this prospectus. If the application lists do not open or close on Friday, 20 November 2015, the dates mentioned in this section may be affected. An announcement will be made by our Company in such event.
3. Applicants who apply by giving electronic application instructions to HKSCC should refer to the paragraph headed “applying by giving electronic application instructions to HKSCC via CCASS” of the section headed “How to apply for the Public Offer Shares and the Employee Reserved Shares” of this prospectus.
4. Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 1 December 2015, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination in the Underwriting Agreement has not been exercised by the Lead Manager (for itself and on behalf of the Underwriters) in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
5. Refund cheques will be issued in respect of wholly or partially unsuccessful applications. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.
6. Applicants who have applied on **WHITE** or **PINK** Application Forms for 1,000,000 Shares or more under the Public Offer and/or the Employee Preferential Offering, may collect their share certificates and/or refund cheques from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 30 November 2015. Evidence of identity and/or authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection.
7. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer may collect their refund cheques but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for **WHITE** Application Form applicants. Share certificates and refund cheques not collected within the time specified for collection will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to apply for the Public Offer Shares and the Employee Reserved Shares” of this prospectus.

For details of the structure of the Share Offer, including its conditions, please refer to the section headed “Structure and conditions of the Share Offer” of this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks involved in investing in the Offer Shares are set out in the section headed “Risk factors” of this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” of this prospectus.

BUSINESS

Principal activities

Our Group commenced the manufacture of industrial coatings in 1986 under Manfield Coatings. Since then, we have expanded our operations and we currently undertake coating production and sales primarily from three production facilities located in Shenzhen, Guangzhou and Changzhou and our headquarters located in Hong Kong.

We manufacture a broad range of powder coatings and liquid coatings (which can be further broken down into water-based and solvent-based liquid coatings) and offer tailor-made products customised to our customers' exact specifications and requirements. During the Track Record Period, whilst we maintained stable revenue from our powder coatings segment, the majority of our revenue was derived from the sale of liquid coatings. For the nature and characteristics of water-based coatings, solvent-based coatings and powder coatings, please refer to the paragraph headed “1.2 Products” under the section headed “Business” on page 97 of this prospectus.

Our Group also generated a portion of revenue from two arrangements with our associate, CMW, namely the Pinefield Toll Manufacturing Agreement and the resale of raw materials. The Pinefield Toll Manufacturing Agreement (more details of which can be found in the paragraph headed “5.2.6 Pinefield Toll Manufacturing Agreement” under the section headed “Business” on page 116 of this prospectus) refers to the agreement pursuant to which our Group undertakes the manufacture of liquid coatings on behalf of CMW at our own production facilities in exchange for a fee determined on a cost recovery basis. The resale of raw materials (more details of which can be found in the paragraph headed “6.3.2 Revenue received and gross profit generated from the resale of raw materials” under the section headed “Business” on page 121 of this prospectus) refers to instances whereby on an ad hoc basis our Group purchases raw materials for and subsequently sells the raw materials on to CMW for greater convenience and expediency. We provide the raw materials to CMW at the price we purchased it at, and hence we make no gross profit margin.

The table below sets out the breakdown of our sources of revenue during the Track Record Period. For the average selling price of our Group's products during the Track Record Period, please refer to the paragraph headed “Significant factors affecting our Group's results of operations” under the section headed “Financial information” on page 195 of this prospectus.

SUMMARY

	For the year ended 31 December				For the six months ended 30 June			
	2012		2013		2014		2015	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Revenue derived from:								
Liquid coatings								
Solvent-based	224,141	77.6%	239,275	76.1%	245,205	74.7%	113,313	73.8%
Water-based	18	0.0%	1,277	0.4%	6,131	1.9%	2,628	1.7%
Liquid coatings subtotal	<u>224,159</u>	<u>77.6%</u>	<u>240,552</u>	<u>76.5%</u>	<u>251,336</u>	<u>76.6%</u>	<u>115,941</u>	<u>75.5%</u>
Powder coatings	<u>31,730</u>	<u>11.0%</u>	<u>37,935</u>	<u>12.1%</u>	<u>35,606</u>	<u>10.9%</u>	<u>16,388</u>	<u>10.7%</u>
Liquid and powder coatings sub-total	<u>255,889</u>	<u>88.6%</u>	<u>278,487</u>	<u>88.6%</u>	<u>286,942</u>	<u>87.5%</u>	<u>132,329</u>	<u>86.2%</u>
Sales to CMW								
Pinefield Toll Manufacturing Agreement	20,190	7.0%	23,535	7.5%	31,826	9.7%	16,965	11.0%
Raw materials resale ⁽¹⁾	12,723	4.4%	12,420	3.9%	9,279	2.8%	4,265	2.8%
Total	<u>288,802</u>	<u>100.0%</u>	<u>314,442</u>	<u>100.0%</u>	<u>328,047</u>	<u>100.0%</u>	<u>153,559</u>	<u>100.0%</u>
<i>Note:</i>								

1. This refers to the item “Sales to subsidiaries of an associate” in Note 5 of the Accountants’ Report set out in Appendix I to this prospectus.

The product breakdown of our Group’s sales volume, gross profit and gross profit margin of our products is laid out in the tables below:

Sales volume	For the year ended 31 December				For the six months ended 30 June			
	2012		2013		2014		2015	
	% of Group's total sales (tonnes)	Group's total sales volume (tonnes)	% of Group's total sales (tonnes)	Group's total sales volume (tonnes)	% of Group's total sales (tonnes)	Group's total sales volume (tonnes)	% of Group's total sales (tonnes)	Group's total sales volume (tonnes)
Solvent-based	6,043.2	69.4%	6,650.8	67.5%	6,626.0	55.0%	2,973.9	51.3%
Water-based	0.2	0.0%	15.6	0.2%	72.9	0.6%	31.0	0.5%
Powder	1,087.1	12.5%	1,286.5	13.0%	1,247.2	10.4%	574.0	9.9%
Others ⁽¹⁾	1,577.4	18.1%	1,907.4	19.3%	4,088.9	34.0%	2,217.4	38.3%
Total	<u>8,707.9</u>	<u>100.0%</u>	<u>9,860.3</u>	<u>100.0%</u>	<u>12,035.0</u>	<u>100.0%</u>	<u>5,796.3</u>	<u>100.0%</u>
Gross profit	For the year ended 31 December				For the six months ended 30 June			
	2012		2013		2014		2015	
	% of Group's total gross profit HK\$'000	Group's total gross profit HK\$'000	% of Group's total gross profit HK\$'000	Group's total gross profit HK\$'000	% of Group's total gross profit HK\$'000	Group's total gross profit HK\$'000	% of Group's total gross profit HK\$'000	Group's total gross profit HK\$'000
Solvent-based	71,299	91.9%	85,848	92.1%	83,162	90.0%	40,080	89.7%
Water-based	6	0.0%	536	0.6%	2,725	3.0%	1,138	2.5%
Powder	6,034	7.8%	6,608	7.1%	6,227	6.7%	3,661	8.2%
Others ⁽¹⁾	245	0.3%	225	0.2%	255	0.3%	(187)	-0.4%
Total	<u>77,584</u>	<u>100.0%</u>	<u>93,217</u>	<u>100.0%</u>	<u>92,369</u>	<u>100.0%</u>	<u>44,692</u>	<u>100.0%</u>

SUMMARY

Gross profit margin	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
Solvent-based	31.8%	35.9%	33.9%	35.4%	30.8%
Water-based	33.6%	42.0%	44.4%	43.3%	42.7%
Powder	19.0%	17.4%	17.5%	22.3%	16.2%
Others ⁽¹⁾	1.2%	1.0%	0.8%	-1.1%	-2.4%

Note:

1. This refers to transactions entered into with CMW under the Pinefield Toll Manufacturing Agreement (raw materials resale has been omitted as it does not generate gross profit).

For further details about the distinction and differences between solvent-based coatings and water-based coatings, please refer to the paragraph headed “1.2 Products” of the section headed “Business” on pages 97 to 100 of this prospectus.

CMW

Our Group currently holds a 45% equity interest in a joint venture, namely CMW, entered into with two reputable multinational coating providers. CMW manufactures from production facilities located in Wuxi, whilst construction of a new production facility in Tianjin is currently under way. Profits derived from our interests in CMW contributed a significant portion of our Group’s profit, amounting to approximately 57.8%, 39.7% and, if listing expenses are to be excluded, 47.5%, 60.9% and 66.7% of our Group’s profit before tax for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. Our Group’s operation, including the sharing of profits of CMW, will continue after Listing (i.e. CMW will remain an associate of our Group). For illustrative purposes only, if our Group’s total profit was to be calculated without taking into account the share of profit of CMW, the overall profitability of our Group would be reduced significantly during the Track Record Period and may also be reduced going forward after Listing. As a joint venture partner within CMW, we benefit not only financially but also in terms of our industry reputation since we are partnered with two reputable multinational coating providers. Thus, the joint venture was entered into with these intangible benefits in mind, in addition to the financial upside. CMW is primarily engaged in the importing, distributing, manufacturing and marketing of non-stick and high temperature decorative coatings, and coatings for mobile phones using our technology licensed to CMW. For details, please refer to the paragraph headed “5.2.5 Technology licensing” under the section headed “Business” on pages 113 to 116 of the prospectus.

SUMMARY

Suppliers

Raw materials required in the manufacture of our products are mainly: solvent, resin, pigment and additives. Our suppliers are manufacturers and traders of the abovementioned raw materials and are predominantly based in Hong Kong and the PRC. The breakdown of the volume and cost of the raw materials of our coatings purchased during the Track Record Period is set out below:

	For the year ended 31 December						For the six months ended 30 June					
	2012		2013		2014		2014		2015			
	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume		
Solvent	4,524	60.5%	4,777	54.0%	5,077	55.3%	2,019	52.0%	2,210	55.2%		
Resin	1,998	26.7%	2,492	28.2%	2,453	26.7%	1,197	30.8%	1,116	27.9%		
Pigment	811	10.9%	1,390	15.7%	1,394	15.1%	543	14.0%	553	13.8%		
Additives	140	1.9%	182	2.1%	264	2.9%	123	3.2%	123	3.1%		
Total	7,473	100.0%	8,841	100.0%	9,188	100.0%	3,882	100.0%	4,002	100.0%		
For the year ended 31 December												
2012		2013		2014		2014		2015				
Total costs HK\$'000		% of total costs		% of total costs		% of total costs		% of total costs				
Solvent	43,636	36.6%	45,304	31.7%	47,305	31.7%	18,821	29.1%	17,338	28.2%		
Resin	47,618	40.0%	61,618	43.1%	59,488	39.9%	28,540	44.2%	26,330	42.9%		
Pigment	21,254	17.8%	26,940	18.8%	28,875	19.4%	11,576	17.9%	11,098	18.1%		
Additives	6,624	5.6%	9,246	6.5%	13,455	9.0%	5,652	8.8%	6,657	10.8%		
Total	119,132	100.0%	143,108	100.0%	149,123	100.0%	64,589	100.0%	61,423	100.0%		

Customers

Our customers are primarily located in the PRC and are predominantly engaged in the toy and consumer electronics industries, while we have also recently been targeting the auto-finishing industry as a potential customer base. A breakdown of the geographical location of our customers is set out below:

	For the year ended 31 December			For the six months ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
					(unaudited)
By geographical location					
Hong Kong and others (Including Indonesia, Malaysia and other jurisdictions)					
The PRC	90,956	87,658	81,027	41,444	38,292
Total	197,846	226,784	247,020	112,115	110,404
	288,802	314,442	328,047	153,559	148,696

SUMMARY

During the Track Record Period, CMW and the Teknos Group were both among our Group's top five customers and suppliers. CMW, as described above, is our Group's associate, whilst Teknos Coatings, a subsidiary of the Teknos Group, is a 40% shareholder of MT, our operating non-wholly owned subsidiaries (hence Teknos Group is a connected person of our Group). For more information on our relationship with these two parties, please refer to the paragraphs headed "5.2 Associate", "6.3 Revenue and gross profit from CMW", "9.3 Purchases from CMW" and "9.4 Purchases from Teknos Group" under the section headed "Business" on pages 109 to 118, 120 to 122, 130 to 132 and 132 to 133 of this prospectus respectively.

INDUSTRY OVERVIEW

For further details relating to the industry in which we operate, please see the section headed "Industry overview" on pages 47 to 58 of this prospectus.

COMPETITIVE STRENGTHS

We believe our strengths enable us to compete and capture profitable opportunities as and when they arise within the industrial coatings market. Our major competitive strengths include the following:

- stable and experienced management team
- due to the broad range of products we offer, we have the ability to cross-sell
- we are well-positioned to take advantage of the high manufacturing output of Guangdong Province
- through a combination of quality control and internationally recognised certification, we are able to distinguish ourselves as a trusted manufacturer of coatings

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our Group's business strategies and future plans are as follows:

- acquire new technology to broaden our product range and improve the quality of our products
- continuously review our customer industries' economic outlook and evaluate potential customer industries.
- complete phase two of construction of the Springfield production facilities

USE OF PROCEEDS

Net proceeds from the Share Offer, based on the Offer Price of HK\$1.00 per Offer Share and after deducting underwriting commission and professional fees, are expected to amount to approximately HK\$121.5 million, of which the majority will be used to partially fund phase two of construction of the Springfield production facilities. For further details, please see the section headed "Use of proceeds" on page 247 of this prospectus.

SUMMARY

PREVIOUS LISTING

Our Group was a subsidiary group of Greenfield during the period April 2002 to April 2012. For details, please refer to the paragraph headed “Previous major shareholding changes and listing of our business on the Stock Exchange” under the section headed “History, reorganisation and group structure” on pages 79 to 81 of this prospectus.

HISTORICAL INCIDENTS OF NON-COMPLIANCE

During the Track Record Period, one of our operating non-wholly owned subsidiaries, namely MT, produced certain coating products prior to obtaining a Production Licence, and our Group had not registered several lease agreements we had entered into, as required by the applicable laws and regulations. For further details please refer to the paragraph headed “13. Historical non-compliance incidents” under the section headed “Business” on pages 147 to 150 of this prospectus.

MAJOR SHAREHOLDERS

Our Company is wholly-owned by Guang Ming which is in turn owned as to 51% by Mezzo and 49% by six individuals, who in aggregate are defined as the Management Shareholders. Mezzo is held as to 100% by Mr. Lee Seng Hui. Therefore, Guang Ming, Mezzo and Mr. Lee Seng Hui are our Group’s Controlling Shareholders. The Management Shareholders consist of Mr. Yuen, Mr. Ko, Mr. Yuen Shi Ki, Mr. Wong Chi Kong, Mr. Kwok Wai Kit Victor and Ms. Wong Shiu Chun who have direct interests in Guang Ming as to 28.65%, 15.50%, 1.85%, 1.50%, 1.00% and 0.50% respectively. The Management Shareholders have no relationship with Mr. Lee Seng Hui other than in respect of their shareholding of Guang Ming.

Companies owned by Mr. Yuen have entered into several transactions with our Group during the Track Record Period. These transactions were entered into on normal commercial terms at arm’s length and more details can be found in the section headed “Connected transactions” on pages 179 to 186 of this prospectus.

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

Financial overview

A summary of our financial information during the Track Record Period is set out below:

	For the year ended 31 December		For the six months ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000
	(unaudited)			
Revenue	288,802	314,442	328,047	153,559
Cost of sales and services	(211,218)	(221,225)	(235,678)	(108,867)
Gross profit	77,584	93,217	92,369	44,692
Share of profits of associates	21,994	29,865	29,051	18,292
Profit for the year/period	33,370	63,280	42,015	19,306
Total comprehensive income attributable to owners of our Company	34,230	74,741	40,041	14,351
Dividend paid	30,000	95,000	10,000	10,000
 As at				
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Current assets				
Inventories	30,014	36,465	31,908	32,306
Trade and other receivables	80,612	107,424	110,724	106,775
Bank balances and cash	132,411	61,716	80,170	94,794
Total current assets	249,105	207,728	224,614	235,385
Total assets	560,059	542,523	573,522	590,800
Current liabilities				
Trade and other payables	46,575	48,710	42,559	46,033
Amount due to immediate holding company	31,399	31,399	31,399	31,399
Total current liabilities	81,286	82,023	76,891	78,483
Net current assets	167,819	125,705	147,723	156,902

SUMMARY

Following an increase in demand for our coating products and an increase in revenue from CMW, our revenue increased significantly during the year ended 31 December 2013. Profitability meanwhile also improved in line with the higher revenue and gross profit margin. For the year ended 31 December 2014, our revenue increased as compared to the corresponding previous period, driven by an increase in revenue for liquid coatings. Revenue decreased slightly by approximately 3.2% from approximately HK\$153.6 million for the six months ended 30 June 2014 to approximately HK\$148.7 million for the six months ended 30 June 2015. This decrease in revenue was mainly driven by the decrease in the sales volume under Pinefield Toll Manufacturing Agreement by approximately 28.8% which, as our Directors understand, was attributable to the slowdown in the sales of CMW for products which are manufactured under Pinefield Toll Manufacturing Agreement during the six months ended 30 June 2015.

Our gross profit margin for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was approximately 26.9%, 29.6%, 28.2%, 29.1% and 25.7% respectively. The low gross profit margin for the year ended 31 December 2012 was mainly due to an increase in labour costs and benefits in the PRC. Our gross profit margin recovered in 2013 after our Group implemented a series of cost control measures. Our Group's gross profit margin recorded a small decrease for the year ended 31 December 2014 primarily due to further increasing headcount for Springfield, which commenced operations during 2014, thus increasing our labour costs. The decrease in gross profit margin to approximately 25.7% for the six months ended 30 June 2015 was mainly attributable to the increase in labour costs necessitated since the commencement of the production facilities of Springfield in 2014, and the imposition of consumption tax on coating products effective from February 2015.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our Group's net profit margin was approximately 11.6%, 20.1%, 12.8%, 12.6% and 11.0% respectively. Net profit margin decreased for the year ended 31 December 2012 mainly due to the increase in labour costs and the decrease in share of profits from CMW. Following an increase in gross profit and share of profits from CMW and a one-off gain on disposal of property, our Group's net profit margin increased to approximately 20.1% for the year ended 31 December 2013. The reduced net profit margin of 12.8% for the year ended 31 December 2014 was predominantly due to the listing expenses incurred during that period and the fact that the previous period's net profits were boosted by the one-off gain on disposal of property. Net profit margin for the six months ended 30 June 2015 decreased compared to the corresponding previous period mainly due to the decreased share of profits of associate and the lower gross profit margin as described above.

SUMMARY

A summary of our cash flows during the Track Record Period is set out below:

	For the year ended 31 December		For the six months ended 30 June		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(unaudited)					
Net cash generated from/(used in) operating activities	39,101	2,269	18,243	2,313	17,753
Net cash (used in)/generated from investing activities	1,254	5,220	2,571	(3,197)	(79)
Net cash (used in)/generated from financing activities	<u>(30,000)</u>	<u>(82,028)</u>	<u>(1,969)</u>	<u>(7,533)</u>	<u>(2,551)</u>
Net increase/(decrease) in cash and cash equivalents	10,355	(74,539)	18,845	(8,417)	15,123
Cash and cash equivalents at end of the year	132,411	61,716	80,170	52,065	94,794

The drop in our cash and cash equivalents to approximately HK\$61.7 million as at 31 December 2013 was mainly due to the dividend payout of HK\$95.0 million during that year. The net cash inflow of approximately HK\$18.8 million and HK\$15.1 million recorded during the year ended 31 December 2014 and the six months ended 30 June 2015 was primarily due to movements in our trade receivables. For details, please refer to the paragraph headed “Cash flows” under the section headed “Financial information” on page 215 of this prospectus.

During the Track Record Period, our Group occasionally invested our surplus cash in structured deposits which were (i) 100% principal-protected as guaranteed by counterparty banks; and (ii) with maturity less than 3 months. We may continue to invest in such structured deposits in accordance with our Group’s treasury policy in the future. For details of our Group’s treasury policy, please refer to the paragraph headed “Structured deposits” under the section headed “Financial information” on pages 228 to 229 of this prospectus.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, we had amounts due to our immediate holding company of approximately HK\$31.4 million. Out of the outstanding amount, HK\$20.0 million will be repaid prior to Listing and the remaining amount of approximately HK\$11.4 million will be waived upon Listing.

SUMMARY

Rental income was generated due to our Group's leasing certain production facilities and office space to CMW's subsidiaries. If we had not leased to CMW's subsidiaries, our Group could have utilised the facilities ourselves or leased to other parties to generate rental income. For illustration purposes only, the table below shows the summary of the adjusted profit after excluding (i) share of profit of CMW; (ii) listing expenses; and (iii) net rental income (net of relevant cost and tax expense) from CMW during the Track Record Period:

Profit excluding share of profit of CMW and net rental income from CMW	For the six months				
	For the year ended 31 December			ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(unaudited)					
Profit for the year attributable to the owners of our Company less share of profit of CMW	12,208	33,007	12,380	819	3,209
Add: Listing expenses	—	200	12,400	7,339	1,943
Less: Net rental income from CMW (net of relevant cost and tax expense)	174	182	169	62	54
Adjusted profit (excluding share of profit of CMW, listing expenses and net rental income from CMW)	12,034	33,025	24,611	8,096	5,098

SUMMARY

Royalty fee income was generated due to our agreement that certain businesses were to be carried out by CMW with the use of our Group's technology. If we had not licensed such technology to CMW for royalty fee income, our Group could have engaged in such business ourselves and generated revenue. For illustration purpose only, the table below shows the summary of the adjusted profit after excluding (i) share of profit of CMW; (ii) listing expenses; and (iii) net royalty fee income (net of relevant tax expense) during the Track Record Period:

Profit excluding share of profit of CMW and net royalty fee income	For the year ended 31 December			For the six months ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
	(unaudited)				
Profit for the year attributable to the owners of our Company less share of profit of CMW	12,208	33,007	12,380	819	3,209
Add: Listing expenses	—	200	12,400	7,339	1,943
Less: Net royalty fee income (net of relevant tax expense)	4,703	4,509	5,230	2,604	2,243
Adjusted profit (excluding share of profit of CMW, listing expenses and net royalty fee income)	7,505	28,698	19,550	5,554	2,909

Financial ratios

The following table sets out certain financial ratios of our Group during the Track Record Period:

	As at			
	As at 31 December		30 June	
	2012	2013	2014	2015
Current ratio	3.1	2.5	2.9	3.0
Quick ratio	2.7	2.1	2.5	2.6
For the six months ended 30 June				
For the year ended 31 December			ended 30 June	
	2012	2013	2014	2015
Return on total asset (note 1)	6.0%	11.7%	7.3%	7.0%
Return on equity (note 2)	7.0%	13.7%	8.5%	8.4%

Notes:

1. Return on total assets is calculated by dividing profit for the year/period with the total assets as at the respective year/period end. Return on total assets for the six months ended 30 June 2015 was annualised for illustrative purpose.
2. Return on equity is calculated by dividing profit for the year/period with the total equity as at the respective year/period end. Return on equity for the six months ended 30 June 2015 was annualised for illustrative purpose.

SUMMARY

Current ratio

Our current ratio reduced to 2.5 as at 31 December 2013 mainly due to the reduction in cash balances following the dividend payout of HK\$95.0 million. Our Group's current ratio subsequently increased to approximately 2.9 as at 31 December 2014 and approximately 3.0 as at 30 June 2015 due to cash inflow from our operations and the lower level of dividend paid out during the year ended 31 December 2014 and the absence of dividend paid out during the six months ended 30 June 2015.

Quick ratio

Movements of quick ratios were generally in line with those of current ratios.

Return on total assets

Return on total assets increased to approximately 11.7% for the year ended 31 December 2013 as our profit increased while our total assets reduced, mainly due to the one-off gain on disposal of property and the payment of dividend during the year. Our Group's return on total assets reduced to approximately 7.3% for the year ended 31 December 2014, mainly due to the listing expenses amounting to approximately HK\$12.4 million incurred during the year. For the six months ended 30 June 2015, the annualized return on total assets amounted to 5.5%, mainly due to the seasonality as described in the paragraph headed "Trade and other receivables" under the section headed "Financial information" on page 224 of this prospectus.

Return on equity

Return on equity improved from approximately 7.0% to 13.7% for the years ended 31 December 2012 and 2013 respectively following the increase in our profitability while our total equity was slightly reduced after the payout of dividend during the year. Our Group's return on equity reduced to approximately 8.5% for the year ended 31 December 2014 and approximately 6.4% for the six months ended 30 June 2015, mainly due to the same factors as those influencing our Group's return on total assets.

RECENT DEVELOPMENT

Based on our unaudited management accounts, average revenue for the three months ended 30 September 2015 was higher than the monthly average revenue recorded for the six months ended 30 June 2015. Average gross profit margin for the three months ended 30 September 2015 was also higher than that of the monthly average gross profit margin recorded in the previous six months ended 30 June 2015. As July and August has historically been one of our Group's peak months, it was expected that such increases in revenue and gross profit margin would occur. There has been no material change in average selling price of our Group's products subsequent to the Track Record Period. Since 30 June 2015, our Group has also continued to be affected by the higher labour costs and depreciation costs resulting since the commencement of operations of Springfield as set out on pages 195–203 of this prospectus. For further details of the extent of the impact of listing on our Group's financial results for the year ending 31 December 2015, please refer to the paragraph headed "Impact of listing expenses on financial results for the year ending 31 December 2015" of this section.

Our Directors confirm that there has been no material adverse change in our financial condition since 30 June 2015 to the date of this prospectus. Our Directors also observed seasonality as described in the paragraph headed "1.2.4 Seasonality" under the section headed "Business" on page 99 of this prospectus. As far as our Directors are aware, there was no material change in the general economic or market conditions in Hong Kong and PRC which would have a material and adverse impact on our business operation or financial condition since 30 June 2015 to the date of this prospectus.

SUMMARY

IMPACT OF LISTING EXPENSES ON FINANCIAL RESULTS FOR THE YEAR ENDING 31 DECEMBER 2015

The listing expenses represent the fees and costs incurred for the issue of new Shares and the process of listing the existing and new Shares on the Main Board. As the issue of new Shares is the issue of an equity instrument whilst the listing of existing and new Shares is not, the listing expenses are required to be allocated between the two transactions using the proportion of the number of new Shares to be issued to the total number of Shares in issue upon Listing. Since the number of new Shares to be issued represents 25% of the total number of Shares in issue upon Listing, listing expenses that are not clearly separable are allocated to equity and the income statement on a 25:75 proportion.

As a result of the Listing, it is expected that a sum of approximately HK\$28.5 million relating to the Listing will be recognised by our Group, of which approximately HK\$9.7 million is directly attributable to the issue of new Shares under the Share Offer and would be accounted for as a deduction from equity, while the remaining balance of approximately HK\$18.8 million will be charged to the combined statements of profit or loss and other comprehensive income of our Group, of which approximately HK\$12.6 million and HK\$1.9 million has been recognised up to 31 December 2014 and during the six months ended 30 June 2015 respectively, and approximately HK\$4.3 million will be recognised during the second half of the year ending 31 December 2015 (i.e. in aggregate approximately HK\$6.2 million is to be recognised for the year ending 31 December 2015).

Our Directors wish to emphasise that the aforesaid amount is a current estimate for reference only and the final amount to be recognised in the equity and the combined statements of profit or loss and other comprehensive income of our Group for the year ending 31 December 2015 is subject to adjustment based on actual expenses (which could exceed the estimate), audit review and changes which affect the assumptions we adopted.

DIVIDEND POLICY

Currently, we do not have any pre-determined dividend payout ratio.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our Group paid dividend of HK\$30 million, HK\$95 million, HK\$10.0 million, HK\$10 million and nil respectively. Meanwhile, our Group declared and paid an interim dividend of HK\$10.0 million in August 2015, and will further declare and pay a special dividend of HK\$10 million in November 2015 before the Listing in respect of our retained earnings as at 31 December 2014 funded by internal resources. Please refer to the paragraph headed "Dividend policy" under the section headed "Financial information" on page 244 of this prospectus for further details.

STATISTICS OF THE OFFER

	Based on Offer Price of HK\$1.00 per Share
Market capitalisation upon Listing ⁽¹⁾	HK\$600.0 million
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share ⁽²⁾	HK\$1.05

SUMMARY

Notes:

1. The calculation of the market capitalisation is based on the assumption that 600,000,000 Shares at the Offer Price of HK\$1.00 per Share will be in issue immediately upon Listing.
2. Please refer to “Unaudited pro forma financial information” in Appendix II to this prospectus for the calculation basis of the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share.

RISK FACTORS

We summarise below the most material risks to our operations. Prospective investors should refer to all the risk factors which may affect your investment decision in relation to the Share Offer as set out in the section headed “Risk factors” on pages 27 to 37 of this prospectus.

Risks relating to the business and operations of our Group

- our success is dependent on the retention of key management personnel
- customers’ orders are typically placed on a case-by-case basis and demand for our products may fluctuate
- the results of our operations may be materially and adversely affected if we fail to maintain the joint venture with the other CMW Partners
- CMW was one of our top five suppliers for the years ended 31 December 2012 and 2013. If we experience an interruption, reduction or termination in supply of raw materials from CMW, our business operations may be adversely affected
- if the Pinefield Toll Manufacturing Agreement is terminated, the increased fixed cost per unit may materially and adversely affect our financial results
- our business relies on production processes and technologies that are subject to continuous change and we cannot guarantee that we will be able to successfully develop or acquire new production processes and technologies on a timely basis, or at all
- failure in our quality control system could harm our business and lead to potential product liability claims for compensation if our products are found to be defective

Risks relating to our industry and the market in which we operate

- changes in costs of raw materials may materially and adversely affect our financial results since we do not enter into any long-term agreements with our suppliers
- our business is largely dependent on the overall market conditions in Hong Kong and the PRC
- we face keen competition in our industry in Hong Kong and the PRC

Risks relating to Hong Kong and the PRC

- foreign exchange control and fluctuation in foreign currency exchange rates

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below, unless the context otherwise requires:

“Accountants’ Report”	the accountants’ report of our Company prepared by Deloitte Touche Tohmatsu on 17 November 2015, the text of which is set out in Appendix I to this prospectus
“Aisa Trading”	Fuzhou Aisa Trading Company Limited (福州艾薩商貿有限公司), a company established in the PRC on 4 April 2014 and owned by Springfield as to 65% and Mr. Xue Yujie, an Independent Third Party, as to 35%. It is a non-wholly owned subsidiary of our Company
“Altus” or the “Sponsor”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, appointed as the sponsor
“Ants Logistics”	Changzhou Ants Logistics Company Limited (常州安馳物流有限公司), (formerly known as Changzhou Manfield Transportation Limited, 常州萬輝運輸有限公司), a company with limited liability established in the PRC on 27 November 2007, 70% equity interests of which are held by Mr. Yuen, and therefore a connected person of our Group
“Application Forms”	WHITE application form(s), YELLOW application form(s) and PINK application form(s) or, where the context so requires, any of them which is used in the Public Offer or the Employee Preferential Offering
“Articles” or “Articles of Association”	the articles of association of our Company, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of 449,999,900 new Shares to Guang Ming to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Written resolutions of the sole Shareholder passed on 6 November 2015” in Appendix V to this prospectus
“Catalogue”	the Catalogue of Industrial Products (工業產品目錄), which sets out products the manufacturing of which requires a Production Licence, as referred to in the “Regulations of the PRC on the Administration of Production Licences for Industrial Products” (中華人民共和國工業產品生產許可證管理條例) effective from 1 September 2005
“Cayman Companies Law” or “Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands as amended, supplemental or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Champion”	Champion Chemical (Guangzhou) Company Limited (廣州市彩輝化工有限公司), a company established in the PRC on 4 December 2002 as a wholly-foreign owned enterprise and a wholly-owned subsidiary of Manfield Chemical

DEFINITIONS

“CMW”	CMW Holding Limited, a joint venture company incorporated in Hong Kong on 7 June 2000 and held as to 45% by Manfield Chemical, and as to the remaining 55% by the other two joint venture partners, being a German supplier of niche industrial coatings and a Japanese chemical company, an associate of our Company, and (where the context requires) its subsidiaries
“CMW Partners”	Manfield Chemical and our two CMW joint venture partners collectively
“Co-Lead Manager”	Pacific Foundation Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO
“Companies Miscellaneous Provisions Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of the Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Company” or “our Company”	Manfield Chemical Holdings Limited (萬輝化工控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law on 14 April 2014
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means Guang Ming, Mezzo and Mr. Lee Seng Hui, individually or as a group of persons
“Deed of Indemnity”	the deed of indemnity dated 6 November 2015 entered into between our Company, our Controlling Shareholders, Mr. Yuen and Mr. Ko pursuant to which each of our Controlling Shareholders, Mr. Yuen and Mr. Ko has given certain tax and estate duty indemnities and other indemnities in favour of our Company (for ourselves and as trustee for each of our subsidiaries), as further described in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 6 November 2015 entered into between our Company, our Controlling Shareholders, Mr. Yuen and Mr. Ko pursuant to which each of our Controlling Shareholders, Mr. Yuen and Mr. Ko has given certain non-competition undertakings in favour of our Company (for ourselves and as trustee for each of our subsidiaries), as further described under the section headed “Relationship with Controlling Shareholders” of this prospectus

DEFINITIONS

“Director(s)”	the director(s) of our Company
“Eligible Employees”	all full-time employee(s) of our Group who joined our Group on or before 31 October 2015 and who (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at 31 October 2015; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before 31 October 2015; (e) is not the chief executive or directors of our Company or our subsidiaries; (f) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not a connected person of our Company
“Employee Preferential Offering”	the offer of up to 1,500,000 Public Offer Shares to Eligible Employees as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Employee Reserved Shares”	the 1,500,000 Public Offer Shares (representing 1% of the Offer Shares available under the Share Offer) available in the Employee Preferential Offering which are to be allocated out of the Public Offer Shares
“Euromonitor”	Euromonitor International Limited, an Independent Third Party industry research provider
“Euromonitor Report”	an independent market research report commissioned by our Company on the industrial coating industry in the PRC prepared by Euromonitor and issued on 17 November 2015
“Greenfield”	Greenfield Chemical Holdings Limited (currently known as Landing International Development Limited), a company incorporated in the Cayman Islands with limited liability on 15 January 2001, the shares of which have been listed on the Main Board of the Stock Exchange since 18 April 2002 (stock code: 582), previously a controlling shareholder of Rookwood
“Group”, “our Group”, “we”, “us” or “our”	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were our subsidiaries at that time

DEFINITIONS

“Guang Ming”	Guang Ming Holdings Limited (廣銘控股有限公司), a company incorporated with limited liability in the BVI on 28 March 2014 and owned as to 51% by Mezzo and as to 49% by the Management Shareholders. Upon Listing, it will be a Controlling Shareholder of our Company
“HIBOR”	Hong Kong Interbank Offered Rate
“HKFRS(s)”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	individual(s) or company/(ies) who is/are not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, Substantial Shareholders or subsidiaries
“Kesite”	Suzhou Kesite Coatings Company Limited (蘇州科思特塗料有限公司), a limited liability company established in the PRC on 10 June 2010 and a wholly-owned subsidiary of Springfield. An indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	9 November 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Lead Manager”	Get Nice Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Main Board, which is expected to be on or around Tuesday, 1 December 2015

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Management Shareholders”	six individuals who, upon Listing, will hold in aggregate 49% of Guang Ming, namely Mr. Yuen, Mr. Ko, Mr. Yuen Shi Ki, Mr. Wong Chi Kong, Mr. Kwok Wai Kit Victor and Ms. Wong Shiu Chun
“Manfield Chemical”	Manfield Chemical Limited, formerly known as Manfield Chemical (China) Limited, a company with limited liability incorporated in Hong Kong on 15 August 1989 and a wholly-owned subsidiary of Manfield Coatings. It is an indirect wholly-owned subsidiary of our Company
“Manfield Coatings”	Manfield Coatings Company Limited, a company incorporated with limited liability in Hong Kong on 6 June 1986 and an indirect wholly-owned subsidiary of our Company
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time
“Mezzo”	Mezzo International Limited, a company incorporated under the laws of the BVI with limited liability on 17 May 2010 and wholly-owned by Mr. Lee Seng Hui. Upon Listing, it will be a Controlling Shareholder of our Company
“Mr. Ko”	Mr. Ko Jack Lum, our chief executive officer and one of the founders of our Group
“Mr. Yuen”	Mr. Yuen Shu Wah, our chairman and one of the founders of our Group
“MT”	Manfield Teknos (Changzhou) Chemical Company Limited (萬輝泰克諾斯 (常州) 化工有限公司), formerly known as Manfield Chemical (Changzhou) Company Limited (常州萬輝化工有限公司), a Sino-foreign equity joint venture established in the PRC on 17 January 2007 between Manfield Chemical and Taike. The name change was approved on 6 December 2013 upon the signing of the MT Agreement, pursuant to which it became a wholly foreign-owned joint venture between Manfield Chemical and Teknos and is currently held as to 60% by Manfield Chemical and 40% by Teknos. MT is an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“MT Agreement”	the equity transfer agreement entered into on 3 December 2013 by Manfield Chemical, Taike and Teknos pursuant to which each of Manfield Chemical and Taike transferred 20% of its equity interest in MT to Teknos
“MT Shareholders’ Agreement”	the shareholders’ agreement entered into on 3 December 2013 between Manfield Chemical and Teknos
“Offer Price”	HK\$1.00 per Share (exclusive of brokerage, the Stock Exchange trading fee and the SFC transaction levy)
“Offer Share(s)”	the Public Offer Shares and the Placing Shares; and “Offer Share” means any one of these Offer Shares
“Pinefield”	Shenzhen Pinefield Chemical Enterprises Company Ltd (深圳松輝化工有限公司), established in the PRC on 19 June 1990, a wholly-owned subsidiary of Manfield Coatings and an indirect wholly-owned subsidiary of our Company
“Pinefield Toll Manufacturing Agreement”	the agreement entered into on 19 June 2000 between CMW and Pinefield primarily in relation to Pinefield’s manufacturing of CMW’s products as subcontractor exclusively for CMW
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company with professional, institutional and/or other investors for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 135,000,000 Shares being offered for subscription under the Placing (subject to reallocation)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan
“PRC Legal Adviser”	ETR Law Firm (廣東廣信君達律師事務所)
“Production Licence”	production licence for industrial products (全國工業產品生產許可證) required pursuant to the Regulations of the PRC on the Administration of Production Licences for Industrial Products (中華人民共和國工業產品生產許可證管理條例) effective from 1 September 2005 for production of packages and containers of hazardous chemicals that are falling within the ambit of the Catalogue

DEFINITIONS

“Property Valuer”	Asset Appraisal Limited, an Independent Third Party qualified property valuer who provided the valuation report as set out in Appendix III to this prospectus
“Public Offer”	the offering by our Company of the Public Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” of this prospectus) for cash at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 15,000,000 Shares being offered for subscription under the Public Offer (subject to reallocation)
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraph headed “Corporate reorganisation” in Appendix V to this prospectus
“Rookwood”	Rookwood Investments Limited, a company incorporated with limited liability in the BVI on 18 October 2000 and a direct wholly-owned subsidiary of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share Offer”	the Public Offer and the Placing
“Springfield”	Springfield Chemical (Guangzhou) Company Limited (廣州源輝化工有限公司), a wholly foreign-owned company established in the PRC on 12 March 2009 and owned by Springfield Chemical as to 90% and Manfield Chemical as to 10%, an indirect wholly-owned subsidiary of our Company
“Springfield Changzhou”	Springfield Chemical (Guangzhou) Company Limited Changzhou branch (廣州源輝化工有限公司常州分公司), a branch of Springfield established in the PRC on 14 January 2014
“Springfield Chemical”	Springfield Chemical Company Limited, a company with limited liability incorporated in Hong Kong on 11 March 2005 as a wholly-owned subsidiary of Manfield Coatings and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Stock Exchange” or “HKSE”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Taike”	Taike Chemical (Changzhou) Company Limited (常州市泰克化工有限公司), a company incorporated in the PRC on 30 June 2004 and the other party to the MT joint venture prior to Teknos’ acquisition of 40% interest in MT in December 2013, currently an Independent Third Party of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Teknos”	Teknos Group Oy, a company incorporated in Finland on 1 January 2009 holding a 40% interest in MT and a connected person of our Group by virtue of being a minority shareholder of our subsidiary
“Teknos Agreement”	the agreement entered into on 13 January 2011 by Teknos Coatings and MT relating to the manufacture of liquid coatings and subsequently replaced by the agreement entered into on 27 August 2012 and then on 3 December 2013 and effective from 1 January 2014 for a period of three years, as supplemented by a deed of variation on 17 June 2014
“Teknos Coatings”	Teknos Coatings (Shanghai) Co., Ltd (泰克諾斯塗料(上海)有限公司), a company established in the PRC on 1 February 2010 and wholly-owned by Teknos
“Teknos Group”	Teknos and Teknos Coatings collectively
“Track Record Period”	the three years ended 31 December 2014 and the six months ended 30 June 2015
“Underwriters”	Get Nice Securities Limited and Pacific Foundation Securities Limited
“Underwriting Agreement”	the underwriting agreement dated 16 November 2015 entered into between our Company, the Underwriters, our executive Directors, our Controlling Shareholders and the Sponsor relating to the Public Offer and the Placing, particulars of which are summarised in the section headed “Underwriting” of this prospectus

DEFINITIONS

“Zengcheng Ltd.”	Zengcheng Fuheyuan Nongzhuang Limited (增城市福和園農莊有限公司), a company established in the PRC on 20 February 2001 and owned by Springfield (China) Company Limited, a company owned by Mr. Yuen as to 95%, and by Ms. Wong Siu Lan, the spouse of Mr. Yuen as to 5%, and, therefore, a connected person of our Company
“sq.ft.”	square feet
“sq.m.”	square metres
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States

Unless expressly stated or the context requires, all data in this prospectus is as at the date of this prospectus.

Some English names of Chinese laws and regulations, government authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like for which no official English translation exists have been unofficially translated for identification purposes only. In the event of any inconsistency, the Chinese name will prevail.

GLOSSARY

The following is a glossary containing certain terms and definitions used in this prospectus in connection to our Group's business and operations. The terms and their meanings may not correspond to the standard industry meanings or usage of those terms.

“ABS”	acrylonitrile butadiene styrene, a common thermoplastic polymer, its properties include impact resistance and toughness
“ERP system”	a business management system used to collect, store, manage and interpret data relating to inventory turnover
“g/L”	grams per litre
“GDP”	gross domestic product
“MP3 player”	a portable music player used for playing MPEG-1 or MPEG-2 Audio Layer III audio coded format files
“PC”	polycarbonate, a group of thermoplastic polymers that are easily worked, molded and thermoformed
“PDA”	personal digital assistant, a mobile device that functions as a personal information manager
“PM _{2.5} ”	air pollutant particles with a diameter of less than 2.5 micrometres, thought to be particularly dangerous since they can penetrate the small airways within the human body
“PVC”	polyvinyl chloride, a widely produced synthetic plastic polymer
“UV”	ultraviolet, a form of electromagnetic radiation, “UV curing” refers to a speed curing process involving high intensity ultraviolet lights used to instantly cure coatings
“VOCs”	volatile organic compounds, organic compounds which can be dangerous to human health or cause harm to the environment
“WFOE(s)”	wholly foreign-owned enterprise(s)

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” or similar words or statements, in particular, in the sections headed “Business” and “Financial information” of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and our ability to implement such strategies;
- our ability to further develop and manage our coatings manufacturing business as planned;
- our dividend distribution plans;
- changes in policies, legislation or regulations in Hong Kong, the PRC or any other countries or territories in which we operate that may affect our coating manufacturing business;
- future developments and competitive environment for the Hong Kong and the PRC coating manufacturing business;
- changes in economic conditions and competition in the areas in which we operate, including a downturn in the general economy in Hong Kong and the PRC;
- exchange rate fluctuations and restrictions;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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You should carefully consider all the information in this prospectus including the risks and uncertainties described below before making an investment in our Company. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

Our Group believes that there are certain risks involved in our business. Many of these risks are beyond our control and can be categorised in the following manner:

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

Our success is dependent on the retention of key management personnel

Our success and growth has largely been attributed to the contributions and experiences of our key personnel and in particular, their familiarity with our Group's culture and business. Our executive Directors and members of senior management have had a long history of working with our customers and suppliers and understand their needs and requirements. If our Directors were unable or forbidden to continue to serve our Group for any reason, our operations and financial results will be materially and adversely affected. Besides, competition for such personnel is intense, any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

In this connection, we consider that (i) Mr. Yuen, our chairman and executive Director, who has approximately 39 years of experience in the coating industry and is responsible for formulating overall strategic planning and formulating corporate policies of our Group and CMW, and (ii) Mr. Ko, our chief executive officer and executive Director, who has over 50 years of experience in the coating industry and is responsible for monitoring the operation of projects, tendering submissions and reviewing project costs and budgets of our Group, will continue to play a pivotal role in the future growth and success of our business. Further information about the management skills and experience of our Directors and our senior management is set out in the section headed "Directors, senior management and employees" of this prospectus.

Our two executive Directors above are aged over 60. While our Group plans to continuously train and cultivate our employees to assume management roles over the long term, there is no guarantee that such plans will be successful. Our Group's operations and financial results may be materially and adversely affected in the future if the roles of our executive Directors above cannot be effectively handed over in the future.

Customers' orders are typically placed on a case-by-case basis and demand for our products may fluctuate

Our results will continue to depend on (i) our ability to continue to secure orders from our customers; (ii) the financial condition and commercial success of our customers; and (iii) factors that affect the Hong Kong and the PRC economy in general. We cannot guarantee that all of our customers will continue to provide us with orders. In particular, we cannot guarantee that we will be able to maintain or improve our relationships with all of our customers and any of them may terminate their respective relationships with us as we typically enter into individual purchase orders (as opposed to

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long-term agreements) with them. As a result, the volume of our customers' purchase orders and hence our product mix may vary from period to period. Any delay or decrease in number or contract value of orders obtained from our customers could have a material and adverse effect on our operations and profits.

The results of our operations may be materially and adversely affected if we fail to maintain the joint venture with the other CMW Partners

We hold 45% interest in CMW and our share of profit from CMW accounted for approximately 57.8%, 39.7%, 59.5%, 80.5% and 73.7% of our Group's profit before tax during the Track Record Period. Meanwhile, CMW was our Group's largest customer during the Track Record Period.

Besides, Pinefield and CMW have entered into the Pinefield Toll Manufacturing Agreement, pursuant to which, in consideration for its provision of manufacturing capacity, Pinefield receives a fee on a cost recovery basis as agreed at the beginning of each year. Revenue attributable to such an arrangement accounted for approximately HK\$20.2 million, HK\$23.5 million, HK\$31.8 million, HK\$17.0 million and HK\$13.5 million representing approximately 7.0%, 7.5%, 9.7%, 11.0% and 9.1% of our Group's revenue respectively during the Track Record Period. Gross profit attributable to such an arrangement during the years ended 31 December 2012, 2013 and 2014 accounting for approximately HK\$0.2 million, HK\$0.2 million and HK\$0.3 million respectively. For the six months ended 30 June 2014 and 2015, the Pinefield Toll Manufacturing Agreement resulted in a minimal loss of approximately HK\$0.2 million and HK\$0.3 million respectively.

Any material divergence of view on CMW's operation between our Group and the other CMW Partners may materially and adversely affect our Group's operations. If there are significant disputes which lead to the dissolution of the joint venture, our financial results could be materially and adversely affected.

CMW was one of our top five suppliers for the years ended 31 December 2012 and 2013. If we experience an interruption, reduction or termination in supply of raw materials from CMW, our business operations may be adversely affected

As described in the section headed "Business" of this prospectus, CMW occasionally provides raw material to us for greater convenience and expediency. Such an arrangement is also employed to allow both parties to meet minimum order volumes for certain less common raw materials. If we experience an interruption, reduction or termination in supply of raw materials from CMW for any reason, we may not be able to benefit from such convenience and expediency. For example, we may experience an increase in inventory turnover days as we can only place orders of the minimum size less frequently and utilisation of raw materials may take longer. This may adversely affect our business operations.

If the Pinefield Toll Manufacturing Agreement is terminated, the increased fixed cost per unit may materially and adversely affect our financial results

As described in the section headed "Business" of this prospectus, Pinefield entered into the Pinefield Toll Manufacturing Agreement. It was a commercial arrangement entered into in conjunction with the setting up of CMW with two reputable international coating providers, and was an opportunity to share the fixed costs of our manufacturing operations. Since our Group shares 45% profits of CMW, production under Pinefield Toll Manufacturing Agreement facilitates increased profits for our Group.

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For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, production under the Pinefield Toll Manufacturing Agreement took up approximately 12.4%, 14.5%, 14.7%, 15.0% and 11.2% of the aggregate production capacity of our Group respectively. If the Pinefield Toll Manufacturing Agreement is terminated, the increased fixed cost per unit of our products may lead to a decreased profit margin and hence our financial results may be materially and adversely affected.

Our business relies on production processes and technologies that are subject to continuous change and we cannot guarantee that we will be able to successfully develop or acquire new production processes and technologies on a timely basis, or at all

Our customers are principally from the toy industry and the consumer electronics industry. The needs of our customers are rapidly changing due to the changes in regulatory requirements in their industries. Our technologies and products may become less attractive during the evolution of the industry which may give rise to developments such as the emergence of new technologies or products. It is our strategy to introduce new technologies to enable us to tailor our products to meet our customers' changing needs and remain competitive in the market. We cannot guarantee that our technical development activities can enable us to appropriately anticipate market opportunities or to create and modify products in response to market and customers' preferences in a timely manner.

Failure in our quality control system could harm our business and lead to potential product liability claims for compensation if our products are found to be defective

In the event any of our products are alleged or found to be defective, we may be subject to product liability claims. Thus, the quality of our products is critical to the success of our business and depends significantly on the effectiveness of our quality control system.

Despite having a robust quality control system in place, there could be instances in which our products do not meet the specifications and requirements agreed upon with or requested by our customers, or our products could be found to be defective, or result in our customers suffering losses. In such cases, we may be subject to product liability claims and litigation for compensation which could result in substantial and unexpected expenditure and could materially and adversely affect our cash flow and financial results. Moreover, product failures or defects, and any complaints or negative publicity, could result in a decrease in sales of our Group. Even if a product defect was attributable to raw materials supplied by our suppliers, we cannot guarantee that we would be able to recover all or part of the damages by claiming against our suppliers.

Certain risks involved in our business operation are generally not insured

As described in the section headed "Business" of this prospectus, our Group does not hold product liability insurance since our Directors are of the view that (i) our Group's operation mode does not require it, and (ii) the levels of premium required to maintain product liability insurance render holding an insurance policy commercially non-viable. If we were to suffer losses, damages or liabilities in the course of our business operations arising from product liability claims, we may have to bear such losses, damages, or liabilities by ourselves. In such a case, our business operations and financial results may be materially and adversely affected.

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We may fail to obtain, or experience material delays in obtaining or renewing requisite certificates, licences, permits or governmental approvals for our operations and relevant leases for our production facilities, and as a result our business and financial results may be materially and adversely affected

We are required to obtain and maintain various certificates, licences, permits and governmental approvals. We cannot guarantee that we will be able to comply with the latest Hong Kong and the PRC regulations that may come into effect from time to time or that we will not encounter other material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates, licences, permits or approvals for our operations in a timely manner, or at all, in the future. If we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary certificates, licences, permits or approvals, our business may experience interruption and our financial results may be materially and adversely affected.

Our Group is currently in the process of applying for the construction work completion evaluation certificates for the buildings located on the MT land. However, we cannot guarantee that such certificates can be obtained eventually. If we fail to obtain such certificates, our business and our financial results may be materially and adversely affected.

Deterioration in our corporate image and reputation may have a material and adverse effect on our financial results

We rely on our corporate image to attract potential customers and retain existing customers. Our corporate image and reputation are based largely on subjective consumer perceptions and can be tarnished by isolated business incidents or publicity, whether accurate or not, that spoil consumer confidence and adversely affect our business and financial results. Moreover, any untrue statements made by media may lead us to engaging in legal actions, which may incur a substantial amount of legal expenses. We cannot guarantee that there will not be any negative media reports about us or our products, whether accurate or not, in the future.

Occurrence of material operational failure may materially and adversely reduce our productivity and affect our financial results

Our operations are subject to hazards inherent to manufacturing industries, including but not limited to fires, mechanical failure or misuse, power outages and other industrial accidents. Our productivity will be significantly reduced if there is any material operational failure in our production facilities and hence, our financial results could be materially and adversely affected. Some of the industrial accidents may cause severe damage to or destruction of property and equipment and environmental damage. These could result in legal and regulatory liabilities and/or civil or criminal penalties. Moreover, we may be subject to claims with respect to workplace, workers' compensation and other matters if there is any personal injury, and/or loss of life.

We are susceptible to the shortage of labour supply at reasonable cost

Our production relies on a stable supply of labour at reasonable cost. During the Track Record Period, our direct labour cost amounted to approximately HK\$38.7 million, HK\$40.7 million, HK\$49.9 million, HK\$24.0 million and HK\$27.9 million respectively, representing approximately 18.3%, 18.4%, 21.2%, 22.0% and 25.2% of our total cost of sales and services respectively. We cannot guarantee that

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the supply of labour will remain at a reasonable cost, especially in the PRC, with the increasing minimum wage imposed by the PRC government. Moreover, as demand for skilled workers in the labour market is increasingly intensive, we may need to provide a more competitive remuneration package and welfare to our employees in order to retain and recruit staff. We may not be able to manufacture and deliver our products on schedule to meet the customers' demand and implement our expansion plans if we fail to retain our existing labour and/or recruit and train a sufficient number of workers promptly. Moreover, a significant increase in our labour costs could materially and adversely affect our financial results.

Our Group may have to seek alternative premises in the PRC to carry on its business due to the incomplete land use right and building ownership right titles owned by the lessor of the land occupied by the Pinefield production facilities

According to our PRC Legal Adviser, (i) the lessor of the land occupied by the Pinefield production facilities has been unable to provide valid legal title documents to such land during the term of our occupation thereof; (ii) a building was demolished and new buildings were constructed on that land with the consent of the lessor. The necessary building ownership certificates for the new buildings were not obtained after they were constructed, and thus in the event the validity of the buildings are contested, the lessor may be forced to demolish them; (iii) it is uncertain as to whether the site of the Pinefield production facilities will be subject to a re-development plan in the future, and the likelihood of being required to demolish the buildings or relocate the Pinefield production facilities is unascertainable; and (iv) in the event that Pinefield is being required to vacate the site of the Pinefield production facilities and a compensation and relocation plan fails to be agreed upon with the government authority, Pinefield may be involved in administrative litigation and the process may be lengthy depending on the complexity of the case.

In the event the land leases or building ownership rights are challenged, our leases and thus Pinefield's operations could be impacted. We may be required to vacate the land or the buildings, or may incur legal expenses. In such case, and if our contingency plan could not be implemented, our business and financial results may be materially and adversely affected.

Our plan to expand our production facilities may not be successful or such expansion may result in significant increase in our cost of sales and services depreciation and may materially and adversely affect our operations and financial results

To support our growing operations, we will further expand our existing production facilities by engaging in phase two of construction of the Springfield production facilities. The capital expenditure of which is estimated to be approximately HK\$112.6 million and the construction is expected to commence in the fourth quarter of 2015 and it is anticipated construction will take approximately one and a half years.

Our expansion plans may involve the following risks: (i) our actual production volume may vary depending on the demand and purchase orders for our products which in turn may be affected by market trends, customers' preferences or other factors which are beyond our control; (ii) the demand for our products and revenue to be generated may not increase in line with our increase in production capacity; (iii) we expect to incur increased costs, such as direct labour costs and depreciation costs, in connection with phase two of construction of the Springfield production facilities; (iv) we cannot guarantee our

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expansion plans will be successfully implemented without delay or at all; and (v) we may not be able to obtain the necessary licences from the PRC regulatory authorities for phase two of the Springfield production facilities.

Also, as discussed in the section headed “Connected transactions” of this prospectus, we have entered into a sale and purchase agreement to acquire the land which will join with our existing land to form a larger piece of land for phase two of the construction of the Springfield production facility. We might need to scale down our Springfield production facilities if we fail to acquire the land.

Meanwhile, the future plans of our Group as described in the paragraph headed “3. Business strategies and future plans” under the section headed “Business” of this prospectus are based on current intentions and assumptions. The future execution of such plans may be subject to capital investment and human resources constraints. Furthermore, our expansion plan may also be hindered by other factors beyond our control, such as the general market conditions, the economic and political environment of Hong Kong, the PRC and the world. Therefore our expansion plan may not materialise in accordance with the timetable or at all.

If we fail to identify suitable acquisition targets or complete the acquisitions, our growth and competitiveness may be materially and adversely affected

The coating industry in the PRC is fragmented. As described in the paragraph headed “Environmental friendly requirements of the local authorities” of the section headed “Industry overview” of this prospectus, the PRC government is aiming to gradually raise the entry requirements of the coating industry, close down outdated production facilities and reconstruct the coating industry. The PRC government will also support mergers and acquisitions in the petrochemical industry.

The identification and completion of such acquisitions are dependent upon various factors, including prospective market conditions, geographic locations of the targets and other resources in relation to our existing plants and customers, satisfactory completion of due diligence, negotiation of definitive agreements and our ability to compete with other entities to acquire attractive targets. We do not have any acquisition plan at present or in the near future. There can be no assurance that in the future we will be able to identify and acquire appropriate acquisition targets on commercially acceptable terms, if at all, or that we will have sufficient capital to fund such acquisitions. Failure to identify or acquire suitable acquisition targets in the future could materially and adversely affect our growth. Our bargaining power on purchases such as raw materials would be lower which in turn could materially and adversely affect our competitiveness in the consolidation process of coating manufacturers.

It is feasible that unbeknownst to us, Kesite operated in breach of relevant laws and regulations prior to our acquisition of Kesite and we may be penalised for such instances of non-compliance

Our Group acquired Kesite in December 2013. From the information provided so far by the previous owners, we have been unable to ascertain whether prior to our acquisition Kesite operated in compliance with some areas of PRC law such as that relating to the social insurance and housing provident fund. Despite requests to the previous owners, our Group has as of yet not received such documents. If there were to be a prior incident of non-compliance, it is possible that Kesite would be held liable to government sanctions or fines, and, despite the delineation of liability agreed between our Group and the previous owners of Kesite, we would not be able to transfer the liability for such breach to the previous owners of Kesite and would be required to assume responsibility ourselves. Depending

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on the type and severity of such instance of non-compliance, the potential penalty could adversely affect our financial results. For further details, please refer to the paragraph headed “5.1.3 Kesite acquisition” under the section headed “Business” of this prospectus.

RISKS RELATING TO OUR INDUSTRY

Changes in costs of raw materials may materially and adversely affect our financial results since we do not enter into any long-term agreements with our suppliers

We purchase raw materials for use in manufacturing our products. The cost of these raw materials represent a considerable portion of our operating cost. During the Track Record Period, our cost of raw materials amounted to approximately HK\$139.6 million, HK\$147.5 million, HK\$152.2 million, HK\$79.0 million and HK\$65.6 million respectively, representing approximately 66.1%, 66.7%, 64.6%, 65.2% and 59.3% of our total cost of sales and services for the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2014 and 2015 respectively. Thus our financial results greatly depend on our ability to source quality raw materials at competitive prices. We have not entered into any long-term agreements with any of our current raw materials suppliers, nor have we entered into any hedging arrangements to reduce our exposure to fluctuations in raw material costs. The costs of our raw materials generally follow price trends of crude oil, which can be highly volatile. We cannot guarantee that we will be able to pass the increase in raw materials costs to our customers on a timely basis to avoid unfavorable impacts on our financial results. Our financial results may be materially and adversely affected by the volatility in these costs.

Furthermore, increases in operating costs may also increase our demand for working capital, which could reduce our liquidity and cash flow. In addition, when we increase our product prices to reflect rising raw materials and energy costs, demand for our products may reduce when customers shift their consumptions from our products to substitute products, which may materially and adversely impact our financial results.

Our business is largely dependent on the overall market conditions in Hong Kong and the PRC

During the Track Record Period, approximately 68.5%, 72.1%, 75.3%, 73.0% and 74.2% of our revenue for the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2014 and 2015 respectively was derived from customers located in the PRC. Our Directors anticipate that revenue generated from our operations in the PRC will continue to be our main revenue stream in the near future.

A slow-down in the economy and changes in the political developments in the PRC, a slow-down in the Hong Kong economy, and/or a global recession, could result in a substantial decrease in demand for our products and could materially and adversely affect our business. Our customers are spread over different industries. Demand for our products is derived from demand for our customers’ products, and thus, the sale of coatings and related products, for instance, to segments relating to consumer products such as toys and telecommunication devices, would be affected by the levels of consumer and business spending in these segments. Our sales to these segments are affected by the levels of discretionary consumer and business spending in these segments. During economic downturns in these segments, the levels of consumer and business discretionary spending may decrease, and the recovery of these

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segments may lag behind the recovery of the overall economy. This decrease in spending will likely reduce the demand for some of our products and may materially and adversely affect our financial results.

We face keen competition in our industry in Hong Kong and the PRC

We face substantial competition from many international and local competitors of various sizes. Some of our competitors are of larger scale than us and have greater financial resources to compete. Other competitors are of smaller scale than us but may be able to offer lower-priced products. Technical expertise, service, distribution, product quality and breadth of product line are the key areas of competition for our business. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be materially and adversely affected.

We are required to comply with numerous complex and increasingly stringent domestic and foreign health, safety and environmental laws and regulations, the cost of which is likely to increase and may materially and adversely affect our financial results

The industry that we are operating in is subject to various domestic and foreign health, safety and environmental laws and regulations. These laws and regulations not only govern our current operations and products, but also impose potential liability on us for our past operations. We expect the health, safety and environmental laws and regulations imposed upon our industry and us to be increasingly strict in the future. Thus we will be spending more on our compliance functions in order to comply with these more stringent requirements. Such increase in compliance costs may materially and adversely affect our financial results and operations. For example, our subsidiaries must comply with laws and regulations of the PRC on environmental protection, including the “Environmental Protection Law of the PRC” (《中華人民共和國環境保護法》) and “Prevention and Control of Water Pollution Law of the PRC” (《中華人民共和國水污染防治法》) and other regulatory documents issued by government authorities from time to time. For further details, please refer to the section headed “Regulatory environment” of this prospectus.

Acts of God, acts of war, riot and other disasters could materially and adversely affect our business

Natural disasters, epidemics, riot and other acts of God which are beyond our control may materially and adversely affect the economy and livelihood of the people in Hong Kong and the PRC. They may also materially and adversely affect our business and financial results. Acts of war, riot and terrorist attacks may cause damage or disruption to us, and to our employees, customers and markets or may cause material economic downturn in the affected areas, which may materially and adversely affect our revenue, cost of funding, overall results and financial conditions. Potential wars or terrorist attacks may also cause uncertainties to our business.

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RISKS RELATING TO HONG KONG AND THE PRC

Uncertainty on the state of the political environment in Hong Kong and the PRC may materially and adversely affect our financial results and operations

Hong Kong is a special administrative region of the PRC and is entitled to enjoy a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since a significant portion of our operations are located in Hong Kong and the PRC, any change of such political arrangements may pose an immediate threat on the stability of the economy in Hong Kong and the PRC, thereby directly and negatively affecting our results of operations and financial positions.

Foreign exchange control and foreign investment regulations in the PRC and the fluctuations in foreign currency exchange rates could materially and adversely affect our business operations

We are exposed to risk associated with interest rates and value changes in foreign currencies, which may materially and adversely affect our financial results. Our primary exchange rate exposure is with the RMB against the Hong Kong dollars. We may experience losses from foreign currency exchange rate fluctuations since our reporting currency of our financial statements is Hong Kong dollars.

Apart from this, the PRC government regulates conversion between RMB and foreign currencies. Strict foreign exchange controls apply to capital account transactions in the PRC. Capital account transactions in foreign currencies generally require the approval of the PRC government authorities including the State Administration of Foreign Exchange (外匯管理局) and are subject to significant exchange controls. These regulations may delay the fund transfers from our PRC subsidiaries to our Group, which may have material and adverse impact on our business operations.

RISKS RELATING TO THE SHARE OFFER

Termination of the Underwriting Agreement

Prospective investors should note that the Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in the section headed “Underwriting” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS, avian influenza and such related/mutated forms or interruption or delay in transportation.

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Share Offer, no public market for the Shares existed. The Offer Price was the result of negotiations between our Company and the Underwriters. The market price for the Shares may differ significantly with the Offer Price following the Share Offer. While we have made an application to the Stock Exchange for the Listing, there is no assurance that a listing on the Stock Exchange will result in

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the development of an active and liquid public trading market for the Shares after the Share Offer. In addition, the price and trading volume of the Shares may be volatile since factors such as variations in our revenue, earnings and cash flows or any other developments may materially and adversely affect the volume and price at which the Shares will be traded. There is no assurance that such variations will or will not occur.

Potential conflict of interests between our Controlling Shareholders and other minority Shareholders

Upon completion of the Share Offer and Capitalisation Issue, our Controlling Shareholders will control, in aggregate, 75% of the Shares. The interests of our Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that our Controlling Shareholders will act in our best interests and that of the minority Shareholders. In the event of any conflict of interests between our Controlling Shareholders and our minority Shareholders arises, our Controlling Shareholders will have the power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

Investors may experience dilution if we issue additional Shares or other securities in the future

We may require additional funds in the future to finance the expansion of the business and operations of our Group. If additional funds are raised through the issue of new Shares or other equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted.

Sale of Shares by existing Shareholders may materially and adversely affect the prevailing market price of the Shares

The Shares controlled by our Controlling Shareholders are subject to lock-up undertakings for periods of up to 12 months after the Listing Date. While we are not aware of any intention of our Controlling Shareholders to dispose of their Shares, we cannot give any assurance that they will not dispose of Shares they may own now or in the future. The disposal of a substantial amount of Shares by any Substantial Shareholders or the market perception that such sale may occur may negatively impact the prevailing market price of the Shares.

Historical dividends are not indicative of future dividends

The dividends paid by our Group during the Track Record Period amounted to HK\$30.0 million, HK\$95.0 million, HK\$10.0 million and nil respectively. Meanwhile, our Group declared and paid an interim dividend of HK\$10.0 million in August 2015, and will further declare and pay a special dividend of HK\$10.0 million in November 2015 before Listing in respect of our retained earnings as at 31 December 2014. Investors should not use such historical dividends as a reference or basis to determine the level of dividends that may be declared and paid by our Company in future. There is no assurance that dividends in amount similar to or exceeding historical dividends or at all will be declared. The declaration, payment and amount of any future dividends are subject to the discretion of our Board, having considered factors including our earnings, financial condition, cash requirements, applicable laws and other relevant factors.

RISK FACTORS

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus contains certain facts, forecasts and other statistics that have been extracted from government official sources and publications or other sources which we believe to be reliable and appropriate for such statistics and facts. We have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by us, the Sponsor, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, such statistics and facts may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. We, the Sponsor, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer make no representation as to the accuracy or completeness of these statistics and facts. Potential investors should not place undue reliance on any of such statistics and facts contained in this prospectus.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements.

Investor should read the entire prospectus carefully and should not rely on any information contained in press articles and/or other media coverage regarding us and the Share Offer

Prior to the publication of this prospectus, and possibly subsequent to the date of this prospectus but prior to the completion of the Share Offer, there might have been press articles and/or media coverage regarding us and the Share Offer, which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authorised by us or any other person involved in the Share Offer. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

WAIVERS AND EXEMPTIONS FROM COMPLIANCE WITH THE LISTING RULES

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

We have entered into, and are expected to continue to carry on, after Listing, certain transactions, which would constitute continuing connected transactions of our Company under the Listing Rules upon Listing. We have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules in respect of such transactions. Further details of such continuing connected transactions and the waiver are set out in the section headed “Connected transactions” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Miscellaneous Provisions Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matter the omission of which would make any statement herein or this prospectus misleading.

ALL OFFER SHARES ARE UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer in Hong Kong which is sponsored by the Sponsor. All the Offer Shares will be underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the Share Offer and underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF SHARES

No action has been taken to permit a public offer of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, or be deemed by his acquisition of Public Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and the Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other persons or parties involved in the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue. No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Miscellaneous Provisions Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares to be listed on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange, any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

All Shares in issue or to be issued pursuant to the Share Offer and the Capitalisation Issue for dealing on the Stock Exchange will be registered on our Company's branch register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered on our branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong branch register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as HKSCC chooses.

Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or exercise of any rights in relation to, the Offer Shares. It is emphasised that none of our Company, our Directors, the Sponsor, the Underwriters, any of their respective directors, agents or

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

advisers or any other persons involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any holder of Shares resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi and/or US\$ amounts into Hong Kong dollar amounts or vice versa at specified rates. You should not construe these translations as representations that Renminbi and/or US\$ amounts could actually be converted into Hong Kong dollar amounts or vice versa at the rates indicated or at all. For the purpose of this prospectus, unless we indicate otherwise, the translation of Renminbi amounts into Hong Kong dollar amounts has been made at the rate of RMB0.8108 to HK\$1.00, RMB0.8000 to HK\$1.00, RMB0.7921 to HK\$1.00, RMB0.7907 to HK\$1.00 and RMB0.7895 to HK\$1.00 for the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2014 and 2015 respectively.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Yuen Shu Wah (原樹華先生)	Flat A, 4th Floor, Block 12 Richwood Park 33 Lo Fai Road Tai Po, New Territories Hong Kong	British
Mr. Ko Jack Lum (高澤霖先生)	Room B, 2nd Floor 50 Kai Yuen Street North Point Hong Kong	Chinese
Mr. Ng Kai On (伍介安先生)	Flat B, 38th Floor Tower 1, The Waterside Ma On Shan New Territories Hong Kong	Chinese
Non-executive Directors		
Dato' Wong Peng Chong (王炳忠拿督)	Flat C, 46th Floor, Block 1 28 Fortress Hill Road, Le Sommet North Point, Hong Kong	Malaysian
Mr. Kong Muk Yin (江木賢先生)	Flat E, 10th Floor, Block 3 Felicity Garden 111 Shau Kei Wan Road Hong Kong	Chinese
Independent non-executive Directors		
Dr. Chui Hong Sheung, JP (崔康常博士)	Flat F, 24th Floor, Forum Court Pictorial Garden 2 Shatin, New Territories, Hong Kong	Chinese
Mr. Cheung Chi Wai Vidy (張志偉先生)	Flat B, 18th Floor Tak Cheong Court 19 Tak Cheong Lane Yau Ma Tei, Kowloon, Hong Kong	British
Mr. Yue Kwai Wa Ken (余季華先生)	3rd Floor 21 Yik Yam Street Happy Valley Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Altus Capital Limited 21 Wing Wo Street Central Hong Kong
Underwriters	Get Nice Securities Limited 10th Floor, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central, Hong Kong
	Pacific Foundation Securities Limited 11th Floor, New World Tower II 16–18 Queen's Road Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law</i> Robertsons 57th Floor, The Center 99 Queen's Road Central, Hong Kong
	<i>As to PRC law</i> ETR Law Firm 7th Floor, Bank of Guangzhou Square No. 30 Zhujiang Dong Road Guangzhou, Guangdong Province PRC
	<i>As to Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal adviser to the Sponsor and the Underwriters	<i>As to Hong Kong law</i> P.C.Woo & Co. 12th Floor, Prince's Building 10 Chater Road, Central Hong Kong
Auditor and reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor, One Pacific Place 88 Queensway, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Property valuer	Asset Appraisal Limited Room 901, 9th Floor On Hong Commercial Building 145 Hennessy Road Wanchai, Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15th Floor Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Please note that further information regarding our Directors can be found in the section headed “Directors, senior management and employees” of this prospectus.

CORPORATE INFORMATION

Registered Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarter, head office and principal place of business in Hong Kong

Block L
9th Floor, On Wah Industrial Building
41–43 Au Pui Wan Street
Fo Tan, Shatin
Hong Kong

Company secretary

Mr. Kong Muk Yin (*HKICPA, FCCA, CFA*)
Flat E, 10th Floor
Block 3, Felicity Garden
111 Shau Kei Wan Road
Hong Kong

Authorised representatives (for the purpose of the Listing Rules)

Mr. Ng Kai On
Flat B, 38th Floor
Tower 1, The Waterside
Ma On Shan
New Territories, Hong Kong

Mr. Kong Muk Yin
Flat E, 10th Floor
Block 3, Felicity Garden
111 Shau Kei Wan Road
Hong Kong

Audit Committee

Mr. Yue Kwai Wa Ken (*Chairman*)
Dr. Chui Hong Sheung
Mr. Cheung Chi Wai Vidy

Remuneration Committee

Mr. Cheung Chi Wai Vidy (*Chairman*)
Mr. Yuen Shu Wah
Mr. Ko Jack Lum
Dr. Chui Hong Sheung
Mr. Yue Kwai Wa Ken

Nomination Committee

Mr. Yuen Shu Wah (*Chairman*)
Mr. Ko Jack Lum
Dr. Chui Hong Sheung
Mr. Cheung Chi Wai Vidy
Mr. Yue Kwai Wa Ken

CORPORATE INFORMATION

Compliance adviser	Altus Capital Limited 21 Wing Wo Street Central Hong Kong
Principal share registrar and transfer office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 11th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong
	China Merchants Bank, Songgang branch Ground Floor, Zhao Fengxiang Tower Liye Road, Songgang Avenue Bao An District, Shenzhen PRC
	Bank of China, Zengcheng branch 19 Zhongfu Road, Zhongxin Town Zengcheng City, Guangdong Province PRC
	Agricultural Bank of China, Zhongxin branch 18 Zhongfu Road, Zhongxin Town Zengcheng City, Guangdong Province PRC
Company's website address	www.irasia.com/listco/hk/manfield (Note: Contents of this website do not form part of this prospectus)

INDUSTRY OVERVIEW

Part of the information that appears in this section has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this section has not been independently verified by our Group, the Sponsor, the Underwriters or any other party involved in the Share Offer and neither they nor Euromonitor give any representations as to its accuracy. The information should not be relied upon in making, or refraining from making, any investment decision.

Our Directors confirm that after taking reasonable care, they are aware of no adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have any impact on the information in this section.

SOURCE OF INFORMATION

Report conducted by Euromonitor

Euromonitor is a market research company with a focus on industry, country, company and consumer research and is an Independent Third Party. Euromonitor was commissioned by our Group to prepare the Euromonitor Report in respect of the industrial coating industry in the PRC for an aggregate fee of US\$53,450. Information disclosed in this prospectus which is attributable to Euromonitor has been extracted from the Euromonitor Report, which was prepared in the ordinary course of business of Euromonitor, and published with the consent of Euromonitor. Euromonitor is not an official government source for such information and such information being included in this prospectus is based on Euromonitor's desk research, trade interviews and various government official publications.

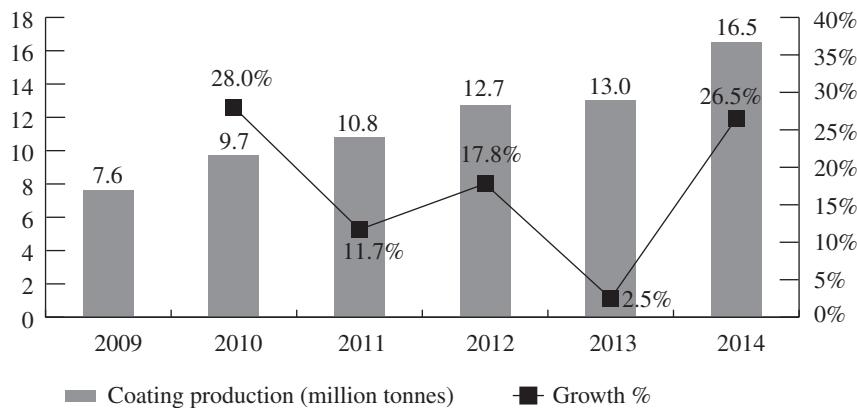
COATING PRODUCTION IN THE PRC

The PRC's coating industry witnessed fast growth over the past decade. According to the China Paint and Coating Industry Annual 2013, for the year 2013, there were more than 1,900 coating manufacturers that had generated revenue of over RMB20.0 million, while in the year 2002 there were less than 1,000 coating manufacturers that had generated revenue of over RMB5.0 million. Production maintained double-digit growth in terms of both value and volume. Based on statistical data from the China Paint and Coating Industry Annual 2013 and the National Coatings Industry Association, the PRC's production volume of coatings increased from approximately 7.6 million tonnes in 2009 to approximately 16.5 million tonnes in 2014, while the corresponding production value went from

INDUSTRY OVERVIEW

approximately RMB183.6 billion to approximately RMB431.8 billion. Illustration of the PRC's coating production from 2009 to 2014 in terms of production volume and its respective year-on-year growth are shown in the chart below:

Table 1: Coating production in the PRC 2009–2014



Source: China Paint and Coating Industry Annual 2013 and the National Coatings Industry Association

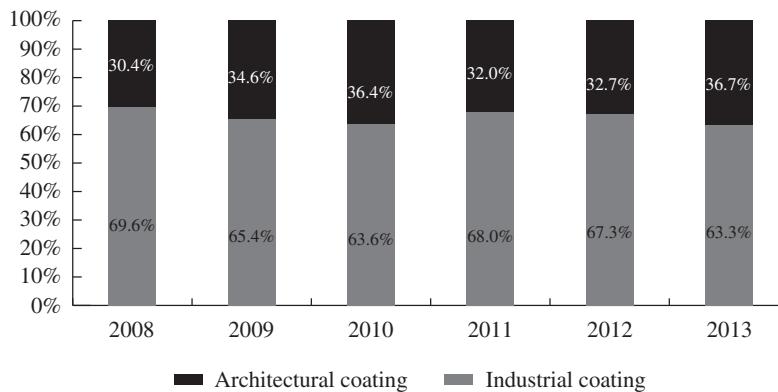
The slow growth of production volume in 2013 was mainly due to regulatory reforms, as the PRC government has been trying to encourage more enterprises to produce environmentally friendly products. Products which do not achieve the environmental standards set out by the PRC regulations were forced to exit the market, which caused the overall production growth to decrease in 2013. However, with higher environmental requirements for coating products and the subsequent transformation of the coating market, the growth trend of production volume is expected to be moderate in the next few years. On the other hand, as a result of the improving environmental requirements, coating products are now produced with higher quality standards and hence the average price of coatings increased from approximately RMB23,073 per tonne in 2012 to approximately RMB26,212 per tonne in 2013.

Coatings are primarily divided into two categories: industrial coatings (including liquid and powder coatings), and architectural coatings. The industrial coatings industry is fragmented and industrial coatings are used in a variety of industries, including automobiles, consumer electronics, toys and shipbuilding, etc. Architectural coatings refer to coating products that are used for construction purposes such as interior and exterior coatings for buildings. Benefiting from the robust economic

INDUSTRY OVERVIEW

growth of the PRC in the past decade, both industrial and architectural coatings developed quickly. The chart below illustrates the estimated breakdown of the production volume between industrial coatings and architectural coatings during the period from 2008 to 2013:

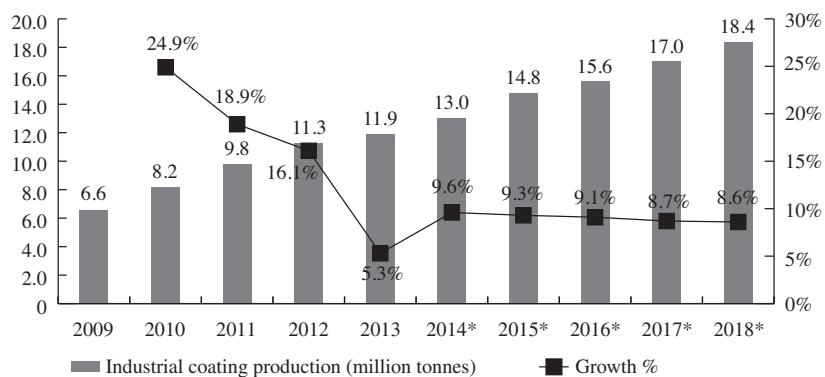
Table 2: Coating production volume breakdown



Source: Euromonitor estimates from trade interview & desk research

In terms of production volume, industrial coating output reached approximately 11.9 million tonnes in 2013, with a CAGR of 16.1% from 2009 to 2013. The development of industrial coatings is closely linked with the fast development of end-user industries, such as toys, automobiles, consumer electronics, etc. The higher standards of environmental requirements as imposed by the PRC regulations have affected the industrial coating market and the growth of production volume has decreased as a whole. Annual growth rate of the production volume decreased from approximately 16.1% in 2012 to approximately 5.3% in 2013. However, some industry sources have indicated that the declining growth rate will recover soon and that moderate growth will be sustained during the forecast period from 2014 to 2018. Based on trade sources, it is expected that the production of industrial coating will grow at a CAGR of 9.0% from 2014 to 2018. The following charts illustrate the production volume and the production value (in terms of manufacturer's selling price) of industrial coating in the PRC during the estimated period from 2009 to 2013 and the forecast period from 2014 to 2018:

Table 3: Industrial coating production volume in the PRC from 2009 to 2018

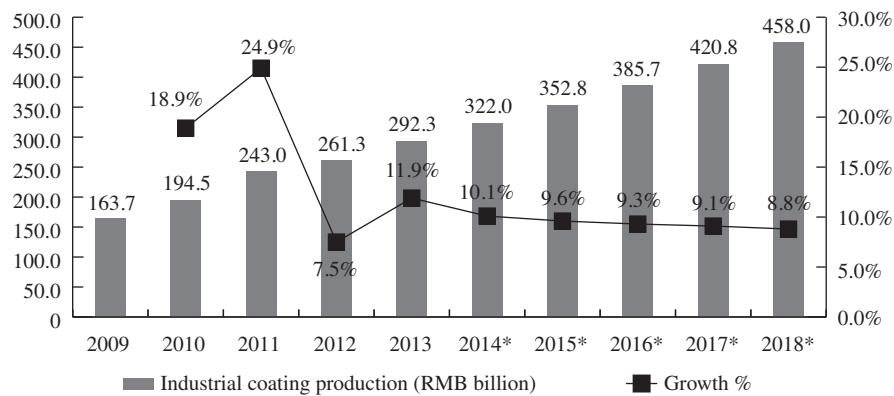


Source: Euromonitor estimates from trade interview & desk research

*Figures from 2014 to 2018 are forecasted

INDUSTRY OVERVIEW

Table 4: Industrial coating production value in the PRC from 2009 to 2018

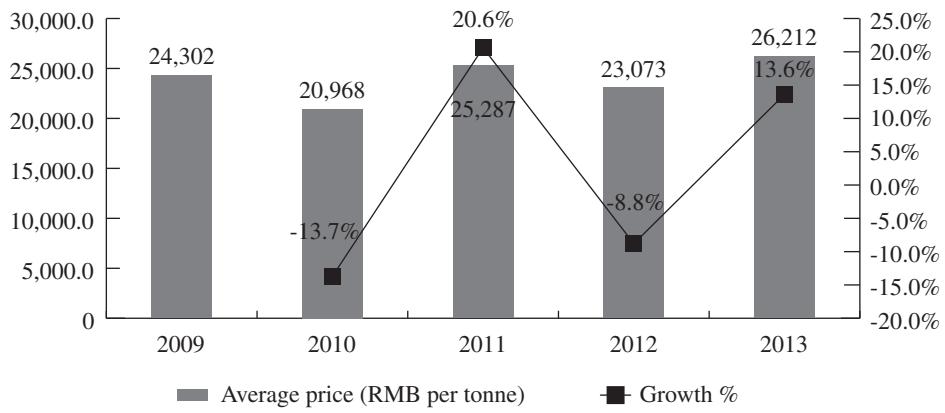


Source: Euromonitor estimates from trade interview & desk research

*Figures from 2014 to 2018 are forecasted

The production value of the industrial coating industry (in terms of the manufacturer's selling price) maintained a high CAGR of 15.6% in terms of value from 2009 to 2013, but slowed down from 2012 to 2013 at a rate of approximately 10%. According to the China Paint and Coatings Industry Annual 2012, the slow growth is largely due to the decrease in the overall coating average price during the year 2012 and due to fluctuations in the overall price for the past few years. The chart below shows the average price trend of coatings in PRC during the period from 2009 to 2013:

Table 5: Average price of coatings in the PRC



Source: Euromonitor estimates from trade interview & desk research

The production value of industrial coating is predicted to maintain a CAGR of 9.2%, reaching a production value of approximately RMB458.0 billion by the end of 2018. The growth rate of the production value is expected to be slightly higher than that of the production volume as the stiff competition and tight profit margins will force industrial coating manufacturers to focus on upgrading their product portfolios with higher value added products. Based on trade sources, it is forecasted that price will slightly increase as higher quality products will be increasingly preferred and sought after in various customers markets.

INDUSTRY OVERVIEW

Market share and market position of our Group

There is no official or reliable public information in respect of the market share and market position of different market players in the industrial coating industry, or any statistics which focus on the industrial coating products of the types manufactured by our Group. Since the industrial coating market is fragmented with a large number of market players producing a wide range of industrial coating products used in different customer industries including automobile, furniture, consumer electronics, toys and shipbuilding, etc., industrial coating products of each market player are not directly comparable.

Our Directors are aware that some of our customers also purchase coating products from certain other coating manufacturers, including two market players which are subsidiaries of two companies listed on the Stock Exchange. According to their respective annual reports, the respective turnover for these two listed companies for the year ended 31 December 2014 exceeded HK\$10.2 billion and HK\$1.4 billion respectively.

Technology advancement assists the development of industrial coating

With the increasingly fierce competition of the industrial coating industry, market players are being forced to upgrade their product portfolios, particularly their investments in high-value products. Based on trade sources, manufacturers agree that acquisition and development of technology in products plays a key role in raising the product value.

Moreover, market players are paying more attention on technology and innovation. Based on the China Paint and Coatings Industry Annual 2012, by the end of 2012, one national-level laboratory, one national-level technology research centre, 6 national-level technology certification centres and 14 post-doctoral workstations and 5 academician centres have been built in PRC. It can be expected that technological improvements will play an increasingly important role for industrial coatings production in the PRC in the future.

Environmental friendly requirements of the local authorities

Recent regulation in the industrial coating industry has exhibited demand for environmental friendly products and has displayed the PRC government's commitment to supporting the structural updating of the coating industry. On 16 August 2011, the Ministry of Industry and Information Technology launched a plan for outdated production capacity in the coating industry to meet the environmental friendly requirements. The plan requires companies to clean up their outdated production capacity. It also encourages the use of water-based coatings for application on bridges, automobiles, and containers. The regulations also call upon companies to invest more in environmental friendly products. Our Group's handling of these policies are further detailed in the section headed "Business" of this prospectus.

For the petrochemical industry, according to the "12th Five-Year Plan" launched and approved by the National People's Congress on 3 February 2012, it was stated that, the government will gradually raise the entry requirements for the coating industry, close down outdated production facilities, develop industrial parks, and reconstruct the coating industry. The government will also support mergers and acquisitions in the petrochemical industry and streamline production standards, thus increasing the level

INDUSTRY OVERVIEW

of production, technology, applications, energy-efficiency and quality. They will also enhance the standards for testing technologies and systems, and actively encourage companies satisfying international standards.

In particular, the “12th Five-Year Plan” for air quality also has a direct requirement on volatile gas emissions from the industrial coating industry. It aims to eliminate coating products that do not meet the government regulations. As a result, a number of companies will be forced to update their production lines.

It is expected that whilst the stricter regulations will accelerate market consolidation, they will not directly impact on the demand for industrial coating since end markets such as toys, furniture and automobiles are still expected to grow in production in the next few years. Accordingly, larger market players who have attained certain industry standards will continue to gain market share during the process of the structural upgrading of the coatings industry, whilst smaller players which do not meet environmental standards may be increasingly edged out of business.

New environmental regulations to raise volatile organic compound emission requirements

Chinese coating manufacturing is still encountering problems in areas such as environmental protection and energy savings. High emission rates of VOCs from coating products are found across the majority of the market. The volume of VOC emission typically releases amount up to 550g/L, which is much higher than the 420–450g/L emission standard for most developed countries.

Air pollution has become more severe in the PRC in recent years and the number of areas greatly affected by air pollution is increasing dramatically. The Ministry of Environmental Protection has identified that the PM_{2.5} emissions are coming from automobile exhaust, VOCs, fire coal, and dust. It is estimated that the coating industry generates approximately 20% of the total volume of VOC emission.

In the “12th Five-Year Plan”, it was clearly indicated that cutting down on VOC emissions is one of the PRC government’s goals in improving the environment. It is predicted that there will be stricter regulations relating to VOC emissions in the coating industry in the future. However, the industrial coating industry still lacks strong legal supervision. Some products which do not meet regulations are still being put into production and are reaching the market. Unenforced and missing regulations have influenced the already weak research and development investments from middle sized companies. In the long term, this has a detrimental impact on market efficiency and negatively impacts the development of the industrial coating industry.

Market entry barriers for industrial coatings

Technology requirements and product quality control

The industrial coating industry is regarded as a technology-intense industry in general, especially for liquid coatings. Products with relatively high profit margins are particularly reliant on the technology capacity of the individual company. Since industrial coatings serve a wide variety of industries, coatings require constant technological updates to meet the requirements of the sectors they serve. Newcomers with no technology base would find it difficult to make a stand in the industry. Environmental regulations also raise the standards of technology and quality for industrial coating products.

INDUSTRY OVERVIEW

In particular, the durability of coatings has received increasing attention from industrial coating practitioners. Despite having different functions, industrial coatings of all categories require certain levels of durability which help to maintain their consistency and performance. Enhancing the durability of coatings is one important area of technological development. This requires companies to have a strong technical team and constant resource investment. All these factors lead to increasing levels of technological requirements facing new players wishing to enter the industrial coating industry.

Capital requirements

Product functionality plays a fundamental role in the industrial coating industry. A competitive industrial coatings manufacturer requires a certain amount of initial capital investment, and strong technology and talent base, especially for liquid coatings. To meet the demand of the ever-changing end-user sectors, it is important for industrial coatings companies to invest in technological innovations and enhance the quality of their products. In sub-categories such as powder coatings, which currently do not have high requirements for capital and technology, there are already signs of the market reaching saturation. This sets a high threshold for capital investment when entering the industrial coating industry.

CUSTOMERS MARKET OVERVIEW

As comprehensive figures and statistics relating to demand and supply within the industrial coating industry are scarce, we have also provided industry information relating to our major customer industries with the view that our business performance is related to the performance of those industries primarily engaged in by our customers.

Toy market

The toy industry is one of the traditional industries of the PRC. As early as the 1980s, the PRC became the biggest toy producer in the world. The past few years saw a steady increase in toy production in PRC. In 2014, the production value reached RMB209.9 billion, with a CAGR of 5.3% from 2009 to 2014.

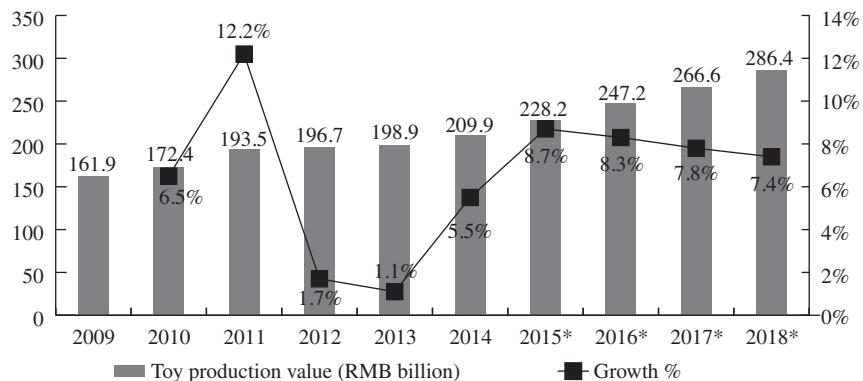
Selling to more than 100 countries and regions, the toy industry of the PRC has been listed as one of the five pillar export industries of the PRC. According to China Toys and the Juvenile Products Association, over 65% of the global production of toy in value terms are produced in the PRC, making the PRC the leading toy producer in the world.

Although the economic recession in the United States and the European sovereignty debt crisis impacted the export market in 2008, the past few years have seen a gradual resurgence of levels of demand. In 2011, the production value of toys in the PRC reached RMB193.5 billion, with a year-on-year growth of approximately 12.2%. However, with the continuing uncertainty of the global economy, weak demand from the global market resulted in the production value growth of the PRC decreasing to approximately 1.7% and further decreased to approximately 1.1% in 2012 and 2013 respectively. Nonetheless, with the growth of the export market in 2014, the overall toy production value gained a 5.5% year-on-year growth to reach RMB209.9 billion in 2014.

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The following chart illustrates the toy production value in the PRC (in terms of the manufacturer's selling price) during the estimated period from 2009 to 2014 and during the forecasted period from 2015 to 2018:

Table 6: Value of toy production in the PRC



Source: Euromonitor estimates from trade interview & desk research

*Figures from 2015 to 2018 are forecasted

With the recovery of the global market and the development of domestic market consumption, the production value of the PRC toy industry is expected to grow at a CAGR of 7.9% from 2015 to 2018. By the end of 2018, the production value of the toy industry is forecasted to reach RMB286.4 billion.

Guangdong Province remains the largest production base of toys in the PRC

Guangdong Province ranks as the largest production site for the toy market in the PRC, followed by Jiangsu and Shanghai. In 2014, Guangdong Province's export of toys totalled approximately US\$17.3 billion in value, accounting for 65.9% of the total export value of toys based on the statistical data from General Administration of Customs of the People's Republic of China ("China Custom"). Within Guangdong Province, the production sites are mainly located in Shenzhen, Dongguan, Guangzhou, Shantou, and Foshan.

Low profit margins

Although the PRC is the biggest toy producer in the world, the majority of Chinese companies produce toys for foreign brands through original equipment manufacturing. The profit margin for this business model is comparatively low, while the production costs are constantly increasing. Data from China Custom shows that the unit price has been declining since 2010. On the other hand, due to the increase in production costs, toy production facilities are relocating towards inland PRC where the costs are cheaper. Provinces such as Hebei, Henan, Hunan and Yunnan have shown an increase of over 50% in the growth of production value of toy exports in 2013.

Traditional toy manufacturing industry is weakening

According to trade sources, in today's toy industry, the manufacturing of new toys with innovative and technologically advanced features has become an increasingly important consideration for toy manufacturers, as they have to invest more capital into the research and development of such toys. The increasing capital requirements for toy manufacturing along with the aforementioned narrowing profit

INDUSTRY OVERVIEW

margins due to the declining product price and the increasing production costs have driven the toy manufacturing industry to shift from the production of traditional toys to the production of electronic toys and gadgets.

Our Directors are aware of the paradigm shift within the toys industry from traditional toys to electronic toys and gadgets as mentioned above and are exploring other opportunities to reduce its reliance on the toy industry by expanding and diversifying our customer base to other industries. In particular, our Group intends to increase its product presence in the automobile industry by producing coatings customised for the auto-finishing industry. Further details in relation to the automobile industry are disclosed in the paragraphs under “Automobile market” of this section.

Consumer electronics market

In addition to the toy industry, our Group’s products are also sold to customers in the consumer electronics industry. The production volume of consumer electronics, such as refrigerators, telecommunication devices, cameras, televisions etc., for the past few years has demonstrated significant growth. According to the National Bureau of Statistics of China, the production volume of refrigerators, air conditioners, washers, televisions and laptops reached approximately 92.6 million units, 130.6 million units, 72.0 million units, 127.5 million units and 272.8 million units in year 2013, representing a CAGR of 14.0%, 9.9%, 10.1%, 6.8% and 20.2% during the period from 2008 to 2013. The table below shows the production volume of selected consumer electronics (all of which our Group provided coatings for) in the PRC from 2008 to 2014:

Table 7: Production volume of selected consumer electronics in the PRC

	2008	2009	2010	2011	2012	2013	2014
Refrigerator (million units)	48.0	59.3	73.0	87.0	84.3	92.6	88.0
Air conditioner (million units)	81.5	80.8	108.9	139.1	124.0	130.6	144.6
Washer (million units) ^{Note}	44.5	49.7	62.5	67.2	67.9	72.0	N/A
Television (million units)	91.9	99.0	118.3	122.3	128.2	127.5	141.3
Laptop (million units) ^{Note}	108.6	150.1	185.8	239.0	252.9	272.8	N/A

Source: National Bureau of Statistics of China

Note: The production volume of 2014 is not yet available.

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For the period during 2008 and 2014, it can be seen that the price index of consumer electronics has been experiencing a declining trend with a year-on-year rate of between 1.5% to 5.8%, which reflects the increasingly fierce competition in the consumer electronics industry. The table below shows the retail price index of consumer appliances and consumer electronics in the PRC during the period 2008 and 2014:

Table 8: Retail price index in the PRC

	2008	2009	2010	2011	2012	2013	2014
Consumer appliances and consumer electronics retail price index (previous year =100)	96.9	94.2	96.1	96.9	97.7	98.3	98.5

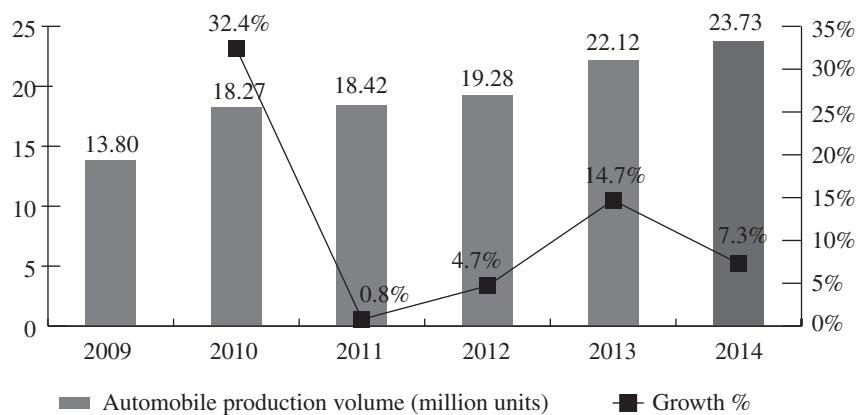
Source: National Bureau of Statistics of China

Automobile market

As our Group's products are sold to customers in the automobile industry, in particular, the auto-finishing industry, our Group's customers are directly affected by the outlook of the automobile industry and we may thus be affected by developments in the automobile industry.

The PRC has been reported as the top automobile manufacturer with the highest global vehicle production over the world for six years in a row, and the production volume of automobiles in the past few years has demonstrated growth. The chart below illustrates the automobile production in volume and the corresponding growth from 2009 to 2014:

Table 9: Volume of automobile production 2009–2014



Source: National Bureau of Statistics of China

According to the National Bureau of Statistics of China, the automobile production volume increased from approximately 13.8 million vehicles in year 2009 to approximately 23.7 million vehicles in year 2014, with a CAGR of 11.5%. The slowdown of automobile production growth in 2011 was mainly due to the expiration of several national automobile stimulation policies, including lowering

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purchase tax for passenger cars under 1.6 litre, promoting the sales of automobiles and motorcycles in the countryside, and auto replacement policies. These policies encouraged residents to purchase automobiles at relatively low prices with lower vehicle purchase tax. However, the automobile market has been recovering and automobile production volume reached 23.7 million units in 2014, representing a year-on-year growth of approximately 7.3%.

According to the State Information Centre (“SIC”) (國家信息中心), the automobile market in the PRC is still currently witnessing a low level of saturation and it is expected that going forward, taking into account the future population estimates of the PRC of approximately 1.5 billion, the total sales volume of automobiles could feasibly reach approximately 60 million units. The sales volume recorded in 2014 was approximately 23.7 million units.

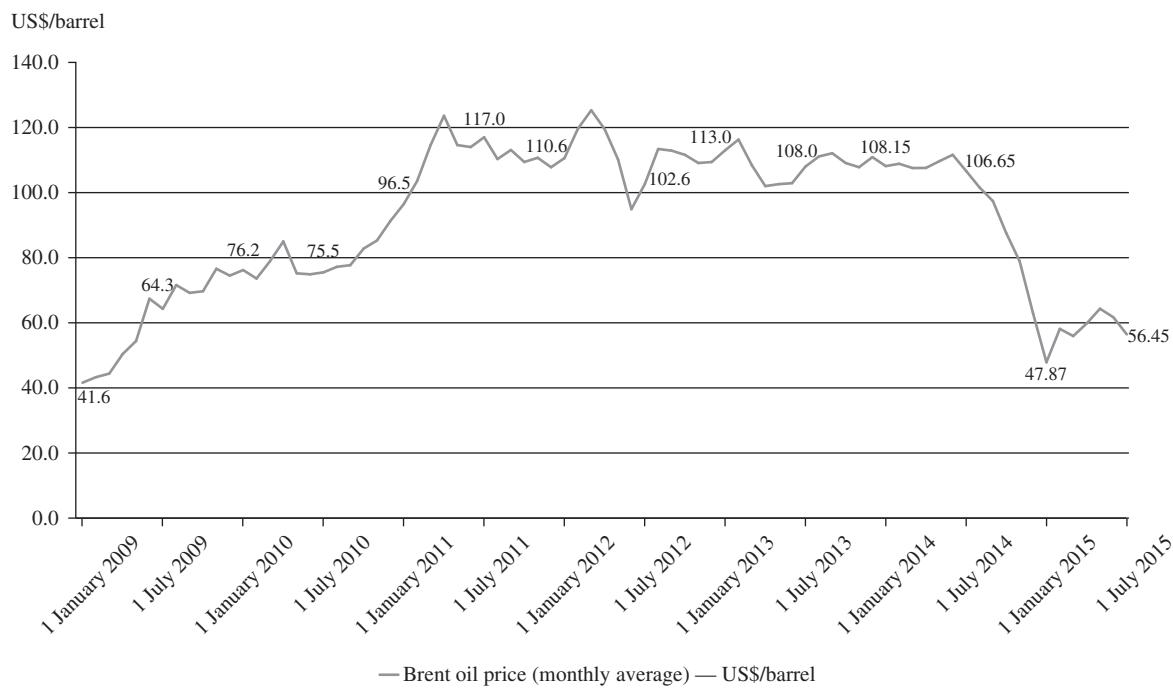
RAW MATERIALS

As described in detail in the section headed “Business” of this prospectus, the raw materials that our Group uses for the production of industrial coatings are mostly solvents, resins, pigments and additives. Our Group uses specific combinations of these four raw material to produce customised coatings. For solvents and additives, the raw materials are extracted as a by-product of crude oil and thus, the costs of these two raw materials are correlated to the price fluctuations of crude oil. For resins, the range of various types of resins is broad, so that there are no determining factors that affect the costs of resins. Pigments, which are usually metals that create colour pigments in the process of production, comprise a wide range of various types of metals and as such there are no particular factors that affect the cost of pigments other than the cost of extracting the metals, which is affected by the price fluctuation of crude oil as the energy consumption during the extraction process comprises most of the production cost of pigments.

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However, with the lack of industry pricing data in the PRC for the aforementioned raw materials, there are no credible and official statistical data on the price trend for the raw materials that can present the cost of raw materials clearly and appropriately. Hence, for illustration purposes, the crude oil price trend, of which the fluctuation of the oil price can affect the cost of the raw materials such as solvents and additives, should present the general picture of the raw material market. The table below shows the crude oil monthly average price as mentioned above during the period from January 2009 to July 2015:

Table 10: Crude Oil Monthly Average Price (Brent Index)



Sources: Euromonitor compiled from desk research

Note: For illustration purposes, the crude oil price represented in this graph is the historical monthly average of crude oil price from the Brent Oil Index of the ICE-International Exchange.

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OVERVIEW OF THE PRC LAWS AND REGULATIONS

The following is a summary of the PRC laws and regulations relating to the business operations of our Group within the territory of the PRC.

Establishment, operation and management of a WFOE

The “Company Law of the PRC” (中華人民共和國公司法) is the basic law that regulates limited liability companies and joint stock companies established within the PRC. It expressly provides that matters relating to WFOEs not covered in the “Wholly Foreign-owned Enterprise Law of the PRC” (中華人民共和國外資企業法) shall be applicable to the “Company Law of the PRC”. As a result, in addition to the “Wholly Foreign-owned Enterprise Law of the PRC” and the “Implementation Regulations of the Wholly Foreign-owned Enterprise Law” (中華人民共和國外資企業法實施細則), WFOEs are also governed by relevant provisions of the “Company Law of the PRC”. The latest revision of the “Company Law of the PRC” became effective on 1 March 2014.

WFOEs should abide by the “Wholly Foreign-owned Enterprise Law of the PRC” passed on 12 April 1986 and revised on 31 October 2000 and the “Implementation Regulations of the Wholly Foreign-owned Enterprise Law” passed on 28 October 1990 and revised on 12 April 2001 and 19 February 2014 in order to engage in business activities within the PRC.

The “Guidance Catalog of Industries for Foreign Investment” (外商投資產業指導目錄) was first released on 28 June 1995 and revised respectively on 29 December 1997, 4 March 2002, 30 November 2004, 31 October 2007, 24 December 2011 and 10 March 2015 as approved by the State Council. Companies are governed as by the catalog in force at the time of their establishment. According to the “Catalog of Industries for Foreign Investment” currently in force which was revised on 10 March 2015 as approved by the State Council, products of WFOEs should fall within the scope of the “Catalog of Encouraged Industries for Foreign Investment” (鼓勵外商投資產業指導目錄) (see the content in the “Guidance Catalog of Industries for Foreign Investment”). Industrial coatings specifically fall under Item 39 “Fine chemicals” and Item 42 “Production of high-performance coatings, high solid, solventless coatings, water-based industrial coatings, and auxiliary water-based resins” under Category 10 “Manufacturing of Raw Chemical Materials and Chemical Products” in “Manufacturing Industries”.

Interim Provisions for Investment in China by Enterprises with Foreign Investment

According to the “Interim Provisions for Investment in China by Enterprises with Foreign Investment” (關於外商投資企業境內投資的暫行規定) released on 25 July 2000 (no amendments have been made thereto since then), “Investment in China by enterprises with foreign investment” means an act whereby a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a WFOE legally established in the PRC in the form of a limited liability company, or a company limited by shares with foreign investment, invests in and establishes an enterprise in the PRC or purchases the equity interest of one or more investors in another enterprise (the “Investee Company”) in the PRC in its own name.

With respect to investment made in the PRC by the investment companies established by foreign investors, the laws and regulations of the PRC concerning foreign investment and the “Provisions on the Establishment of Investment Companies by Foreign Investors” (關於外商投資舉辦投資性公司的規定) shall apply.

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For investment made in the PRC jointly by a foreign investor and an enterprise with foreign investment, the laws and regulations of the PRC concerning foreign investment shall apply, provided that the proportional ratio of the foreign investor's capital contribution shall generally be no less than 25% of the registered capital of the Investee Company.

The "Provisions on Guiding the Direction of Foreign Investment" (指導外商投資方向規定) and the "Guidance Catalog of Industries for Foreign Investment" shall apply as the reference to investments of enterprises with foreign investment in the PRC. Enterprises with foreign investment shall not make investment in any sector prohibiting foreign investment. Meanwhile, an Investee Company shall be a limited liability company or joint stock company.

The provincial examination and approval authority shall, after confirming that the investment made by the enterprise with foreign investment complies with relevant laws and regulations of the PRC and that the foreign investment accounts for no less than 25% of the registered capital of the Investee Company, issue an approval document to the applicant and a "Certificate of Approval for Establishment of Enterprises with Foreign Investment" (外商投資企業批准證書) while indicating words that mean "invested by an enterprise with foreign investment" therein. Where the business scope of an Investee Company involves any restricted sector, the provincial examination and approval authority shall, before granting an approval, seek opinions from the relevant industry administration department in accordance with the requirements under the regulations.

Laws and regulations on environmental protection

According to the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) effective from 26 December 1989 and amended on 24 April 2014, entities that may create pollution and other materials toxic to the environment shall implement environmental protection measures and establish an accountability system for environmental protection. Such entities shall take effective measures to prevent and control pollution and harm caused to the environment, including exhaust gas, sewage, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated from production, construction and other activities. Facilities for the prevention and control of pollution from construction projects shall be designed, built and commissioned together with the principal part of the project. The construction or use of such facilities may only start upon passing the inspection by the environmental protection administrative authority approving the environmental impact reports.

According to the Laws of the People's Republic of China on the Prevention and treatment of Water Pollution (中華人民共和國水污染防治法) effective from 1 November 1984 and amended on 15 May 1996 and 28 February 2008, environmental impact assessment shall be conducted on any new construction, reconstruction and expansion of projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. Enterprises and institutions that discharge pollutants directly or indirectly into the water shall obtain the Pollutants Discharge Permit. Enterprises and institutions that discharge pollutants directly into the water shall pay pollutant discharge fees based on the types and quantity of the sewage discharged according to the standards for pollutant discharge fees.

According to the Law of the People's Republic of China on Prevention and treatment of Atmospheric Pollution (中華人民共和國大氣污染防治法) effective from 1 June 1988 and amended on 29 August 1995 and 29 April 2000, new construction, expansion and reconstruction projects which

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discharge pollutants into the air shall be subject to the relevant environmental protection regulations of the PRC. Entities that discharge pollutants into the air shall report to the local environmental protection administrative authority information regarding their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under normal operating conditions, and also submit to the same authority the technical information concerning the prevention and control of air pollution. The PRC government has adopted a policy to collect pollutant discharge fees based on the categories and quantity of pollutants discharged to the air and the fee standard shall be reasonably determined based on the requirement to improve prevention and control of air pollution as well as the economic and technical conditions of the PRC.

According to the Law of the People's Republic of China on Prevention and treatment of Noise Pollution (中華人民共和國環境噪聲污染防治法) effective from 1 March 1997, industrial enterprises which cause noise pollution due to the frequent use of equipment during the industrial production process shall report to the local environmental protection administrative authority the types and quantity of the equipment they possess that may cause noise pollution, the noise level produced under normal operating conditions and the facilities they possess for the prevention and control of noise pollution, and submit the technical information concerning the prevention and control of noise pollution according to the requirements of the environmental protection administration under the State Council. Entities which cause noise pollution shall take rectification measures and pay excess pollutant discharge fees according to the regulations of the PRC.

Emission of VOCs

The “Action Plan for the Prevention and Treatment of Atmospheric Pollution” (大氣污染防治行動計劃)[#] promulgated by the State Council on 10 September 2013 called on the people's governments of all provinces, autonomous regions and municipalities and all ministries and commissions and organisations under the direct supervision of the State Council to institute and enhance restrictive standards in respect of VOCs in products such as coatings and adhesives, promote the use of water-based coatings, encourage the production, sales and use of low-toxic and low-VOC solvents and advance measures for the treatment of VOC pollution.

In accordance with the “Shenzhen Air Environment Quality Enhancement Plan” (深圳市大氣環境質量提升計劃)[#] promulgated by the General Office of the Shenzhen People's Government, on 20 September 2013, one of its tasks is to strengthen control over VOC pollution. Specific measures include the organisation and completion of a general investigation on VOCs and the establishment of a system for total volume management by the Human Settlements and Environment Commission of Shenzhen (深圳市人居環境委員會) (“Shenzhen HEC”) and other authorities, whereby a general investigation on VOCs shall be carried out in the city, an emission checklist shall be compiled and a list of enterprises to be placed under intensive regulation shall be established by July 2014. Enterprises causing pollution which fail to comply with emission standards within a designated period of treatment shall be closed down or suspended in accordance with the law.

The “Shenzhen 2014 Work Plan for Treatment of VOC Pollution” (深圳市2014年揮發性有機物污染整治工作方案)[#] announced by Shenzhen HEC on 16 July 2014 sets out relevant requirements for the treatment of exhaust gas emission to be fulfilled by enterprises in Shenzhen which are required to complete VOC treatment in 2014. Two of those requirements are to “build facilities for the treatment of exhaust gas” and “monitor exhaust gas emission on a regular basis”. In order to “build facilities for the

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treatment of exhaust gas,” an enterprise is required to appoint a suitably qualified institution to design and install the exhaust gas processing facilities. The proposed design shall be subject to deliberation and assessment by experts prior to implementation, and such design must achieve an exhaust gas purification rate of 90% or above. The VOC emission standards for various industrial sectors in respect of VOC contents in raw and auxiliary materials for production processes, VOC emission by exhaust pipes, height of exhaust pipes and emission speed must be complied with. Where no emission standards have been formulated for a particular industrial sector, the “Restrictive Standards for the Discharge of Pollutants in the Atmospheric Environment” (大氣污染物排放限值) (DB44/T 27-2001) shall prevail. In order to “monitor exhaust gas emission on a regular basis,” an enterprise is required to appoint a qualified testing and inspection institution to monitor VOC emission. Enterprises in the furniture, printing, footwear manufacturing and auto manufacturing sectors shall conduct the monitoring process on a bi-annual basis, while other sectors shall conduct the same on an annual basis. The monitor report shall specify whether the relevant emission standards have been complied with. Enterprises which fail to carry out any monitoring as a result of their failure to install any proper emission outlet shall be considered non-compliant in emission.

These are regulatory documents formulated by State Council or Shenzhen HEC and distributed to their related departments.

Clean Production Audit

In accordance with the Law of the People’s Republic of China on the Promotion of Clean Production enacted (中華人民共和國清潔生產促進法) on 1 January 2003 (amended on 29 February 2012), entities engaged in production and servicing activities and competent authorities in charge of the administration thereof shall organise and implement clean production in accordance with the aforesaid law.

In accordance with the Provisional Measures on Clean Production Audit (清潔生產審核暫行辦法) promulgated by the National Development and Reform Commission and the State Environmental Protection Administration and implemented with effect from 1 October 2004, clean production audits shall be in the form of voluntary audits or mandatory audits. Enterprises that comply with national or local emission standards in their pollutants may carry out a clean production audit on a voluntary basis.

In accordance with the “Measures for a Clean Production Audit and its Inspection and Acceptance of Guangdong Province” (廣東省清潔生產審核及驗收辦法) promulgated by the Economic and Trade Commission of Guangdong Province, Department of Science and Technology of Guangdong Province and Environmental Protection Bureau of Guangdong Province on 12 January 2009, the inspection and acceptance of a voluntary clean production audit shall be conducted by the enterprise on a voluntary basis, and the result of the audit inspection and acceptance is classified as either “Compliant” or “Good”. Enterprises classified as “Good” in the assessment shall be awarded the title of “Guangdong Hygienic Manufacturing Garden” (廣東省清潔生產企業) together with a certificate by the provincial economic and trade authorities in association with other relevant provincial authorities, if no objection is raised following examination and publication of the result. Enterprises classified as “Compliant” in the assessment shall be awarded the title by “XX Hygienic Manufacturing Garden” (XX市清潔生產企業) together with a certificate by the municipal economic and trade authorities in association with other relevant municipal authorities of the locality where they operate.

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The assessment and inspection and acceptance process in respect of a mandatory clean production audit shall be organised and implemented by the competent provincial authorities for the administration of environmental protection. The assessment result is classified as either “Pass” or “Fail.” The names of enterprises that have passed the inspection and acceptance of the clean production audit shall be announced bi-annually by the provincial environmental protection authorities. In respect of enterprises subject to mandatory clean production audits that refuse to commence such clean production audit, or apply for assessment, inspection and acceptance, or are assessed as “Fail” in inspection and acceptance, the provincial environmental protection authorities shall, depending on the actual circumstances, announce their names to the public, or require them to launch a new application for a clean production audit, inspection and acceptance, or impose penalties in accordance with the law.

Laws and regulations on environmental impact assessment

According to the Regulations Governing Environmental Protection in Construction Projects (建設項目環境保護管理條例) effective from 29 November 1998 and the Environmental Impact Assessment Law of the People’s Republic of China (中華人民共和國環境影響評價法) effective from 1 September 2003, an environmental impact assessment system for construction projects has been implemented in the PRC. Categorised management is adopted according to the assessment of the degree of impact on the environment from the construction projects. Environmental impact reports shall be prepared for construction projects which may cause material impact on the environment in order to conduct a comprehensive assessment of the environmental impact. Environmental impact report forms shall be prepared for projects which may cause moderate impact in order to analyze or conduct specific assessment on the environmental impact. If environmental impact is expected to be relatively small, an environmental impact registration form shall be carried out. Such environmental impact assessment documents of construction projects shall be submitted to the competent environmental protection administrative authority for approval according to national requirements. The project approval authority shall not approve the construction and the construction entity may not commence the construction of the projects if the entity does not apply for or fails to obtain the approval according to the requirements.

According to the Administration Measures for Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法) effective from 1 February 2002, qualified and certified institutes shall be engaged to provide environmental impact evaluations on construction projects and to prepare environmental impact assessments. Construction of any new production facilities or major expansion or renovation of an existing production facility may only be launched after such an assessment is submitted to and approved by the environmental protection administrative authority.

Laws and regulations on production safety

When engaging in production activities, an enterprise shall abide by relevant PRC laws and regulations on production safety, including the “Production Safety Law of the PRC” (中華人民共和國安全生產法), “Fire Prevention Law of the PRC” (中華人民共和國消防法), “Regulations on the Safety Administration of Hazardous Chemicals” (危險化學品安全管理條例), “Measures for Implementation of Safety Production Licence of Hazardous Chemical Production Enterprises” (危險化學品生產企業安全生產許可證實施辦法), and “Regulations on Work Safety Licences” (安全生產許可證條例).

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The Production Safety Law of the PRC

Pursuant to the “Production Safety Law of the PRC” effective from 1 November 2002 which was amended respectively on 27 August 2009 and 31 August 2014, special equipment that is potentially dangerous, the containers of hazardous substances, and transportation tools that any production or business operation uses must, according to the relevant provisions of the state, be manufactured by specialised production entities, and may only be utilised after they pass the examination and tests of such institutions which have obtained the relevant professional qualifications to issue a certificate for safe use or a mark of safety. In addition, the production, business operation, transportation, storage, and use of any dangerous substances or the disposal of or abandonment of dangerous substances shall be subject to the examination and approval as well as the supervision and administration of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards. Enterprises shall organise education and training on production safety for its staff. They shall also provide its staff with protective articles which meet the national or industrial standards, and supervise and guide their staff to wear and use such articles according to the prescribed use.

The Fire Prevention Law of the PRC

The “Fire Prevention Law of the PRC” amended on 28 October 2008 specifies fire prevention safety responsibilities that should be enacted by enterprises, including, without limitations, the following: practising fire prevention safety responsibility system, working out fire prevention safety rules and operating procedures, formulating contingency plans for fire fighting and emergency evacuation, deploying fire fighting facilities and equipment and putting up fire prevention safety signs pursuant to relevant state provisions and industrial specifications, and organising inspection and maintenance at regular intervals. Enterprises shall carry out a comprehensive inspection of fire fighting facilities at least once a year, to ensure their proper functioning. The inspection records shall be intact, accurate and archived for supervision purposes.

Enterprises that produce or sell flammable or explosive hazardous goods must enforce fire control technical standards and management regulations during the production, storage, transportation, sales, use and destruction of the hazardous goods. Anyone who enters a site that produces or stores flammable or explosive hazardous goods must comply with fire control safety regulations.

The Regulations on Work Safety Licences

The “Regulations on Work Safety Licences” effective on 13 January 2004 which was amended respectively on 18 July 2013 and 29 July 2014 expressly states that the state implements the work safety licence system for production enterprises of hazardous enterprises, with a view to strictly regulating work safety conditions, further enhancing work safety supervision and management, and hence preventing and reducing work accidents.

An enterprise that has not obtained a work safety licence shall not conduct any relevant manufacturing activities. The administrative department for work safety supervision under the State Council shall be in charge of the issuance and management of work safety licences for enterprises engaged in non-coal mining as well as those engaged in the production of hazardous chemicals, fireworks and crackers that are managed by the central government. The administrative department for work safety supervision of each province, autonomous region or municipality directly under the central

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government shall be in charge of the issuance and management of work safety licences for enterprises engaged in non-coal mining as well as those engaged in the production of hazardous chemicals, fireworks and crackers managed by the central government that are beyond the scope of the preceding paragraph, while accepting the guidance and supervision of the administrative department for work safety supervision under the State Council.

Before starting production, an enterprise shall apply for a work safety licence to the department in charge of the issuance and administration of work safety licences according to these regulations, and provide relevant documents and materials specified in Article 6 of the “Regulations on Work Safety Licences”. The department in charge shall complete its review process within 45 days from the day of receipt of an application, and issue work safety licences to those found upon review to satisfy the work safety conditions specified in these regulations. For those failing to satisfy the work safety conditions as specified in these regulations, the abovementioned department shall deny their access to work safety licences, and send written notices to the applicants with reasons explained for such denial.

Regulations on the Safety Administration of Hazardous Chemicals

The “Regulations on the Safety Administration of Hazardous Chemicals” revised on 16 February 2011 stipulate that before the commencement of manufacturing, an enterprise engaged in the manufacture of hazardous chemicals shall obtain the work safety licence for hazardous chemicals according to the “Regulations on Work Safety Licences” and Production Licence in accordance with the “Regulations on Work Safety Licences” and the “Regulations of the PRC on the Administration of Production Licences for Industrial Products”.

Enterprises that manufacture hazardous chemicals shall supply the technical safety specifications relating to the hazardous chemicals produced, and affix or attach safety signs on the packaging materials (including external packages) that are in full accord with hazardous chemicals in the packaging according to national standards. New hazard characteristics for hazardous chemicals manufactured shall be publicly announced, and technical safety specifications and the safety signs shall be modified promptly.

Enterprises that manufacture hazardous chemicals subject to critical environmental management shall report what particles the hazardous chemicals have released to the environment and other relevant information to the competent administration for environmental protection. The packaging of hazardous chemicals shall comply with provisions of relevant laws, administrative regulations and rules as well as national and industrial standards. In addition, the texture of the packaging materials and containers as well as the model, specifications, and method of packaging together with single item mass (weight) shall suit the nature and usage of hazardous chemicals contained therein.

Laws and regulations on product quality

The Regulations of the PRC on the Administration of Production Licences for Industrial Products

The “Regulations of the PRC on the Administration of Production Licences for Industrial Products” (中華人民共和國工業產品生產許可證管理條例) effective from 1 September 2005 implemented a system of production licences for enterprises which produce industrial products that can impact production safety or public safety, such as hazardous chemicals as well as their packaging materials and containers.

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Enterprises that produce packages and containers of hazardous chemicals that are falling within the ambit of the Catalogue shall obtain the Production Licence in accordance with the “Regulations of the PRC on the Administration of Production Licences for Industrial Products”.

Enterprises that manufacture and store hazardous chemicals shall entrust a qualified agency to conduct safety evaluation for its production safety conditions once every three years, and submit the safety evaluation report and the implementation progress of the reform program to the administration for work safety supervision of the people’s government at the county level for archiving. Enterprises that store the hazardous chemicals in port areas shall submit the safety evaluation report and the implementation progress of the reform program to competent port authorities for archiving.

Enterprises that manufacture and store highly toxic chemicals or hazardous chemicals that can be used to manufacture explosives as defined by the public security department of the State Council (the “explosive hazardous chemicals”) shall record the quantity and distribution details of highly toxic chemicals and explosive hazardous chemicals they have manufactured and stored, and take necessary safety precautions to prevent the highly toxic chemicals and explosive hazardous chemicals from being lost or stolen. In the case that such chemicals are found to be lost or stolen, the enterprise shall report to the local public security bureau immediately. Moreover, enterprises that manufacture and store highly toxic chemicals shall set up a security department staffed with full-time security personnel.

The hazardous chemicals shall be stored within specialised warehouses, and fields or specialised rooms (the “specialised warehouses”), and be managed by the specially assigned personnel. Highly toxic chemicals and other chemicals that amount to a storage volume constituting a significant dangerous source shall be stored separately in specialised warehouses, and be subject to a system of two-person receipt and despatch and two-person safeguarding. The storage means and methods and the quantity stored must meet the national standards or relevant national provisions.

Enterprises storing hazardous chemicals shall establish the inspection and registration system for hazardous chemicals’ entry into and exit from warehouses. The detailed storage quantity, sites and persons in charge of the highly-toxic chemicals and other chemicals that amount to a storage volume constituting a significant dangerous source shall be submitted to the administration for production safety supervision at the local county level (if the storage site is located on a port, such information shall be submitted to competent port authority) and public security bureau for archiving.

The specialised warehouses for hazardous chemicals shall meet the requirements of national standards and industrial standards, and signs shall be put up at noticeable places. The specialised warehouses for storage of highly toxic chemicals and explosive hazardous chemicals shall put in place relevant technical preventative measures in accordance with relevant national provisions. Enterprises storing hazardous chemicals shall regularly check and inspect their safety facilities and equipment of specialised warehouses storing hazardous chemicals.

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Pursuant to the “Detailed Rules for the Implementation of Production Licence for Hazardous Chemicals (13) (Coating Products)” (危險化學品生產許可證實施細則(13)(塗料產品部分)) issued by the General Administration of Quality Supervision, Inspection and Quarantine of PRC on 26 April 2013, certain products of our Group fall within the ambit of the Catalogue.

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These regulations shall be abided by for the production, sales, or, during the course of business, use of the products falling within the ambit of the Catalogue within the PRC. The administration of the import and export of the products falling within the ambit of the Catalogue shall be implemented according to relevant laws, administrative regulations and state provisions. Any enterprise that fails to obtain the Production Licence may not produce the products falling within the ambit of the Catalogue. Any entity or individual may not sell or, during the course of business, use any product upon failing to obtain the Production Licence of any product falling within the ambit of the Catalogue. The management of the industrial products that are subject to the industrial products production licence system shall be carried out by the state with unified catalogues, examination requirements, certificate symbols and supervision and administration.

Any enterprise that has not obtained the relevant Production Licence as stipulated in the above regulations cannot produce any product falling within the ambit of the Catalogue.

The Product Quality Law of the PRC

According to the “Product Quality Law of the PRC” (中華人民共和國產品質量法) (the “Product Quality Law”) promulgated on the 22 February 1993 and amended on 8 July 2000, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

Laws and regulations on labour contracts

According to the Labour Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) effective from 1 January 2008 and subsequently amended on 28 December 2012, employers and employees shall enter into employment contracts to establish their employment relationship. When hiring employees, employers are required to inform the employees about their job duties, working conditions, working places, occupational hazards, production safety conditions, remuneration and other matters which the employees may be concerned with.

Employers and employees shall fulfill their respective obligations in accordance with the requirements of the employment contracts, and employers shall pay remuneration to employees on time and in full in accordance with the commitments and provisions set forth in the contracts and strictly adhere to the working quota standards, and are prohibited from compelling employees to work overtime directly or indirectly. At the time of terminating an employment contract, the employers shall provide evidence for such termination and arrange for the employee to transfer his/her file and social insurance details within 15 days.

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Laws and regulations on employee benefits

The Social Insurance Law of the PRC

According to the “Social Insurance Law of the PRC” (中華人民共和國社會保險法) effective from 1 July 2011, employees shall participate in basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance schemes, maternity insurance and other social insurance. Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees. Employees shall participate in occupational injury insurance and maternity insurance schemes and such contributions shall be paid by employers rather than employees.

According to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) effective from 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective from 19 March 1999, an employer shall register with the local social insurance authority in accordance with the provisions of the Social Insurance Law of the PRC and make contributions in full and on time.

Regulations of Insurance for Employment Injury

In line with the “Regulations of Insurance for Occupational Injury” (工傷保險條例) effective on 1 January 2004 and amended on 20 December 2010, PRC enterprises are obligated to contribute to the occupational injury insurance for their employees.

Provisional Measures on Maternity Insurance for Employees

The “Provisional Measures on Maternity Insurance for Employees” (企業職工生育保險試行辦法) effective on 1 January 1995 provide that PRC enterprises should contribute maternity insurance for their employees. The contribution ratio of maternity insurance shall be determined by the local government based on planned births, maternity allowance, maternity medical expenses, and other expenses, and will be adjusted in due course based on the expenses, but will not exceed 1% of the total salary. Female employees are entitled to maternity leave in accordance with the provisions of relevant laws and regulations.

Regulations on Management of Housing Provident Fund

The “Regulations on Management of Housing Provident Fund” (住房公積金管理條例) effective from 3 April 1999 and amended on 24 March 2002, are applicable to enterprises with foreign investment. Enterprises are required to pay housing provident fund for their employees. Enterprises shall register with the relevant housing provident fund management centre within 30 days from the date of establishment, and open housing provident fund accounts with designated banks on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing provident fund management centre, and contribute to the housing provident fund at a rate of not less than 5% of the employee’s average monthly salary in the previous year.

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The Prevention and Control of Occupational Diseases Law of the People's Republic of China

According to the Prevention and Control of Occupational Diseases Law of the People's Republic of China (中華人民共和國職業病防治法) amended on 31 December 2011, employers shall adopt effective protection measures against occupational diseases and provide protective articles against occupational diseases for the personal use of its employees. For employees engaging in occupational-disease-inductive operations, employers shall arrange for occupational health examinations before, during and at the termination of employment and inform the employees the examination results in writing according to the requirements of the administration of work safety and the administration of health under the State Council. Employers shall be liable for the costs of occupational health examinations.

Law relating to the import and export of goods

Customs Law of the People's Republic of China (中華人民共和國海關法)

According to the Customs Law of the People's Republic of China passed on 22 January 1987 and subsequently amended on 8 July 2000, 29 June 2013 and 28 December 2013, the consignee or consignor of imported or exported goods shall complete the declaration formalities by registering at customs according to law. Pursuant to the Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定) promulgated by the General Administration of Customs on 13 March 2014, the consignee or consignor of imported or exported goods may complete their own declaration at any ports or any location with centralised customs operation in the PRC after completing the registration at customs.

Law of the People's Republic of China on Imported and Exported Commodity Inspection (中華人民共和國進出口商品檢驗法)

According to the Law of the People's Republic of China on Imported and Exported Commodity Inspection effective from 1 August 1989 and subsequently amended on 28 April 2002 and 29 June 2013 and its implementation regulations, the consignee or consignor of imported or exported goods may complete the clearance declaration with the customs themselves or entrust commodity clearance agency firms to complete the declaration procedures. The government has adopted a filing and registration administration system for enterprises completing the declaration themselves. The consignee or consignor of imported or exported goods shall file with the relevant entry-exit inspection and quarantine authority according to law when handling the customer clearance procedures.

Foreign Trade Registration (中華人民共和國對外貿易法)

According to the Foreign Trade Law of the PRC passed on 12 May 1994 and amended on 6 April 2004, enterprises that engage in foreign trade are required to register with competent department of foreign trade under the State Council or its authorized institution. Customs will refuse to handle the formalities for declaration and clearance of goods imported or exported by a foreign trade operator that fails to complete the record-filing registration formalities.

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Laws relating to foreign exchange

Regulations of the People's Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例)

According to the Regulations of the People's Republic of China for the Control of Foreign Exchange amended on 5 August 2008, international payment and transfer of foreign exchange under current accounts shall not be restricted. The foreign exchange income of a domestic institution or individual may be transferred back into the PRC or deposited overseas. Payment and receipt of foreign exchange under current accounts shall be based on true and legal transactions. Foreign exchange and foreign exchange settlement funds under capital accounts shall be used for the purposes approved by the competent authority and foreign exchange administrative department. Foreign institutions or individuals conducting direct investment in the PRC shall register with the foreign exchange administrative department after obtaining the approval from the competent authority. Domestic institutions or individuals conducting direct investment overseas or issuing or trading marketable securities or derivative products overseas shall complete the registration according to the requirements of the foreign exchange administration under the State Council.

Law on WFOEs of the PRC (中華人民共和國外資企業法)

According to the Law on WFOEs of the PRC amended on 31 October 2000 and its implementation rules, WFOEs shall open bank accounts with the Bank of China or a bank designated by the State Administration of Foreign Exchange. Foreign exchange income of WFOEs shall be deposited to the foreign exchange account at the bank it has opened the account with and foreign exchange expenses shall be paid by the foreign exchange account. Foreign investors may remit abroad their legitimate profit, other lawful incomes and liquidated funds received from WFOEs.

Laws and regulations on taxation

Income Tax

According to the “Enterprise Income Tax Law of the PRC” (中華人民共和國企業所得稅法) effective from 1 January 2008 and the “Implementation Rules to the Enterprise Income Tax Law” (中華人民共和國企業所得稅法實施條例) effective from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is set at the same rate of 25%. Furthermore, resident enterprises, referring to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administrative institution in the PRC, shall pay enterprise income tax originating from both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

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Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the “Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises” (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) effective from 1 January 2008, gains derived from any transfer of equity interests refer to gains derived from such transfer of equity interests in a PRC resident enterprise (excluding shares of any PRC resident enterprise publicly purchased and sold on a stock exchange) by a non-tax resident enterprise.

According to “the Announcement of the State Administration of Taxation of the PRC on Issues Concerning Enterprise Income Tax on Indirect Transfer of Assets by Non-Tax Resident Enterprises” issued and implemented on 3 February 2015, any indirect transfer of equity interests in PRC resident enterprises, which is arranged by non-tax resident enterprises without justifiable commercial purposes and for the purpose to circumvent the relevant obligations of enterprise income tax, will be deemed as a direct transfer, according to Article 47 under the “Enterprise Income Tax Law of the PRC”. If non-tax resident enterprises, through direct or indirect transfer of equity interests or other similar interests (hereunder referred to as “Equity Interests”) in overseas enterprises that hold taxable assets in the PRC (excluding any PRC resident enterprise registered outside the PRC, hereinafter referred to as “Overseas Enterprises”), undertakes any transaction which generates the same or substantially similar end results as if the transaction was a direct transfer of taxable assets in the PRC (including change of shareholders of Overseas Enterprises due to reorganization of non-tax resident enterprises), it is considered as an indirect transfer of taxable assets in the PRC. The following taxation treatment for any indirect transfer of taxable assets in the PRC shall be complied with:

1. the amount derived from institutions set up inside the PRC and the properties on the premise attributable to any Overseas Enterprise and any of its subsidiaries that directly or indirectly holds taxable assets in the PRC shall be the gains actually related to such institutions and premises, thus becoming taxable according to Article 3.2 under the “Enterprise Income Tax Law of the PRC”;
2. in addition to the previous scenario, the amount of real estate inside the PRC shall be gains derived from any transfer of such real estate inside the PRC, thus becoming taxable according to Article 3.3 under the “Enterprise Income Tax Law of the PRC”;
3. if not mentioned in the first two scenarios, the amount derived from equity-based investment assets attributable to any PRC resident enterprise shall be gains derived from such transfer of equity-based investment assets inside the PRC, thus becoming taxable according to Article 3.3 under the “Enterprise Income Tax Law of the PRC”.

Value-Added Tax

Pursuant to the “Provisional Regulations on Value-added Tax of the PRC” (中華人民共和國增值稅暫行條例) effective from 1 January 1994 and amended on 5 November 2008 and its implementation rules effective from 25 December 1993 and amended on 15 December 2008 and 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax

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(“VAT”). The amount of VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% for those engaging in the sale or importation of goods except as otherwise provided, and is also 17% for those providing processing services, repairs and replacement services.

Business Tax

Pursuant to the “Provisional Regulations of the PRC on Business Tax” (中華人民共和國營業稅暫行條例) effective from 1 January 1994 and amended on 5 November 2008, unit or individual providing services as prescribed, transferring intangible assets or selling immovable properties within the territory of the PRC are required to pay business tax. The turnover multiplied by the prescribed tax rates shall be the business tax payable. And the tax rates range from 3% to 20% according to the industry.

Urban Maintenance and Construction Tax and Education Surtax

According to the “Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign-invested Enterprises and Individuals” (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) effective from 1 December 2010, the “Tentative Regulations of the PRC on Urban Maintenance and Construction Tax” (中華人民共和國城市維護建設稅暫行條例) and the “Tentative Provisions on the Collection of Educational Surtax” (徵收教育費附加的暫行規定) shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Pursuant to the “Tentative Regulations of the PRC on Urban Maintenance and Construction Tax” took effect from the 1985 fiscal year, and the “Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax” (國家稅務總局關於城市維護建設稅徵收問題的通知), which was promulgated on 12 March 1994 and took effect from 1 January 1994, any unit or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

In accordance with Tentative Provisions on the Collection of Educational Surtax, which was last revised on 8 January 2011, all units and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax.

On 26 January 2015, State Administration of Taxation published Caishui [2015] 16 “Notice of the Ministry of Finance and the State Administration of Taxation on the Levy of Consumption Tax on Batteries and Coatings” (the “16th Notice”) 《關於對電池塗料徵收消費稅的通知》 with effect from 1 February 2015. According to Article 1 to the 16th Notice, consumption tax shall be levied on batteries and coatings during the process of production, consigned processing, and import at a tax rate of 4%. According to the Appendix II to the 16th Notice, “Explanation on the scope of levy”, coating is a generalised term referring to liquid or solid materials which can be applied to the surface of an object and with the function of protection, decoration, or with special properties. Coating comprised of primary

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film-forming material, secondary film-forming material, etc. Based on the primary film-forming material, coating can be divided into the oil, natural resin, phenolic resin, asphalt, alkyd resin, amino resin, nitrocellulose, filtering, vinyl resin, PVC resin, acrylic resin, polyester resin, epoxy resin, polyurethane resin, organic element, rubber, fiber and other film-forming materials etc.

Laws and Regulations on Foreign Exchange Registration, Foreign Currency Exchange and Dividend distribution

Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control on Offshore Investment and Fundraising by Domestic Residents through Special Purpose Vehicles and Roundtrip Investments, the No. 37 Notice (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (第37號文)

According to the No. 37 Notice released on 4 July 2014 and effective from the same date, those domestic residents (including domestic entities and domestic resident persons) that have established or indirectly control a special purpose vehicle with financial investment objectives, and are legally in possession of domestic enterprise assets or rights or offshore assets or rights, should, prior to making any investments, carry out the relevant offshore investment foreign exchange registration with the State Administration of Foreign Exchange. Domestic residents which conduct investment in possession of legally owned domestic assets or rights, should register at their local branch of the State Administration of Foreign Exchange or at the branch of the State Administration of Foreign Exchange of the area in which they hold their domestic enterprise assets or rights; those domestic residents which conduct offshore investment in possession of legally owned offshore assets or rights, should register at their local branch of the State Administration of Foreign Exchange or at the branch of the State Administration of Foreign Exchange of the area in which they are registered. If there is any change in the basic information of a registered offshore special purpose vehicle such as changes in the individual domestic resident shareholders, the name or the permitted expiration date of the operations, or if there are any significant events such as a domestic resident individual increasing investment, decreasing investment, transferring shares, or any substitution, merger, acquisition or spin-off, then the offshore investment foreign exchange change of particulars registration procedures should be promptly carried out with the State Administration of Foreign Exchange.

Foreign currency exchange

The principal regulations governing foreign currency exchange in China are the “Foreign Exchange Administration Rules of the PRC” (中華人民共和國外匯管理條例) (the “Foreign Exchange Administration Rules”). Under these rules, which were last amended and promulgated on 5 August 2008 and took effect from the same date, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

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Dividend distribution

Before the promulgation of the Enterprise Income Tax Law of the PRC, the principal regulations governing the distribution of dividends paid by WFOEs include the “Wholly Foreign-owned Enterprise Law of the PRC”, the “Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises” and their respective implementation regulations.

Under these regulations, WFOEs in the PRC may only pay dividends from accumulated after-tax profit, if any, determined in accordance with the PRC accounting standards and regulations. And dividends paid to its foreign investors are exempt from withholding tax. However, this exemption provision has been revoked by the Enterprise Income Tax Law of the PRC which requires non-PRC resident enterprises (i.e. enterprises established according to non-PRC law with their actual management entity outside the PRC and, whether organization and premises are established or not in the PRC, generate income from enterprises in the PRC) to pay enterprises income tax at an applicable rate of 20% of their income generated within the PRC. The “Implementation Rules to the Enterprise Income Tax Law of the PRC” reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC and the government of HK signed the “Arrangement Between the Mainland of the PRC and Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income” (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006 (the “Arrangement”). According to the Arrangement, a 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. A 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company.

Furthermore, pursuant to the “Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements” (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on and took effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the “Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial)” (非居民享受稅收協定待遇管理辦法(試行)) which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax treaties.

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Laws and regulations on intellectual property rights

Patent

According to the “Patent Law of the People’s Republic of China” (中華人民共和國專利法) effective from 1 April 1985 and last amended on 27 December 2008, enterprises may apply for patent rights of invention, utility models or designs based on the nature of the inventions. The validity term of invention shall be 20 years, and the validity terms of utility models and designs shall be 10 years, all commencing from the date of application. Unless otherwise stipulated by the law, any individuals or entities who use the patents without the authorisation of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

Trademark

Pursuant to the “Trademark Law of the PRC” (中華人民共和國商標法), which was promulgated on 23 August 1982 with effect from 1 March 1983 and was last amended on 30 August 2013, with such amendments taking effect from 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be 10 years, counted from the day the registration is approved.

OVERVIEW OF HONG KONG LAWS AND REGULATIONS

The following is a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group’s operation and business within the territory of Hong Kong.

Labour, health and safety

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must, as far as reasonably practicable, ensure safe and healthy conditions in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

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Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Under the Mandatory Provident Fund Schemes Ordinance, the employers shall participate in a Mandatory Provident Fund (“MPF”) Scheme for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

Under the Employees’ Compensation Ordinance all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The current Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Usage, storage, manufacturing and conveyance of chemical substance

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

The Dangerous Goods Ordinance controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities.

— *Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong)*

The Dangerous Goods (General) Regulations provide the exempted categories and quantity of the dangerous goods for which a licence is not required for the conveyance, storage and usage of the dangerous goods.

Occupiers liability

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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Import and export declaration

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)

The Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) provides that when importing or exporting any articles, including coating products into or out of Hong Kong, the importer or exporter must lodge an accurate and complete import or export declaration with the Customs and Excise Department.

HISTORY, REORGANISATION AND GROUP STRUCTURE

BUSINESS DEVELOPMENT

Introduction

Our Group's history can be traced back to June 1986 when Manfield Coatings was incorporated in Hong Kong by Mr. Yuen, Mr. Ko, Mr. Chang Big Sing and Ms. Wong Hang Oi to engage principally in the manufacture of coatings. The business was financed by the founders' own capital and was able to capitalise on Mr. Ko and Mr. Yuen's experience gained while they were working for reputable coatings manufacturers in Hong Kong and United Kingdom respectively.

In 1987, in order to cater for our Group's expanding business and to take advantage of the abundant supply of labour and relatively low production cost in the PRC, our Group set up Greenfield Enterprises Company ("Greenfield Enterprises"), a company established in the PRC, in the central district of Shenzhen to undertake the coatings production of our Group's products. Greenfield Enterprises had been inactive since 1995 and was dissolved by 2001. The business and production line of Greenfield Enterprises were transferred to Pinefield. Please refer to the paragraph headed "Pinefield" of this section for more details on Pinefield.

In June 2000, in order to benefit from collaboration with two reputable international coating manufacturers, our Group formed CMW, a Hong Kong joint venture engaged in the importing, distributing, manufacturing and marketing of non-stick and high temperature decorative coatings and coatings for mobile phones, with a German supplier of niche industrial coatings, and a Japanese chemical company. The issued share capital of CMW is 45% owned by our Group, with the remaining 55% owned by the other CMW Partners.

In December 2002, Champion was established for the manufacture of coatings. In the second half of 2013, Champion ceased all operations as our Group decided to consolidate Springfield and Champion's operations. Our Group's business and operations in Champion have now been taken up by Springfield. For more details on Champion, please refer to the paragraph headed "Champion" of this section.

Ants Logistics was incorporated by Pinefield in November 2007 for delivery of the coating products manufactured by our Group's subsidiaries and external parties in the PRC. In May 2013, in order to streamline our Group's business, Pinefield sold its entire interest in Ants Logistics. For details, please refer to the paragraph headed "2. Disposal of Ants Logistics by Pinefield" of the section headed "Connected transactions".

As a result of our Group's continuous expansion and development, our Group set up MT in January 2007 and Springfield in March 2009, and acquired the entire interest in Kesite from Independent Third Parties in December 2013 to engage in the sales of coatings. For more details on MT, Springfield, and Kesite, please refer to the paragraphs headed "MT", "Springfield" and "Kesite" respectively of this section.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Previous major shareholding changes and listing of our business on the Stock Exchange

The business and ownership of our current Group companies were once owned by Greenfield. Below is a brief summary of the previous major shareholding changes in our business since the establishment of Manfield Coatings:

Major shareholding changes of Manfield Coatings

- Manfield Coatings, being the principal subsidiary which owns and operates the business of our Group, was set up in June 1986 by Mr. Yuen, Mr. Ko and two other shareholders, each of whom respectively owned 25% of Manfield Coatings at the time of its establishment.
- In July 1994, Mr. Yuen (who at the relevant time owned approximately 55.45% shareholding in Manfield Coatings) and Mr. Ko (who at the relevant time owned approximately 35.60% shareholding in Manfield Coatings) (the remaining 8.95% shareholding in Manfield Coatings was owned by five other shareholders) together sold in aggregate 51% shareholding in Manfield Coatings to Mulpha Strategic Limited (formerly known as Allied Chemical Products Inc. and King's Chemical Products Inc) ("Mulpha Strategic"). Upon completion of this sale, Mulpha Strategic became the controlling shareholder of Manfield Coatings owning 51% with Mr. Yuen owning 25.05%, Mr. Ko owning 15.00% and other shareholders owning in aggregate 8.95%, respectively. Please refer to the paragraph headed "Manfield Coatings" of this section for more information on Manfield Coatings.
- Mulpha International Bhd ("Mulpha International") became an indirect controlling shareholder of the then group constituting our business (the "Then Group") in 1997 when Mulpha International acquired the entire issued capital in Mulpha Strategic from its then shareholder and subsequently changed its name to Mulpha Strategic. Upon completion of the sale, Mulpha International indirectly owned 51% of the Then Group with the remaining 49% owned in aggregate by the Management Shareholders.
- On 9 April 2002, by a special resolution of shareholders, Manfield Coatings' issued shares were divided into non-voting class A shares and ordinary shares. The shares registered in the names of Mulpha Strategic and Management Shareholders were deemed to be non-voting class A shares. On the same day, 1,000 ordinary shares were allotted and issued to Mr. Ko (as to one share) who holds the one share on trust for Rookwood and to Rookwood (as to 999 shares). Since then, Manfield Coatings became a wholly-owned subsidiary of Rookwood. For further details of the corporate history of Manfield Coatings, please refer to the paragraph headed "Manfield Coatings" of this section.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Acquisition and disposal of Rookwood by Greenfield and major shareholding changes of Greenfield

- In preparation for the then listing, in April 2002, the Then Group underwent a corporate restructuring, pursuant to which Greenfield became the holding company of the Then Group through the acquisition of the entire issued share capital of Rookwood from Pacific Orchid Investments Limited (“Pacific Orchid”) and in consideration of Greenfield’s shares allotted and issued to Pacific Orchid. At the time of the then listing, Rookwood was wholly-owned by Greenfield which was owned as to 75% by Pacific Orchid and 25% by the public. Pacific Orchid was in turn 51% owned by Mulpha Strategic and 49% owned in aggregate by the Management Shareholders.
- On 30 July 2007, Greenfield disposed of an aggregate of 49% of the entire issued share capital in Rookwood to the Management Shareholders (Mr. Yuen as to 28.65%, Mr. Ko as to 15.50%, Mr. Yuen Shi Ki as to 1.85%, Mr. Wong Chi Kong as to 1.50%, Mr. Kwok Wai Kit Victor as to 1.00% and Ms. Wong Shiu Chun as to 0.50%) (the “2007 Disposal”). Upon completion of the 2007 Disposal, Rookwood was legally and beneficially owned by Greenfield as to 51% with the remaining 49% owned in aggregate by the Management Shareholders. On the same day, the Management Shareholders entered into a sale and purchase agreement, whereby the Management Shareholders agreed to sell their aggregate 49% of the entire issued share capital in Pacific Orchid to Mulpha Strategic as to 17% and to Jumbo Hill Group Limited (a wholly-owned subsidiary of Mulpha Strategic) as to 32%, respectively (“Pacific Orchid Transaction”). Upon completion of the Pacific Orchid Transaction, Pacific Orchid was owned as to 68% by Mulpha Strategic and 32% by Jumbo Hill Group Limited.
- On 4 September 2009, approximately 68.7% of Greenfield’s issued share capital was acquired by True Focus Limited, a company wholly-owned by COL Capital Limited (HKSE: 383), through the acquisition of the entire issued share capital of Pacific Orchid from Mulpha Strategic and Jumbo Hill Group Limited, the then shareholders of Pacific Orchid. At the relevant time, Pacific Orchid held approximately 68.7% of Greenfield’s issued share capital. Upon completion of the sale, COL Capital Limited became the controlling shareholder of the Then Group.
- Subsequently on 4 December 2009, Hong Han Limited, a company owned by Independent Third Parties, agreed to acquire approximately 51.3% of Greenfield’s issued share capital from Pacific Orchid. Upon completion of the sale, Hong Han Limited became the controlling shareholder of the Then Group.
- On 2 April 2012, Greenfield further disposed of the remaining 51% of the entire issued share capital of Rookwood to Mezzo (the “2012 Disposal”). Upon completion of the 2012 Disposal and since then, our business is wholly-owned by Rookwood, which is in turn legally and beneficially owned by Mezzo as to 51% with the remaining 49% owned in aggregate by the Management Shareholders.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The table below shows the shareholders of Rookwood and their respective shareholding percentage after the (i) acquisition by Greenfield in April 2002; (ii) disposal by Greenfield in November 2007; and (iii) disposal by Greenfield in April 2012 respectively. For further details of the corporate history of Rookwood, please refer to the paragraph headed “Rookwood” of this section.

	Shareholder(s)	Shareholding percentage
April 2002	Greenfield	<u>100.00%</u>
November 2007	Greenfield	51.00%
	Mr. Yuen	28.65%
	Mr. Ko	15.50%
	Mr. Yuen Shi Ki	1.85%
	Mr. Wong Chi Kong	1.50%
	Mr. Kwok Wai Kit, Victor	1.00%
	Ms. Wong Shiu Chun	<u>0.50%</u>
	Total	<u>100.00%</u>
April 2012	Mezzo	51.00%
	Mr. Yuen	28.65%
	Mr. Ko	15.50%
	Mr. Yuen Shi Ki	1.85%
	Mr. Wong Chi Kong	1.50%
	Mr. Kwok Wai Kit, Victor	1.00%
	Ms. Wong Shiu Chun	<u>0.50%</u>
	Total	<u>100.00%</u>

BUSINESS MILESTONES

The key milestones in the corporate and business development of our Group are set out below:

- 1986 Manfield Coatings was incorporated to be principally engaged in the manufacture of coatings
- 1992 The production facilities of Pinefield commenced operations
- 1997 Manfield Coatings obtained the ISO9001 certification
- 2000 Our Group was awarded the right and licence to use the Hong Kong Q-Mark by the Federation of Hong Kong Industries
- 2000 Our Group’s laboratory was accredited as a HOKLAS Accredited Laboratory by the Hong Kong Accreditation Service in recognition of our ability to perform specific tests on toys and children’s products

HISTORY, REORGANISATION AND GROUP STRUCTURE

2000	Our Group formed CMW together with the other two CMW Partners
2003	The production facilities of Champion commenced operations
2005	Our Group was awarded the Quality Award Gold Award by the Hong Kong Management Association
2007	MT was established
2007	The Management Shareholders acquired 49% equity interest in Rookwood from Greenfield
2012	Mezzo acquired the remaining 51% equity interest in Rookwood from Greenfield
2013	Our Group acquired the entire equity interest of Kesite
2014	The production facilities of Springfield commenced operation

CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 14 April 2014. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 May 2014 and has established a place of business in Hong Kong at Block L, 9th Floor, On Wah Industrial Building, 41–43 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong. As at the Latest Practicable Date, our Company has an authorised share capital of HK\$100,000,000.

For details of changes in the share capital of our Group, please refer to the paragraph headed “2. Changes in share capital of our Company and our subsidiaries” in Appendix V to this prospectus.

A summary of the corporate history of our subsidiaries is set out below:

Manfield Coatings

Manfield Coatings is a company with limited liability incorporated in Hong Kong on 6 June 1986 with an authorised share capital of HK\$500,000 divided into 500,000 ordinary shares of HK\$1.00 each. Each of Mr. Yuen, Mr. Ko, Mr. Chang Big Sing and Ms. Wong Hang Oi subscribed for one share for cash at HK\$1.00, respectively.

On 1 July 1986, a total number of 499,996 shares were allotted to Mr. Yuen, Mr. Ko, Mr. Chang Big Sing and Ms. Wong Hang Oi, each of whom subscribed for 124,999 shares at HK\$1.00 per share. The consideration was settled in cash on the same date. Upon completion of this allotment, there were a total of 500,000 issued shares of HK\$1.00 each in Manfield Coatings and held as to 25% by each of the then shareholders.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 9 November 1988, each of Mr. Yuen, Mr. Ko, Mr. Chang Big Sing and Ms. Wong Hang Oi transferred 10,000 shares in Manfield Coatings to Mr. Ching Kin Pang at a consideration of HK\$10,000 which was based on the par value of the Manfield Coatings shares. The consideration was fully settled in cash on the same date. After the transfer, Mr. Ching Kin Pang beneficially owned 40,000 shares in Manfield Coatings and became one of Manfield Coatings' shareholders.

On 17 December 1992, Mr. Chang Big Sing transferred his entire shareholding in Manfield Coatings to Mr. Yuen at a consideration of HK\$15,203,000 valued by reference to the net book value of Manfield Coatings at the relevant time. On the same day, Ms. Wong Hang Oi transferred her entire shareholding in Manfield Coatings to Mr. Yuen and Mr. Ko (as to 40,000 shares and 75,000 shares each) at a consideration of HK\$5,288,000 and HK\$9,915,000, respectively, and Mr. Ching Kin Pang transferred his entire shareholding in Manfield Coatings to Mr. Yuen at a consideration of HK\$5,288,000. The consideration of all above transfers was based on arm's lengths negotiation with reference to the net book value of Manfield Coatings at the time of transfer. The consideration for each such transaction was settled in cash on the same date and was financed by Mr. Yuen and Mr. Ko's own capital. Upon completion of the above transfers, Manfield Coatings was owned by Mr. Yuen as to 62% and Mr. Ko as to 38%.

On 23 April 1993, Mr. Yuen transferred 6,250 shares to Mr. Yuen Shi Ki, brother of Mr. Yuen, at a consideration of HK\$1,000,000, 7,500 shares to Mr. Wong Chi Kong at a consideration of HK\$1,200,000, 2,500 shares to Ms. Wong Shiu Chun at a consideration of HK\$400,000, 15,725 shares to Mr. Yeung Hon Yuen, Charles at a consideration of HK\$2,795,000 and 12,750 shares to China Bicycles (Hong Kong) Co., Ltd ("China Bicycles") at a consideration of HK\$2,550,000. On the same day, Mr. Ko transferred 4,275 shares to Mr. Yeung Hon Yuen, Charles at a consideration of HK\$855,000 and 7,750 shares to China Bicycles at a consideration of HK\$1,550,000. The consideration of all above transfers was based on arm's lengths negotiation with reference to the net asset value of Manfield Coatings at the time of transfer. All such transactions were settled in cash on the same date.

On 18 May 1993, Mr. Yuen transferred 5,000 shares in Manfield Coatings to Mr. Kwok Wai Kit, Victor at a consideration of HK\$800,000, which was based on arm's lengths negotiation with reference to the net asset value of Manfield Coatings at the time of transfer. Subsequently on 25 November 1993, Mr. Yuen transferred 3,000 shares in Manfield Coatings to Mr. Yuen Shi Ki at a consideration of HK\$540,000, which was based on arm's lengths negotiation with reference to the net asset value of Manfield Coatings at the time of transfer. All such transactions were settled in cash on the same date.

On 16 December 1993, Mr. Yeung Hon Yuen, Charles transferred 20,000 shares, representing his entire shareholding in Manfield Coatings to Mr. Yuen at a consideration of HK\$3,600,000, which was based on arm's lengths negotiation with reference to the net asset value of Manfield Coatings at the time of transfer. The consideration was settled in cash on the same date.

On 22 December 1993, Manfield Coatings increased its authorised share capital to HK\$10,000,000 divided into 10,000,000 ordinary shares of HK\$1.00 each by the creation of 9,500,000 ordinary shares of HK\$1.00 each ranking pari passu with the existing shares. On the same day, each of Mr. Yuen, Mr. Ko, China Bicycles, Mr. Yuen Shi Ki, Mr. Wong Chi Kong, Mr.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Kwok Wai Kit, Victor and Ms. Wong Shiu Chun subscribed for 5,268,225 shares, 3,381,525 shares, 389,500 shares, 175,750 shares, 142,500 shares, 95,000 shares and 47,500 shares in proportion to their respective shareholding in Manfield Coatings at HK\$1.00 per share.

The approximate shareholding of each of the then shareholders of Manfield Coatings before and after the allotment on 22 December 1993 was as follows:

	Before the allotment		After the allotment	
	<i>Number of shares</i>	<i>Shareholding percentage</i>	<i>Number of shares</i>	<i>Shareholding percentage</i>
Mr. Yuen	277,275	55.45%	5,545,500	55.45%
Mr. Ko	177,975	35.60%	3,559,500	35.60%
China Bicycles	20,500	4.10%	410,000	4.10%
Mr. Yuen Shi Ki	9,250	1.85%	185,000	1.85%
Mr. Wong Chi Kong	7,500	1.50%	150,000	1.50%
Mr. Kwok Wai Kit, Victor	5,000	1.00%	100,000	1.00%
Ms. Wong Shiu Chun	2,500	0.50%	50,000	0.50%
Total	500,000	100%	10,000,000	100%

On 6 July 1994, Mulpha Strategic acquired 3,040,500 shares from Mr. Yuen at a consideration of HK\$29,324,906 and 2,059,500 shares from Mr. Ko at a consideration of HK\$19,863,392 and therefore became the controlling shareholder of Manfield Coatings. Such transfers were settled in cash on the same date. The consideration of the transfers was based on arm's lengths negotiation with reference to the price earnings ratio. The disposal of an aggregate of 51% interest in Manfield Coatings by Mr. Yuen and Mr. Ko to Mulpha Strategic was to bring in an accredited investor in order to further expand our Group's business. Upon completion of the said transfer, Manfield Coatings was owned by Mulpha Strategic as to 51.00%, Mr. Yuen as to 25.05%, Mr. Ko as to 15.00%, China Bicycles as to 4.10%, Mr. Yuen Shi Ki as to 1.85%, Mr. Wong Chi Kong as to 1.50%, Mr. Kwok Wai Kit, Victor as to 1.00% and Ms. Wong Shiu Chun as to 0.50%.

In order to capitalise the shareholder's loan in the aggregate sum of HK\$22,000,000 granted to Manfield Coatings by its shareholders from time to time, on 11 October 1996, Manfield Coatings increased its authorised share capital to HK\$32,000,000 divided into 32,000,000 ordinary shares of HK\$1.00 each by the creation of 22,000,000 ordinary shares of HK\$1.00 each ranking pari passu with the existing shares, such shares allotted and credited as fully paid up amongst the then shareholders of Manfield Coatings proportionate to their respective shareholding in Manfield Coatings. After the allotment, Manfield Coatings was owned by Mulpha Strategic as to 51.00% (16,320,000 shares), Mr. Yuen to 25.05% (8,016,000 shares), Mr. Ko as to 15.00% (4,800,000 shares), China Bicycles as to 4.10% (1,312,000 shares), Mr. Yuen Shi Ki (592,000 shares) as to 1.85%, Mr. Wong Chi Kong as to 1.50% (480,000 shares), Mr. Kwok Wai Kit, Victor (320,000 shares) as to 1.00% and Ms. Wong Shiu Chun (160,000 shares) as to 0.50%.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 7 September 1999, China Bicycles transferred 1,312,000 shares, representing 4.10% of the share capital of Manfield Coatings, to Mr. Yuen at a consideration of HK\$3,714,000, which was based on arm's lengths negotiation with reference to the net asset value of Manfield Coatings at the time of transfer. On the same day, Mr. Yuen transferred 160,000 shares, representing 0.50% of the issued share capital of Manfield Coatings, to Mr. Ko at a consideration of HK\$452,927, which was based on arm's lengths negotiation with reference to the net asset value of Manfield Coatings at the time of transfer. Such transfers were settled in cash on the same date. Upon completion of the above transfers, Manfield Coatings was owned by Mulpha Strategic as to 51.00%, Mr. Yuen as to 28.65%, Mr. Ko as to 15.50%, Mr. Yuen Shi Ki as to 1.85%, Mr. Wong Chi Kong as to 1.50%, Mr. Kwok Wai, Kit, Victor as to 1.00% and Ms. Wong Shiu Chun as to 0.50%.

On 11 March 2002, Manfield Coatings increased its authorised share capital to HK\$33,000,000 divided into 33,000,000 ordinary shares of HK\$1.00 each by the creation of 1,000,000 ordinary shares of HK\$1.00 each ranking pari passu with the existing shares.

On 9 April 2002, as part of the corporate restructuring relating to the then listing, a special resolution was passed by the shareholders of Manfield Coatings to divide Manfield Coatings' issued shares into non-voting class A ⁽¹⁾ and ordinary shares. The 32,000,000 shares registered in the names of Mulpha Strategic (16,320,000 shares), Mr. Yuen (9,168,000 shares), Mr. Ko (4,960,000 shares), Mr. Wong Chi Kong (480,000 shares), Ms. Wong Shiu Chun (160,000 shares), Mr. Kwok Wai Kit, Victor (320,000 shares) and Mr. Yuen Shi Ki (592,000 shares) were deemed to be non-voting class A shares. Thus, upon completion, Manfield Coatings' authorised share capital consisted of HK\$32,000,000 divided into 32,000,000 non-voting class A shares of HK\$1.00 each and HK\$1,000,000 divided into 1,000,000 ordinary shares of HK\$1.00 each. On the same day, 1,000 ordinary shares were allotted and issued to Mr. Ko (as to one share), who holds the one share on trust for Rookwood, and to Rookwood (as to 999 shares) at HK\$1.00 per share, respectively. At the relevant time, Rookwood was wholly-owned by Greenfield. Such allotments were settled in cash on the same date.

As at the Latest Practicable Date, a total of 999 ordinary shares of Manfield Coatings are registered under Rookwood and one ordinary share is registered under Mr. Ko who holds the one share on trust for Rookwood. Manfield Coatings is a wholly-owned subsidiary of Rookwood and its principal business is investment holding and the trading of coatings.

Note:

1. Pursuant to the memorandum and articles of association of Manfield Coatings adopted on 9 April 2002, the non-voting class A shares are subject to the following restrictions:
 - (i) no dividends shall be paid on non-voting class A shares;
 - (ii) on a return of assets to shareholders on winding-up or otherwise, the assets of Manfield Coatings to be returned shall be distributed as regards the first HK\$10,000,000,000 thereof to the holders of ordinary shares in proportion to the nominal amounts of the ordinary shares held by them. The surplus, if any, shall be distributed to the holders of non-voting class A shares in proportion to the nominal amounts of the class A shares held by them; and
 - (iii) holders of non-voting class A shares shall not be entitled to receive notice of or to attend or vote at any general meeting of Manfield Coatings.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Manfield Chemical

Manfield Chemical is a company with limited liability incorporated in Hong Kong on 15 August 1989 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which two shares were issued for cash to Mr. Yuen and Mr. Ko for HK\$1.00 each.

On 12 October 1989, a total of 9,998 shares were allotted for cash to Manfield Coatings at HK\$1.00 each.

On 15 February 1990, Mr. Ko transferred his legal and beneficial interest in one share in Manfield Chemical to Manfield Coatings at HK\$1.00 based on the par value of Manfield Chemical shares. On the same day, Mr. Yuen transferred his beneficial interest in one share in Manfield Chemical to Manfield Coatings at HK\$1.00 based on the par value of Manfield Chemical and declared to hold one share in Manfield Chemical on trust for Manfield Coatings.

As at the Latest Practicable Date, a total of 9,999 shares are registered under Manfield Coatings and one share is registered under Mr. Yuen who holds the one share on trust for Manfield Coatings.

Manfield Chemical is a wholly-owned subsidiary of Manfield Coatings and its principal business is investment holding.

To better accommodate our Group's Taiwan-based customers, Manfield Chemical established its Taiwan branch on 13 January 2014. The registered scope of business of our Taiwan branch includes the retail of coatings and international trading.

As at the Latest Practicable Date, the capital amount for operation of the Taiwan branch is registered as NT\$10 million.

Springfield Chemical

Springfield Chemical is a company with limited liability incorporated in Hong Kong on 11 March 2005 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was issued to the subscriber on 11 March 2005 for HK\$1.00.

On 15 June 2009, the subscriber transferred the one subscriber share to Manfield Coatings for cash at HK\$1.00 based on the par value of Springfield Chemical shares. The consideration was settled in cash on the same date.

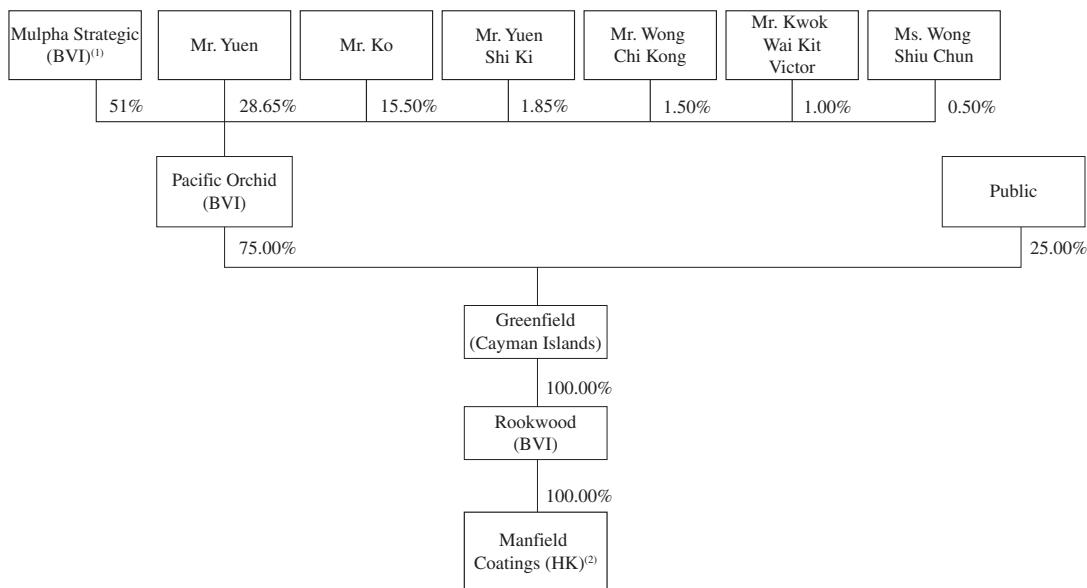
Springfield Chemical is a wholly-owned subsidiary of Manfield Coatings and its principal business is investment holding.

Rookwood

Rookwood is a company with limited liability incorporated in the BVI on 18 October 2000 with a share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 100 shares were allotted and issued to Pacific Orchid on 19 October 2000 at a consideration of US\$100.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 9 April 2002, Greenfield acquired the entire issued share capital of Rookwood from Pacific Orchid and in consideration thereof an aggregate of 100 shares of Greenfield were allotted and issued to Pacific Orchid. Upon completion of the transfer, Rookwood was wholly-owned by Greenfield. The following chart sets out the shareholding structure of Rookwood after the acquisition of Rookwood by Greenfield and at the time of Greenfield's listing:



Notes:

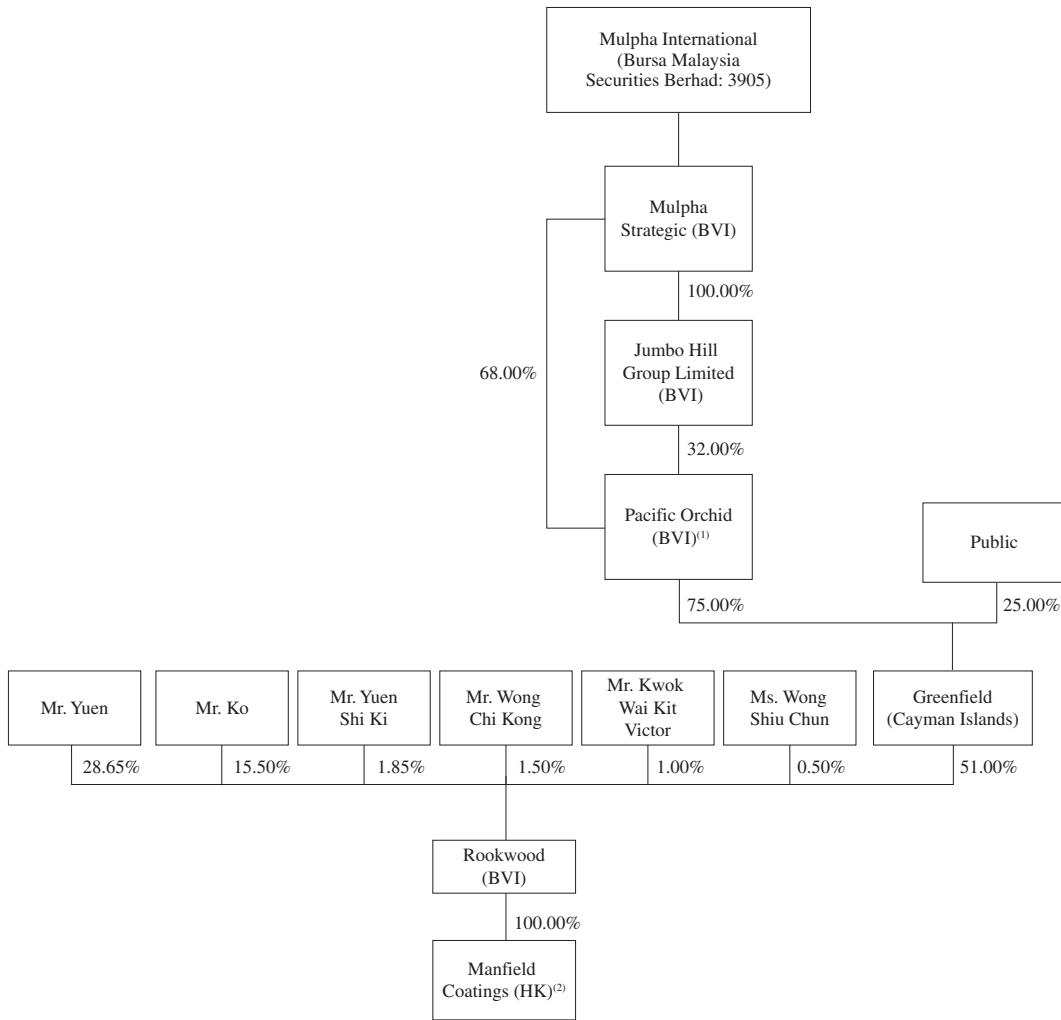
1. Mulpha Strategic is an indirectly wholly-owned subsidiary of Mulpha International (Bursa Malaysia Securities Berhad: 3905).
2. Manfield Coatings became a wholly-owned subsidiary of Rookwood since 9 April 2002. For further details on the corporate history of Manfield Coatings, please refer to the paragraph headed "Manfield Coatings" of this section.

On 30 July 2007, a total of 9,900 shares were allotted and issued for cash to Greenfield at US\$1.00 per share. The consideration for the allotment and issue was settled on the same date. After the allotment and issue, Rookwood has an issued share capital of US\$10,000 divided into 10,000 shares, which was wholly-owned by Greenfield.

On 3 November 2007, Greenfield transferred an aggregate of 49% of the entire issued share capital of Rookwood to the Management Shareholders for a total consideration of HK\$122,500,000 (i.e. Mr. Yuen as to 28.65% at HK\$71,625,000, Mr. Ko as to 15.50% at 38,750,000, Mr. Yuen Shi Ki as to 1.85% at HK\$4,625,000, Mr. Wong Chi Kong as to 1.50% at HK\$3,750,000, Mr. Kwok Wai Kit, Victor as to 1.00% at HK\$2,500,000 and Ms. Wong Shiu Chun as to 0.50% at HK\$1,250,000). The then directors of Greenfield considered that the 2007 Disposal would provide Greenfield with readily available financial resources for business development and the exploration of investment opportunities. Considerations of the 2007 Disposal were determined after arm's length negotiation between Greenfield and the Management Shareholders with reference to the unaudited combined financial information of Rookwood for the two years ended 31 December 2005 and 2006 and were settled by the Management Shareholders using the considerations received from the Pacific Orchid Transaction. Such transfer was completed on 3 November 2007.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Upon completion of the 2007 Disposal, Rookwood was legally and beneficially owned by Greenfield as to 51% and in aggregate by the Management Shareholders as to 49%. The following chart sets out the shareholding structure of Rookwood after Greenfield disposed of an aggregate of 49% of the entire issued share capital of Rookwood to the Management Shareholders:



Notes:

1. On 30 July 2007, the Management Shareholders entered into a sale and purchase agreement whereby the Management Shareholders agreed to sell their aggregate 49% of the entire issued share capital of Pacific Orchid to Mulpha Strategic as to 17% and Jumbo Hill Group Limited as to 32%. Upon completion of the sale, Pacific Orchid was owned as to 68% by Mulpha Strategic and 32% by Jumbo Hill Group Limited.
2. Manfield Coatings became a wholly-owned subsidiary of Rookwood since 9 April 2002. For further details on the corporate history of Manfield Coatings, please refer to the paragraph headed "Manfield Coatings" of this section.

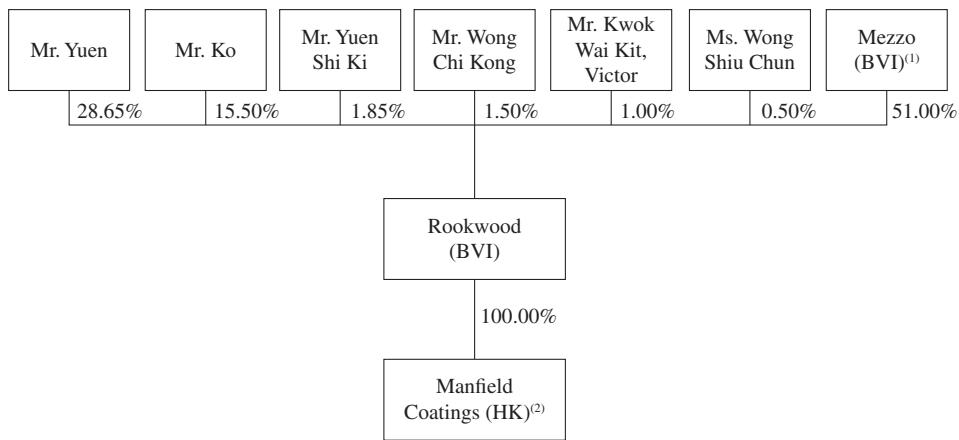
According to Greenfield's circular dated 15 March 2012, in order to re-allocate its resources to the lighting business and other business to be identified in future, and in contemplation of the increased operation costs and compliance costs associated with the more stringent environmental protection and product safety laws which Greenfield at that time expected to weaken its profit generating ability, Greenfield transferred to Mezzo the remaining 51% of the entire issued share

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capital of Rookwood and all shareholder's loans owed by Rookwood, Manfield Coatings, Manfield Chemical, Pinefield, Springfield Chemical, Champion, MT, CMW and its PRC subsidiaries, Springfield and Ants Logistics (the "Then Rookwood Group"), at a consideration of approximately HK\$154,000,000. The consideration was determined after arm's length negotiations between Mezzo and Greenfield with reference to (i) the audited net profit of the Then Rookwood Group attributable to the Then Group for the year ended 31 December 2009 of HK\$32,391,564 and for the year ended 31 December 2010 of HK\$38,473,611 (based upon the audited accounts of the Then Rookwood Group for the year ended 31 December 2010); (ii) the unaudited net profit of the Then Rookwood Group attributable to the Then Group for the six months ended 30 June 2011 of HK\$14,595,610 (based on the unaudited management accounts of the Then Rookwood Group for the six months ended 30 June 2011); (iii) the overall business environment of the coating products of the Then Group; and (iv) the net asset value of the Then Rookwood Group. The 2012 Disposal was completed on 2 April 2012. The acquisition of 51% interest of Rookwood by Mezzo was based on the consideration that (i) the Then Rookwood Group has steady performance, strong financial position and dividend payouts; and (ii) Mr. Lee Seng Hui (the beneficial owner of Mezzo) has confidence in the integrity and experience of the management of the Then Rookwood Group.

During the period when the Then Group was owned by Greenfield, Mr. Lee Seng Hui had no beneficial interest, directly or indirectly, in Mulpha International, which was an indirect controlling shareholder of Greenfield until September 2009.

Upon completion of the 2012 Disposal, Rookwood was legally and beneficially owned by Mezzo as to 51.00%, Mr. Yuen as to 28.65%, Mr. Ko as to 15.50%, Mr. Yuen Shi Ki as to 1.85%, Mr. Wong Chi Kong as to 1.50%, Mr. Kwok Wai Kit, Victor as to 1.00% and Ms. Wong Shiu Chun as to 0.50%. The following chart sets out the shareholding structure of Rookwood after Greenfield disposed of the remaining 51.00% of the entire issued share capital of Rookwood to Mezzo:



Notes:

1. Mezzo is wholly-owned by Mr. Lee Seng Hui.
2. Manfield Coatings became a wholly-owned subsidiary of Rookwood on 9 April 2002. For further details on the corporate history of Manfield Coatings, please refer to the paragraph headed "Manfield Coatings" of this section.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 6 November 2015, Mezzo and the Management Shareholders transferred their entire shareholding interest in Rookwood to Guang Ming in consideration of Guang Ming crediting as fully paid its ordinary shares which had been nil paid since their allotment and issuance to Mezzo and the Management Shareholders at the time of incorporation of Guang Ming.

As part of the Reorganisation on 6 November 2015, our Company acquired the entire issued share capital of Rookwood from Guang Ming in consideration of (i) the allotment and issue of 99 Shares to Guang Ming credited as fully paid; and (ii) the crediting of one Share held by Guang Ming as fully paid.

Rookwood is a wholly-owned subsidiary of our Company and its principal business is investment holding.

Pinefield

Pinefield was established with an initial registered capital of HK\$2,500,000 in the PRC on 19 June 1990 as a Sino-foreign cooperative joint venture by Manfield Coatings and Tang Xia Chong Economic Development Company (寶安縣松崗鎮塘下涌經濟發展公司) ("Tang Xia Chong"), which was a collectively-owned enterprise established in the PRC at the relevant time and an Independent Third Party. The approval certificate from the Shenzhen Municipal People's Government for the establishment of Pinefield was obtained on 18 February 1990. Under the cooperative joint venture agreement dated 13 February 1990, the term of Pinefield was to be for a period of 10 years and Manfield Coatings and Tang Xia Chong were respectively entitled to share the profits of Pinefield in the ratio of 70% and 30%.

In June 1992, the registered capital of Pinefield was increased from HK\$2,500,000 to US\$1,000,000. Approval for such increase was obtained from the government of Baoan district on 1 June 1992. The increased registered capital was fully paid up by Manfield Coatings using facilities, materials and cash by October 1992.

In September 1996, the registered capital of Pinefield was further increased from US\$1,000,000 to US\$1,500,000. Approval for such increase was obtained from the government of Baoan district on 17 September 1996. The increased registered capital was fully paid up by Manfield Coatings in cash by April 1996.

In April 2000, approval was given by Shenzhen Foreign Investment Bureau for the extension of the term of business of Pinefield to 19 June 2020.

On 20 March 2001, Manfield Coatings and Tang Xia Chong agreed to change the ratio of profit sharing in Pinefield to 91.6% and 8.4%, respectively. Approval for the amendments to the Sino-foreign cooperative agreement was obtained from Shenzhen Foreign Investment Bureau on 13 April 2001.

Pursuant to an agreement for the transfer of joint venture interest dated 18 November 2003 entered into between Manfield Coatings and Tang Xia Chong, Tang Xia Chong agreed to transfer its right to 8.4% of the profits of Pinefield to Manfield Coatings at a consideration of RMB714,000 which was based on arm's length negotiations between the parties. Such transfer was settled in cash by two instalments in February and August 2004. Approval from the Shenzhen

HISTORY, REORGANISATION AND GROUP STRUCTURE

Foreign Trade and Economic Cooperation Bureau (深圳市對外貿易經濟合作局) in respect of the transfer was obtained on 17 February 2004. As a result of the joint venture interest transfer, Pinefield became a wholly-owned subsidiary of Manfield Coatings.

In November 2007, the registered capital of Pinefield was increased from US\$1,500,000 to US\$5,500,000. Approval for such increase was obtained from the Shenzhen Trade and Industrial Bureau (深圳貿易工業局) on 27 November 2007. The increased registered capital was fully paid up by Manfield Coatings by December 2007 using the undistributed profits generated from previous years.

Pinefield is one of our Group's PRC operating subsidiaries and its principal business is the manufacture of coatings.

Springfield

Springfield was established on 12 March 2009 in the PRC as a wholly-foreign owned company by Springfield Chemical with an initial registered capital of RMB60,000,000, which was fully paid up by Springfield Chemical by April 2011. Approval for the establishment of Springfield was obtained from Zengcheng Foreign Trade and Economic Cooperation Bureau (增城對外貿易經濟合作局) on 9 March 2009.

The registered capital of Springfield was increased from RMB60,000,000 to RMB70,000,000 in October 2013. Approval for the increase of registered capital was obtained from the Guangzhou Foreign Trade and Economic Cooperation Bureau (廣州市對外貿易經濟合作局) on 12 October 2013. The increased registered capital was fully paid up by Manfield Chemical by December 2013. Upon payment of the newly-increased registered capital by Manfield Chemical, Springfield is owned by Manfield Chemical as to approximately 14.29% and by Springfield Chemical as to approximately 85.71%.

The registered capital of Springfield was increased from RMB70,000,000 to RMB100,000,000 in April 2015. Approval for the increase of registered capital was obtained from Guangzhou Municipal Commission of Commerce (廣州市商務委員會) on 22 April 2015, according to which the newly-increased registered capital shall be fully paid up by Springfield Chemical within two years from the date of the new business licence. After the capital increase in April 2015 and as at the Latest Practicable Date, Springfield is owned by Manfield Chemical as to 10% and by Springfield Chemical as to 90%.

On 14 January 2014, Springfield set up a branch office in Changzhou, Jiangsu province, namely Springfield Changzhou.

Springfield is one of our Group's PRC operating subsidiaries and its principal business is the manufacture of coatings.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Champion

Champion was established on 4 December 2002 in the PRC as a wholly-foreign owned company by Manfield Chemical with a registered capital of HK\$3,000,000 which was fully paid up by Manfield Chemical in cash by January 2003. Approval for the establishment of Champion was obtained from the Zengcheng Foreign Trade and Economic Cooperation Bureau on 27 November 2002.

Champion is one of our Group's PRC subsidiaries. Approval for the dissolution of Champion has been obtained from Guangzhou Foreign Trade and Economic Cooperation Bureau on 30 October 2013. We ceased all operations in Champion in the second half of 2013. We are in the process of collecting Champion's outstanding receivables after which we will apply for deregistration.

MT

MT was established on 17 January 2007 in the PRC as a Sino-foreign joint venture by Manfield Chemical and Taike with an initial registered capital of HK\$42,000,000. Pursuant to an agreement dated 30 November 2006, Taike invested HK\$8,400,000 in MT, representing 20% of the registered capital of MT, which was contributed in the form of production facilities, the land use right and production equipment, and Manfield Chemical invested HK\$33,600,000 in cash, representing 80% of the registered capital of MT. Approval for the establishment of MT was obtained from the Jiangsu Provincial Government on 9 January 2007. The initial registered capital of HK\$42,000,000 was fully paid up by Taike and Manfield Chemical by December 2009.

Pursuant to the MT Agreement dated 3 December 2013 entered into between Manfield Chemical, Taike and Teknos, each of Manfield Chemical and Taike transferred 20% of its equity interest in MT to Teknos at a consideration of RMB10,250,000 and RMB12,000,000, respectively, which was based on individual arm's lengths negotiations and with reference to the value of the operating production facilities of MT in place and the individual circumstances of the disposing parties at the time of transfer. The transfer from Manfield Chemical to Teknos was settled in cash in December 2013. Approval for the transfer was obtained from the Wujin Bureau of Commerce, Changzhou City (常州市武進區商務局) on 13 December 2013. Upon completion of the above transfers, Teknos became one of the shareholders of MT, which is owned by Manfield Chemical as to 60% and by Teknos as to 40%.

In connection with the MT Agreement, Manfield Chemical and Teknos, on 3 December 2013, entered into the MT Shareholders' Agreement, under which it is agreed between Manfield Chemical and Teknos, amongst other things, that (i) within five years from 3 December 2013, Manfield Chemical has an option, by giving a prior six-month written notice to Teknos, to sell and in such case Teknos has an obligation to buy an additional 40% equity interest in MT; and (ii) if Manfield Chemical does not exercise its option within the five-year period, upon the expiration of the five-year period, Teknos has an option, by giving a prior three-month written notice to Manfield Chemical, to buy and in such case Manfield Chemical has an obligation to sell an additional 40% equity interest in MT. Pursuant to the MT Shareholders' Agreement, the price for exercising both options is to be calculated by a specific formula agreed upon within the MT Shareholders' Agreement.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The registered capital of MT was increased from HK\$42,000,000 to HK\$55,000,000 in December 2014. Approval for the increase of registered capital was obtained from the Wujin Bureau of Commerce, Changzhou City on 3 December 2014. By 22 December 2014, the increased amount of registered capital of HK\$13,000,000 was fully paid up in cash by Manfield Chemical as to HK\$7,800,000 and by Teknos as to HK\$5,200,000 in proportion to their respective interests in MT. As at the Latest Practicable Date, MT is owned by Manfield Chemical as to 60% and by Teknos as to 40%.

MT is one of our Group's PRC operating subsidiaries and its principal business is the manufacture of coatings.

Kesite

Kesite is a limited liability company established in the PRC with a registered capital of RMB3,000,000 on 10 June 2010 by Mr. Li Fudian, Mr. Zhu Yefeng and Suzhou Jialewei Enterprise Development Co., Ltd. (蘇州嘉樂成企業發展有限公司), each of which is an Independent Third Party. The registered capital was fully paid up by June 2010.

Kesite became one of our Group's subsidiaries when Springfield acquired the entire equity interest of Kesite from its then shareholders, Mr. Li Fudian and Mr. Zhu Yefeng, in December 2013. Pursuant to the equity transfer agreements dated 30 October 2013 (as supplemented by agreements dated 4 December 2013 and 20 December 2013), Springfield acquired 60% equity interest of Kesite from Mr. Li Fudian at a consideration of RMB2,100,000, and the remaining 40% equity interest of Kesite from Mr. Zhu Yefeng at a consideration of RMB1,400,000. Consideration of such transfers was based on arm's lengths negotiation with reference to the net asset value of Kesite at the time of transfer. Such transfers were settled in cash in December 2013. Approval for the change of shareholder registration was obtained from Administration of Industry and Commerce of Xiangcheng District, Suzhou (蘇州市相城工商行政管理局) on 20 December 2013. Upon completion of the above transfers, Kesite became a wholly-owned subsidiary of Springfield. The acquisition of Kesite allows our Group to acquire the technology possessed by Kesite which can further broaden the range of features and solutions we provide to our customers.

Kesite is one of our Group's PRC operating subsidiaries and its principal business is the trading of coatings.

Aisa Trading

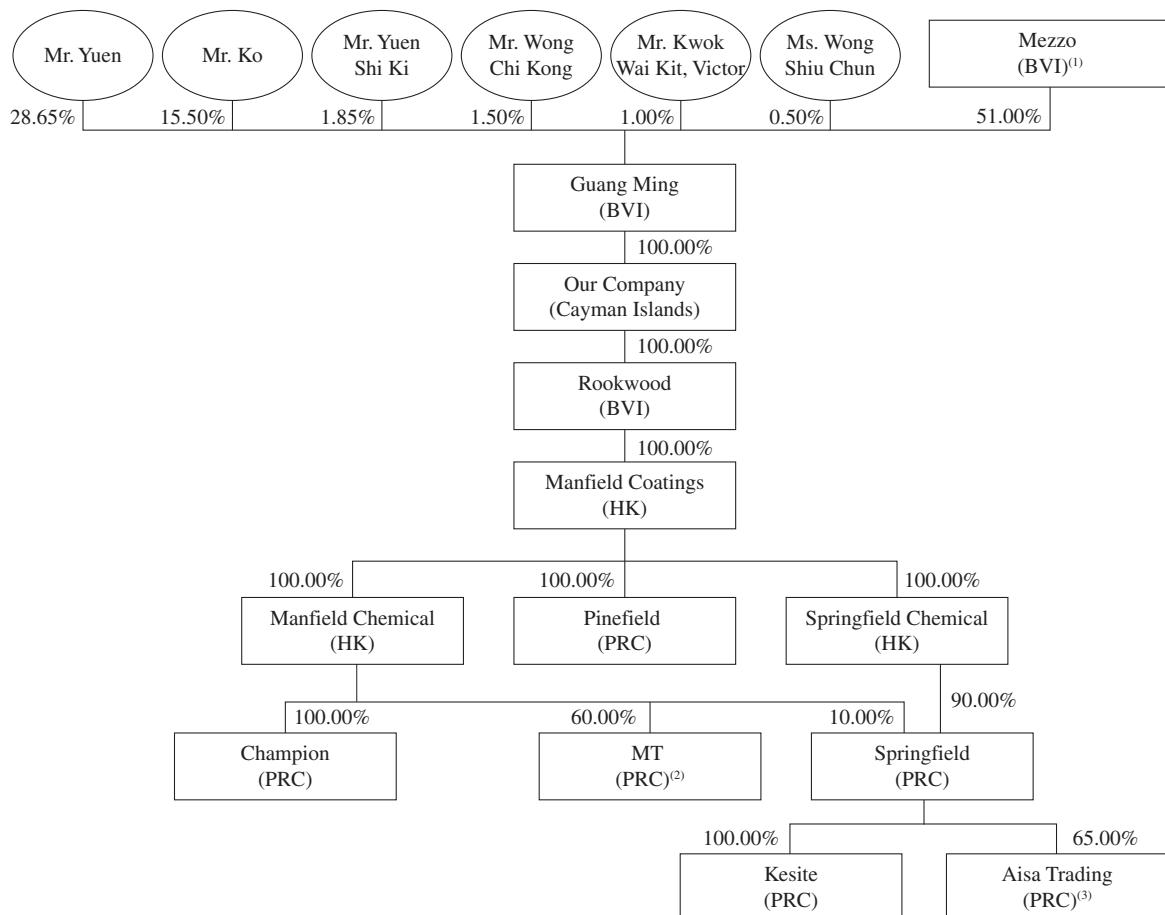
Aisa Trading is a limited liability company established in the PRC with a registered capital of RMB1,000,000 on 4 April 2014. Aisa Trading is owned by Springfield as to 65% and by Mr. Xue Yujie, an Independent Third Party, as to 35%. The registered capital of Aisa Trading has been fully paid up by Springfield as to RMB650,000 and by Mr. Xue Yujie as to RMB350,000 by August 2014.

Aisa Trading is incorporated for the purpose of trading of coatings amongst other things. Aisa Trading has obtained the relevant licences and permits required for its business operation.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Corporate and shareholding structures of our Group

The below chart shows our Group's corporate and shareholding structure before the completion of the Share Offer and the Capitalisation Issue (but excluding interests in associated companies):

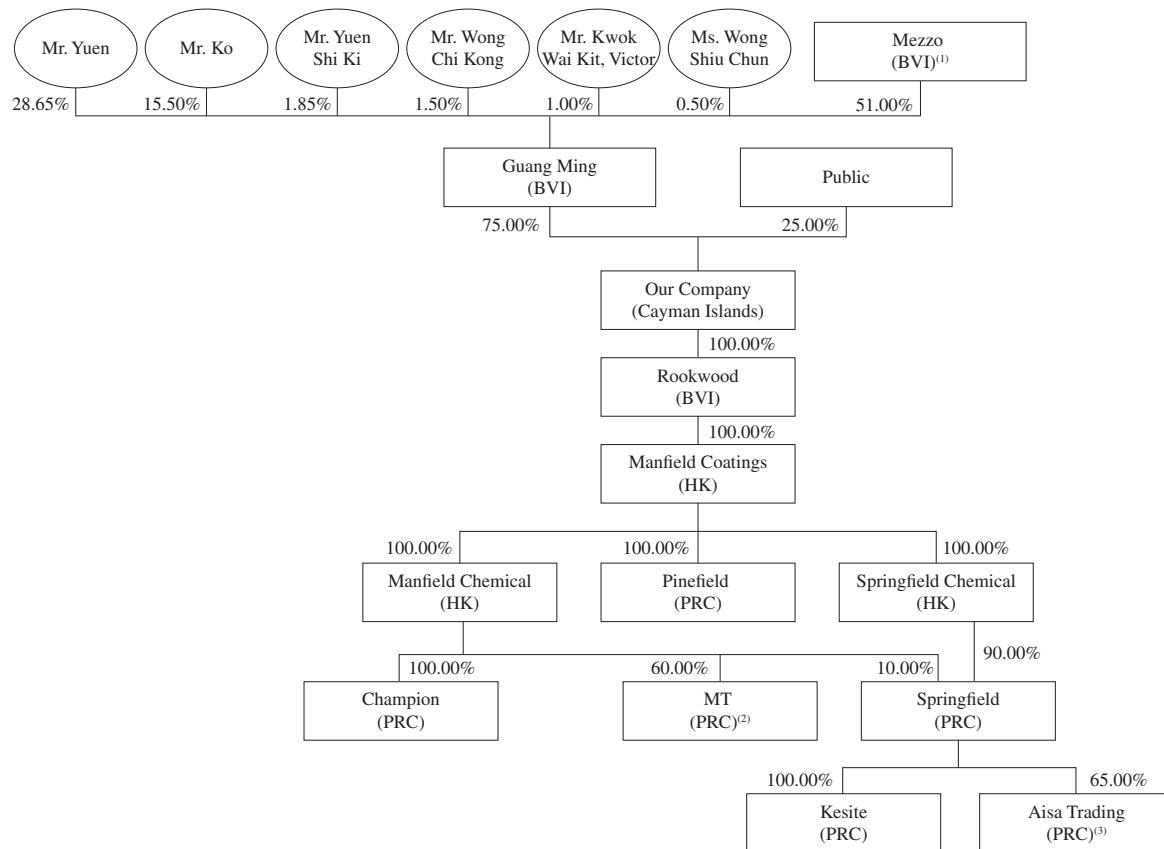


Notes:

1. Mezzo is wholly-owned by Mr. Lee Seng Hui.
2. The remaining 40.00% equity interest of MT is owned by Teknos which, save for its shareholding in MT, is an Independent Third Party.
3. The remaining 35.00% equity interest of Aisa Trading is owned by Mr. Xue Yujie, who, save for his shareholding in Aisa Trading, is an Independent Third Party.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The below chart shows our Group's corporate and shareholding structure after completion of the Share Offer and Capitalisation Issue (but excluding interests in associated companies).



Notes:

1. Mezzo is wholly-owned by Mr. Lee Seng Hui.
2. The remaining 40.00% equity interest of MT is owned by Teknos which, save for its shareholding in MT, is an Independent Third Party.
3. The remaining 35.00% equity interest of Aisa Trading is owned by Mr. Xue Yujie, who, save for his shareholding in Aisa Trading, is an Independent Third Party.

1. OVERVIEW

1.1 Our business

We are an industrial coatings manufacturer engaged in the manufacture of customised liquid and powder coatings. We principally provide customers from the toy industry and the consumer electronics industry with customised coatings for their products. During the Track Record Period, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, revenue from our customers located in the PRC amounted to approximately 68.5%, 72.1%, 75.3%, 73.0% and 74.2% of total revenue while revenue from those customers located in Hong Kong and other jurisdictions (such as Indonesia and Malaysia) amounted to approximately 31.5%, 27.9%, 24.7%, 27.0% and 25.8% of total revenue. We currently undertake coating manufacture from two production facilities operated by wholly-owned subsidiaries located in Shenzhen and Guangzhou, and another production facility operated by a non-wholly owned subsidiary, located in Changzhou.

Our Group manufactures a range of industrial coatings including liquid coatings (encompassing a variety of products both water-based and solvent-based, such as stoving enamels, plastic coatings, inks, etc) and powder coatings. We were founded in 1986 and have gained proficient expertise in the coating industry since then. During the Track Record Period, our revenue was derived from (i) the sale of liquid and powder coatings; and (ii) two arrangements with our associate, CMW, namely the resale of raw materials and the Pinefield Toll Manufacturing Agreement, as follows:

Revenue derived from:	For the year ended 31 December						For the six months ended 30 June					
	2012		2013		2014		2014		2015			
	% of total	HK\$'000 revenue	% of total	HK\$'000 revenue	% of total	HK\$'000 revenue	% of total	HK\$'000 revenue	% of total	HK\$'000 revenue	% of total	
												(unaudited)
Revenue derived from:												
Liquid coatings												
Solvent-based	224,141	77.6%	239,275	76.1%	245,205	74.7%	113,313	73.8%	115,748	77.8%		
Water-based	18	0.0%	1,277	0.4%	6,131	1.9%	2,628	1.7%	1,419	1.0%		
Liquid coatings sub-total	224,159	77.6%	240,552	76.5%	251,336	76.6%	115,941	75.5%	117,167	78.8%		
Powder coatings	31,730	11.0%	37,935	12.1%	35,606	10.9%	16,388	10.7%	13,750	9.2%		
Liquid and powder coatings sub-total	255,889	88.6%	278,487	88.6%	286,942	87.5%	132,329	86.2%	130,917	88.0%		
Sales to CMW												
Pinefield Toll Manufacturing Agreement	20,190	7.0%	23,535	7.5%	31,826	9.7%	16,965	11.0%	13,461	9.1%		
Raw materials resale ⁽¹⁾	12,723	4.4%	12,420	3.9%	9,279	2.8%	4,265	2.8%	4,318	2.9%		
Total	288,802	100.0%	314,442	100.0%	328,047	100.0%	153,559	100.0%	148,696	100.0%		

Note:

1. This refers to the item "Sales to subsidiaries of an associate" in Note 5 of the Accountants' Report set out in Appendix I to this prospectus.

1.2 Products

Industrial coatings are applicable to various production materials, such as plastic, metal and wood, and our customers include manufacturers of different products ranging from toys and consumer electronics to auto finishing products.

According to our Directors, our Group has chosen to focus on high quality customised liquid and powder coatings to take advantage of the lower level of market competition in this sector relative to the more standardised coating products sector. As such, more specific and stringent requirements are applicable to our products. Our Group possesses technology for the manufacture of liquid and powder coatings with a wide variety of different industrial applications, and our Directors believe that the technology possessed by Kesite, a company recently acquired by our Group, can further broaden the range of features and solutions we provide to our customers.

Our products are broadly categorised into liquid and powder coatings. Liquid coatings can be further broken down into solvent-based and water-based coatings. Solvent-based liquid coatings are subject to more stringent legal requirements in respect of their production, content composition, transportation and storage, since they are flammable and emit VOCs. Furthermore, certain waste products are produced in the manufacture of solvent-based coatings, the disposal of which entail certain costs for the manufacturer (for further details, please refer to the paragraph headed “10.3 Waste disposal” of this section). Whereas due to the lack of any solvent component, water-based coatings and powder coatings are environmentally friendly and either do not emit or emit a low level of VOCs.

1.2.1 Water-based and solvent-based coatings

There are certain differences in respect of application and functionality between water-based and solvent-based coatings. The use of solvent-based coatings entails certain advantages; solvent-based coatings do not erode the ferrous manufacturing machinery as much as water-based coatings (enabling relatively lower production costs) and neither are they damaged by freezing temperatures.

Meanwhile, unlike solvent-based coatings, water-based coatings can be applied directly to wet or moist surfaces and can also be cleaned with water (thus decreasing the costs of maintenance of the “coated” objects).

However, water-based coatings are also generally more expensive than solvent-based coatings, which we believe is part of the reason why water-based coating products are not widely demanded by our customers as of yet. Accordingly, it accounted for under 2% of our revenue in each year/period during the Track Record Period.

1.2.2 Liquid and powder coatings

Although powder coatings are subject to less stringent capital and technology requirements, liquid coatings are often preferred by our customers as indicated from the difference in sales volume between these two types of products. In general, this is due to certain limitations in the application of powder coatings. For example, particles in powder coatings are larger than those of

liquid coatings. For this reason, powder coatings are generally used on larger items such as household electrical appliances (such as refrigerators and washing machines) or more general industrial appliances.

Furthermore, powder coatings must be applied to objects and subsequently cured at a high temperature. Accordingly, it is not possible to apply powder coatings to objects with a relatively low melting point, otherwise there is a risk of damaging the object. Additionally, it is generally more difficult to adjust the colour of powder coatings and as such, manufacturers do not have the same flexibility in terms of making quick colour adjustments as they do with liquid coatings.

However, the use of powder coatings also provides some benefits. The application of powder coatings entails less wastage since excess product not applied to the object can be recycled and reused. This improves manufacturing efficiency. Moreover, as stated above, powder coatings are more environmentally friendly and are not flammable.

1.2.3 Gross profit, sales volume, average selling price and gross profit margin of our products

The product breakdown of our Group's gross profit and sales volume together with information on the gross profit margin and average unit selling price of our products is laid out in the tables below:

Gross profit	For the year ended 31 December						For the six months ended 30 June				
	2012		2013		2014		2014		2015		
	% of Group's total gross HK\$'000 profit	HK\$'000 profit	% of Group's total gross HK\$'000 profit	HK\$'000 profit	% of Group's total gross HK\$'000 profit	HK\$'000 profit	% of Group's total gross (unaudited)	HK\$'000 profit	% of Group's total gross HK\$'000 profit	HK\$'000 profit	% of Group's total gross HK\$'000 profit
Solvent-based	71,299	91.9%	85,848	92.1%	83,162	90.0%	40,080	89.7%	35,679	93.4%	
Water-based	6	0.0%	536	0.6%	2,725	3.0%	1,138	2.5%	606	1.6%	
Powder	6,034	7.8%	6,608	7.1%	6,227	6.7%	3,661	8.2%	2,228	5.8%	
Others ¹	245	0.3%	225	0.2%	255	0.3%	(187)	-0.4%	(322)	-0.8%	
Total	77,584	100.0%	93,217	100.0%	92,369	100.0%	44,692	100.0%	38,191	100.0%	
Sales volume	For the year ended 31 December						For the six months ended 30 June				
	2012		2013		2014		2014		2015		
	% of Group's total sales (tonnes) volume	HK\$'000 volume	% of Group's total sales (tonnes) volume								
Solvent-based	6,043.2	69.4%	6,650.8	67.5%	6,626.0	55.0%	2,973.9	51.3%	2,957.4	58.5%	
Water-based	0.2	0.0%	15.6	0.2%	72.9	0.6%	31.0	0.5%	16.8	0.3%	
Powder	1,087.1	12.5%	1,286.5	13.0%	1,247.2	10.4%	574.0	9.9%	507.0	10.0%	
Others ¹	1,577.4	18.1%	1,907.4	19.3%	4,088.9	34.0%	2,217.4	38.3%	1,578.8	31.2%	
Total	8,707.9	100.0%	9,860.3	100.0%	12,035.0	100.0%	5,796.3	100.0%	5,060.0	100.0%	

Average selling price and gross profit margin	For the year ended 31 December						For the six months ended 30 June				
	2012		2013		2014		2014		2015		
	Average selling price (HK\$/ tonne)	Gross margin	Average selling price (HK\$/ tonne)								
Solvent-based	37,090	31.8%	35,977	35.9%	37,007	33.9%	38,103	35.4%	39,138	30.8%	
Water-based	87,904	33.6%	81,620	42.0%	84,153	44.4%	84,642	43.3%	84,570	42.7%	
Powder	29,187	19.0%	29,487	17.4%	28,548	17.5%	28,550	22.3%	27,122	16.2%	
Others ¹	12,800	1.2%	12,339	1.0%	7,783	0.8%	7,651	-1.1%	8,526	-2.4%	

Note:

1. This refers to transactions entered into with CMW under the Pinefield Toll Manufacturing Agreement (raw materials resale has been omitted as it does not generate gross profit).

As shown in the paragraph headed “1.1 Our business” of this section, during the Track Record Period solvent-based coatings generated the majority of our revenue, whilst powder coatings remained around 10% and water-based coatings formed a minimal proportion of our total sales. However, it is evident that demand for water-based coatings increased during the years ended 31 December 2012, 2013 and 2014. During the six months ended 30 June 2015, certain major customers of water-based liquid coatings purchased a lesser amount of water-based liquid coatings and a decrease in contribution was observed. As can be seen above, water-based coatings are more expensive than solvent-based coatings and it was observed that despite being more environmentally friendly, the willingness of the majority of customers to switch from solvent-based coatings to water-based coatings remains uncertain in the near future.

Our Directors expect solvent-based coatings will continue to be the major source of revenue for our Group going forward. As mentioned in the paragraph headed “1.3 Market and competition” of this section, the PRC government is encouraging the use of water-based coatings, however there is no indication that the use of solvent-based coatings will be barred in the near future. In any event, since our production facilities can be used interchangeably to manufacture solvent-based and water-based coatings, our Group has the capability to handle fluctuations in demand and can work with our customers for any requested product transitions. We are therefore prepared for any changes due to the PRC government’s initiatives on water-based coatings.

1.2.4 Seasonality

Demand for our products is also affected by seasonality, with the period from December to February normally recording decreased levels of demand while the period from July to August normally records higher levels of demand. Our Directors believe this trend follows the general trend of annual consumer spending.

1.2.5 Other revenue

We derive revenue from two arrangements entered into with CMW, namely (i) toll manufacturing, referring to the Pinefield Toll Manufacturing Agreement; and (ii) the resale of raw materials. For more details on both of these arrangements please see the paragraph headed “6. Customers” of this section.

1.3 Market and competition

For details of the industry our Group is engaged in and the competition we face, please refer to the section headed “Industry overview” of this prospectus.

In recent years, the PRC government has actively monitored the coating industry and has provided guidance and objectives for the future of the industry as a whole. One of these directives encouraged the consolidation of smaller entities by larger companies within the coating industry. Our Directors confirm that they are aware of this development but believe it will not directly affect our Group, particularly considering our Group was not identified by the PRC government as a company encouraged to acquire smaller companies, nor has our Group been subject to any requirement to merge with other entities. Our Directors confirm that as at the Latest Practicable Date, we had not been approached by any entity relating to any merger or acquisition.

Another PRC government publicly issued objective is to increase the manufacture of water-based coatings and decrease that of solvent-based coatings in order to reduce the emission of VOCs. Due to customer demand, our Group currently manufactures a relatively low volume of water-based coatings in comparison with its solvent-based coatings output. However, we possess all the necessary equipment and technology for the manufacture of water-based coatings. As such, our Directors confirm that if our customers were to increasingly demand water-based coatings, although it would be necessary to make certain slight alterations to our manufacturing equipment, the switch to predominantly water-based coatings from predominantly solvent-based coatings would not entail any material impact to our Group’s operations.

2. COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

2.1 Stable and experienced management team

Our three executive Directors have been with our Group since at least 1987 and all have over 20 years of experience within the coating industry. In particular, our chairman, Mr. Yuen, who is responsible for the overall strategic planning and formulation of corporate policies of our Group, has approximately 39 years of experience within the coating industry. Of our senior management team, all have been with our Group for at least 10 years and, as a whole, possess significant experience in project sales management, production management, inventory management, operational support, financial management and quality assessment.

2.2 Due to the broad range of products we offer, we have the ability to cross-sell

We have been able to maximise the versatility of our business by engaging in the production of a variety of liquid and powder coatings. Our liquid coatings cover a broad range of water-based and solvent-based liquid coatings, including stoving enamels and inks amongst others. We believe an advantage of this broad product base is that we can provide a total solution to meet the needs of our customers by making use of multiple coating types in the manufacture of products. For example, an internationally recognised brand began purchasing a liquid coating for the plastic casing of its desktop computers, and upon satisfactory application, subsequently began purchasing powder coatings from us for the metal casing of the desktop computers in 2013. Our versatile product range allowed us to take advantage of this opportunity to cross-sell.

2.3 We are well-positioned to take advantage of the high manufacturing output of Guangdong province

Guangdong province has had the largest annual GDP of any province or municipality in China for the last six years up until 2014. Furthermore, for the year ended 31 December 2014, Guangdong experienced a GDP growth rate of approximately 8.5%. Of our three production facilities currently in operation, two are located in Guangdong, enabling us to fully take advantage of the substantial manufacturing industry located in Guangdong.

Due to Guangdong's nature as a manufacturing base for numerous different industries, and due to our lack of dependence on any individual industry since coatings are required by numerous industries, provided that Guangdong maintains its substantial levels of manufacturing output, we believe that we are relatively well insulated against fluctuations in individual industries. Our geographical positioning thus promotes significant levels of demand and further helps us to avoid over-reliance on individual industries.

2.4 Through a combination of quality control and internationally recognised certification, we are able to distinguish ourselves as a trusted manufacturer of coatings

Our commitment to quality control systems, which will be discussed further in the paragraph headed "10.4 Quality control" of this section, represents one of our major competitive advantages. By offering customers the opportunity to visit and perform inspections on our production facilities, we are able to distinguish ourselves from competitors and promote trust in our brand.

Moreover, we have obtained a series of internationally recognised qualifications and certification, as presented in the paragraph headed "10.4 Quality control" of this section, which we believe has allowed us access to an increasingly "high-end" class of customer.

BUSINESS

3. BUSINESS STRATEGIES AND FUTURE PLANS

Our Directors believe it is essential to define clear business objectives and have developed the following business strategies and future plans:

3.1 Acquire new technology to broaden our product range and improve the quality of our products

Our Group plans to continue to monitor our industry and acquire more advanced coating technology to enable us to distinguish ourselves from other competitors. Although our Group does not currently have any specific acquisition targets, we will continue to seek any opportunities which can enhance our capabilities to support our Group's future development.

3.2 Continuously review our customer industries' economic outlook and evaluate potential customer industries

Our Group continuously evaluates our exposure to various industries and particularly monitors the outlook and prospects of those industries engaged in by our major customers. If we notice a decline in a customer industry, we will seek to limit our exposure by beginning manufacture for a new customer industry, such as our recent expansion into the auto-finishing coating industry. In the future, we intend to continue to evaluate our customers' industries and seek profitable opportunities in other potential customer industries.

3.3 Complete phase two of construction of the Springfield production facilities

We intend to carry out phase two development partly on our own land and partly on land which we have entered into a contract with Zengcheng Ltd. to acquire (for further details please see the section headed "Connected transactions" of this prospectus). We intend to begin full operations at phase two of the Springfield production facilities as soon as possible to enable us to take advantage of the new advanced technology and the greater production capacity available there.

4. BASES AND ASSUMPTIONS

The future business plans set out by our Directors are based on the following bases and assumptions:

- our Group will be able to renew/obtain all relevant licences required for our existing or proposed businesses;
- there will be no material change in the business development requirements during the period resulting from changes in the legal, fiscal or economic conditions in Hong Kong and the PRC;
- there will be no change in the funding requirements for each of the business objectives as described in this prospectus from the amount estimated by our Directors;
- there will be no material difference between the actual capital requirement for implementing the above plans and the amount as estimated by our Directors;
- our Group will be able to recruit suitable staff for our development;

- we will not be materially affected by any risk factors set out in the section headed “Risk factors” of this prospectus;
- we will continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions;
- the Share Offer will be completed in accordance with the terms as described in the section headed “Structure and conditions of the Share Offer” of this prospectus; and
- there will be no wars, military incidents, pandemic diseases or natural disasters that will have a material impact on our Group’s business and operating activities.

5. OPERATIONS AND PRODUCTION FACILITIES

5.1 Subsidiaries

5.1.1 Production facilities

Our Group conducts its manufacturing operations from (i) two production facilities operated by wholly-owned subsidiaries (located in Guangzhou and Shenzhen, namely, Springfield and Pinefield respectively); and (ii) one production facility under a non-wholly owned subsidiary located in Changzhou, namely MT. Pinefield, Springfield and MT are equipped with similar facilities and equipment and undertake a similar production process for liquid coating products, while Pinefield is additionally equipped with facilities for powder coatings production (for further details of the production process please refer to the paragraph headed “10.4 Quality control” of this section). The table below sets out a brief overview of our production facilities in operation as at the Latest Practicable Date:

Company (Location)	Year of commencement of production	Ownership status	Floor area of production facilities ⁽¹⁾ (sq.m.)
Pinefield (Shenzhen)	1992	Wholly-owned	27,079
Springfield (Guangzhou)	2014	Wholly-owned	14,618
MT (Changzhou)	2007	Non-wholly owned	7,709 ⁽²⁾

Notes

1. This includes offices, warehouses, and all other facilities related to production. It excludes accommodation and security posts.
2. This figure includes a building which is used partly for office space and partly as staff accommodation. As there is no exact breakdown of the floor area of the building, the residential floor area is included.

BUSINESS

The table below sets out the production capacity and historical utilisation of our production facilities during the Track Record Period:

	Production capacity⁽¹⁾ (tonnes)				
	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
Pinefield	9,886	9,886	8,307	4,943	4,142
Springfield	—	—	15,000	7,500	7,500
MT	<u>2,878</u>	<u>3,245</u>	<u>4,534</u>	<u>2,267</u>	<u>2,424</u>
Total	<u>12,764</u>	<u>13,131</u>	<u>27,841</u>	<u>14,710</u>	<u>14,065</u>
 Actual utilisation (tonnes)					
	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(rate)</i>	<i>(rate)</i>	<i>(rate)</i>	<i>(rate)</i>	<i>(rate)</i>
Pinefield	7,908	8,330	4,971	3,342	1,957
	(80.0%)	(84.3%)	(59.8%)	(67.6%)	(47.2%)
Springfield ⁽²⁾	—	—	5,458	1,776	2,481
	N/A	N/A	(36.4%)	(23.7%)	(33.1%)
MT	797	1,530	1,606	678	622
	<u>(27.7%)</u>	<u>(47.1%)</u>	<u>(35.4%)</u>	<u>(29.9%)</u>	<u>(25.7%)</u>
Total	<u>8,705</u>	<u>9,860</u>	<u>12,035</u>	<u>5,796</u>	<u>5,060</u>

Notes:

1. Production capacity is measured according to the maximum finished goods output of the machinery in the production facilities. Production capacity was calculated assuming our machines were operating at their maximum output level for eight hours per day for 261 days per year/130.5 days per six months (being the approximate total number of working days at our Group's production facilities during the year/period).
2. Springfield's production facilities commenced production in 2014.

5.1.2 Pinefield and Springfield

5.1.2.1 Pinefield and Springfield production facilities

As set out in the above tables, during the Track Record Period up until 30 June 2014 Pinefield's production facilities manufactured the majority of our finished goods, whilst subsequently for the year ended 31 December 2014 and the six months ended 30 June 2015, certain production activities were relocated to Springfield's production facilities, and more of our finished products were manufactured at Springfield's production facilities than at

Pinefield's production facilities. The percentage of our Group's total finished product output which was manufactured in Pinefield's production facilities for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 amounted to approximately 90.8%, 84.5%, 41.3%, 57.7% and 38.7% respectively. Pinefield maintained a stable production capacity of approximately 9,886 tonnes for each of the years ended 31 December 2012 and 2013, approximately 8,307 tonnes for the year ended 31 December 2014, and approximately 4,943 tonnes and approximately 4,142 tonnes for the six months ended 30 June 2014 and 2015 respectively. The utilisation rate remained around 80% to 85% for the years ended 31 December 2012 and 2013 before production capacity and utilisation recorded decreases for the year ended 31 December 2014 and for the six months ended 30 June 2015 as compared to their respective previous corresponding years/period, as we shifted some of our production capacity and operations away from Pinefield to Springfield.

Although also in operation during the Track Record Period, the production facilities operated by Champion, which ceased operations in 2013, manufactured semi-finished products which were then transported to Pinefield for completion. As such, they are not included in the above tables which are concerned only with the output of finished products. This arrangement was in place as our Directors considered it to be more efficient to carry out the first half of the production process remotely before completing the product in Pinefield which is located more conveniently in terms of proximity to customers. Starting in early 2014, Springfield began the manufacture of (i) finished goods; and (ii) semi-finished products which, as with Champion, were then transported to Pinefield for completion. Our Directors envisage that such intra-Group outsourcing will continue in the future in circumstances where it is thought to be more efficient or favourable to our Group's operations.

Since the completion of phase one of construction of the Springfield production facilities, Springfield has a production capacity of 15,000 tonnes per year. The second phase of construction of the production facilities is expected to commence in the fourth quarter of 2015 and will be carried out on approximately 26,668 sq.m. of our own land and, upon acquisition, approximately 25,429 sq.m. of land which we have entered into an agreement with Zengcheng Ltd. to purchase (for more details, please see the section headed "Connected transactions" of this prospectus). Our Directors estimate upon completing construction of phase one and two of the Springfield production facilities, the final annual production capacity will be approximately 22,500 tonnes. Our plans for phase two of the Springfield production facilities are currently at a preliminary stage, however we tentatively estimate that based on our Group's current output and profitability, and taking into account the total estimated investment required for construction of phase two of the Springfield production facilities of approximately HK\$112.6 million, the investment payback period for phase two of the Springfield production facilities will be approximately five to six years.

The Springfield production facilities were constructed in order to (i) increase our Group's production capacity to cater for the expected growth in demand for consumer electronics and auto-finishing coatings; and (ii) serve as a contingency plan in case our Group was required to vacate its premises in Pinefield.

5.1.2.2 Pinefield land

With regard to Springfield production facilities' abovementioned function as a contingency plan, due to the lessor of our Pinefield premises not being able to provide valid legal ownership documents to the land leased by our Group, it is possible that we could be required to vacate the Pinefield land or demolish certain buildings constructed thereupon (for further details, please refer to the section headed "Risk factors" of this prospectus). As such, by constructing the Springfield production facilities, our Directors intentionally created a contingency plan in case such an incident were to arise and have the alternative of the Springfield production facilities to cater for the transfer of business from Pinefield in such event.

According to the PRC Legal Adviser,

- (a) for any potential re-development plan to be implemented at the site of the Pinefield production facilities, the Baoan Management Office of Shenzhen Urban Planning Land and Resources Commission of Shenzhen Municipality (深圳市規劃和國土資源委員會寶安管理局) will normally (1) first publish a relevant notice to affected parties; (2) register for relocation compensation; and (3) prepare, agree and implement an appropriate relocation compensation plan with the affected parties situated at the site.

Pinefield is entitled to use its current site under contractual arrangements. Should a relocation compensation plan fail to be agreed upon, Pinefield, if it were to believe its contractual rights to use the said Pinefield land had been infringed upon by a government re-development plan, would be entitled to solve the dispute on relocation compensation through relevant judicial procedures (as stated below) in accordance with the Administrative Review Law (行政覆議法) and the Administrative Litigation Law (行政訴訟法).

- (b) there are no PRC laws and regulations which directly stipulate the timeline for vacating the land and demolishing the buildings under the circumstances. Should the Baoan Management Office of the Urban Planning Land and Resources Commission of Shenzhen Municipality implement a re-development plan at the site of the Pinefield production facilities, Pinefield shall have the right to institute an administrative review (行政覆議) and an administrative litigation (行政訴訟), the usual process of which is as follows:
 - Administrative review should be lodged within 60 days of the affected party becoming aware of the administrative action
 - The administrative review body shall give decision on the administrative review (行政覆議決定) on the case within 60 days of the official receipt (受理) of the administrative review application
 - An administrative litigation may be lodged within 15 days of the decision on the administrative review for any challenge to such decision

- The courts must decide whether to register the case (立案) within seven days of receipt of the administrative litigation case
- A judgement of first instance must be issued within six months of the registration of the case
- An appeal to the judgement may be lodged within 15 days of receipt of the judgement
- The appeal court must issue a final judgement within three months upon receipt of appeal application

However, depending on the complexity of the case, it is possible that the circumstances would require a longer period of consideration, with the approval of the higher level courts.

In summary, if Pinefield were ordered to vacate the land, Pinefield would be involved in a negotiation process for a possible relocation compensation plan, and therefore business operations at Pinefield would not be required to stop immediately. Pinefield is further protected by the legal procedures as described above should a relocation compensation plan fail to be agreed upon.

Our Directors are of the view that given that Pinefield has received no notification of, nor is aware of, any plan to re-develop the Pinefield production facilities site, there is no indication that Pinefield will be forced to relocate, cease production or that the lessor will be forced to demolish those buildings located on the Pinefield site without building ownership certificates.

In the event that a re-development plan is published by the Baoan Management Office of the Urban Planning Land and Resources Commission of Shenzhen Municipality in future, our Directors are confident that given the advice of the PRC Legal Adviser as set out above, a reasonable time, in line with the abovementioned administrative litigation process, will be given for the relocation and transfer of Pinefield's operations according to our Group's contingency plan.

As confirmed by our Directors, if necessary, we believe we would be able to transfer our Pinefield machinery to Springfield over a six month period and the relevant cost (including cost of deinstallation, transportation and re-installation of machinery and fixtures, relevant construction work at destination site, tuning of machines, transfer of employees to Springfield and relevant administrative work) is estimated at around RMB2.0 million. Such estimations are based on the assumption that the relocation will arise prior to the completion of Springfield's phase two development so that the machinery and fixtures of Pinefield could be utilised as part of Springfield's phase two production facilities, and as such certain items of such phase two development would be accordingly adjusted to accommodate the relocation. Given that Pinefield's operations are expected to continue during certain stages of the relocation process insofar as relocation of certain staff and certain production lines would not impact Pinefield's general operations, our Directors do not expect significant disruption in the event that such relocation was to be required. It is currently expected that our Group

would initially relocate Pinefield's powder coating facilities to Springfield to ensure powder coatings manufacture could be carried out from Springfield. If Pinefield was required to vacate its premises after Springfield completed its phase two development, Pinefield would transfer its business to Springfield and, where appropriate, sell its machinery. Relocation cost is expected to be lower under these circumstances.

Our Controlling Shareholders, Mr. Yuen and Mr. Ko, have provided an indemnity undertaking for any and all costs which any of our Group's subsidiaries may incur in connection with the relocation of PRC operations and production facilities.

In view of this historical title issue at the Pinefield premises, our Group has designated, our quality management manager, Mr. Gao Bin (for further details of Mr. Gao Bin, please refer to the section headed "Directors, senior management and employees" of this prospectus), as the responsible staff to review ownership certificates of the relevant property held by the counterparty before entering into any land or property transaction, and to seek legal advice. We have engaged our PRC Legal Adviser to review all such transactions.

5.1.3 Kesite acquisition

In December 2013, our Group acquired Kesite, an entity which we believe can further broaden the range of features and solutions which we provide to our customers. Since our acquisition of Kesite, Kesite has not operated production facilities of its own and so Kesite was not included in either of the tables setting out our production capacity and utilisation rates. From the information provided so far by the previous owners, we have been unable to ascertain whether prior to our acquisition Kesite operated in compliance with certain PRC laws such as those relating to social insurance and the housing provident fund. Despite requests to the previous owners, our Group has yet to receive such documents.

Our PRC Legal Adviser has opined that given there is delineation of liability agreed between our Group and the previous owners of Kesite, all liability or contingent liability (save as disclosed in the agreement) resulting from all previous instances of non-compliance occurring prior to our acquisition of Kesite are to be borne by the previous owners of Kesite. On this basis, our Directors considered the relevant risk associated with the inability to ascertain whether Kesite had operated in compliance with some aspects of PRC laws has been mitigated to an acceptable level, and the potential benefits that Kesite could bring to our Group, being the broadening of our range of features and solutions to our customers, outweigh such risk. Furthermore, if our Group were unable to transfer liability for such payment to the previous owners of Kesite, these non-compliances would be indemnified by our Controlling Shareholders, Mr. Yuen and Mr. Ko, pursuant to the Deed of Indemnity.

5.1.4 MT

MT is located in Changzhou and was set up for the purpose of capturing customers in the eastern PRC region. MT is owned as to 60% by Manfield Chemical and 40% by Teknos, a Finnish coating expert. Teknos Coatings, the wholly-owned subsidiary of Teknos, entered into the original Teknos Agreement with MT on 13 January 2011 (subsequently replaced on 27 August 2012 and

then again on 3 December 2013 and supplemented by a deed of variation on 17 June 2014), pursuant to which MT undertook to manufacture liquid coatings for Teknos Coatings. Additionally, MT also undertakes manufacturing for Springfield Changzhou.

The Teknos Agreement, as currently in effect, is a framework agreement which governs the arrangement whereby MT manufactures liquid coatings for Teknos according to the forecasted level of demand. The revenue received by MT from the Teknos Agreement is calculated taking into account raw material costs, packaging costs and production wages among other things.

As can be seen in the production capacity table in the paragraph headed “5.1.1 Production facilities” of this section, the utilisation rate of the MT production facilities was relatively low initially, but grew by around 70% for the year ended 31 December 2013 as MT recorded larger demand from its customers. Subsequently, for the year ended 31 December 2014, production volume continued to increase, but to a lesser extent than the production capacity, which increased primarily due to the purchase of one large scale piece of equipment, purchased to handle orders of large volumes. This led to a drop in the utilisation rate. We wish to focus on Pinefield’s and Springfield’s production facilities in the future and accordingly, within the next several years, our Group plans to exercise our right to dispose of an additional 40% equity interests in MT to Teknos (please refer to the section headed “History, reorganisation and group structure” of this prospectus for further details of this right). The disposal price has been agreed upon within the MT Shareholders’ Agreement (calculated by a specific formula and guaranteed to be no less than double the price paid by Teknos for the acquisition of their initial 20% interests in MT from our Group, as detailed in the section headed “History, reorganisation and group structure” of this prospectus). If we do not exercise our right to dispose of our 40% interests in MT before 3 December 2018, then since 3 December 2018, Teknos has the right to purchase the 40% interest in MT. As has been agreed with Teknos, subject to Manfield Chemical and Teknos remaining shareholders of MT, both shareholders are committed to providing sufficient production capacity to cater for the production demands of the other shareholder.

5.2 Associate

5.2.1 Structure and operations

In addition to the operations of our subsidiaries, our Group also holds 45% equity interests in CMW, a joint venture primarily engaged in the importing, distributing, manufacturing and marketing of non-stick and high temperature decorative coatings and coatings for mobile phones. The remaining interests in CMW are owned as to 45% by a German supplier of niche industrial coatings whose coating manufacturing group was established over a hundred years ago, and as to 10% by a Japanese chemical company with over sixty years of history (together with ourselves, the CMW Partners). Profits derived from our interests in CMW contributed a significant portion of our Group’s profit, amounting to approximately 57.8%, 39.7%, 59.5%, 80.5% and 73.7% of our Group’s profit before tax for the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015, respectively. If the one-off gain on disposal of property of approximately HK\$14.4 million recorded during the year ended 31 December 2013, and listing expenses of approximately HK\$0.2 million, HK\$12.4 million, HK\$7.4 million and HK\$1.9 million were excluded from our Group’s profit before tax for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2014 and 2015 respectively, our Group’s share of profits of

CMW would be approximately 48.9%, 47.5%, 60.9% and 66.7% respectively of our Group's profit before taxation for the respective years/periods. Our Group's operations, including the sharing of profits of CMW, will continue after Listing (i.e. CMW will remain an associate of our Group). For illustrative purposes only, if our Group's total profit was to be calculated without taking into account the share of profit of CMW, the overall profitability of our Group would be reduced significantly during the Track Record Period and may also be reduced going forward after Listing. As a partner of CMW, we benefit not only financially but also in terms of our industry reputation since we are partnered with two reputable international coatings providers. Thus, the joint venture was entered into with these intangible benefits in mind, in addition to the financial upside.

5.2.2 CMW Joint Venture Agreement

On 19 June 2000, the CMW Partners and Manfield Coatings (as the guarantor) entered into a joint venture agreement to set out the terms upon which CMW was to be established and operated. Such joint venture agreement was later amended and replaced by a joint venture agreement entered into among the CMW Partners on 23 August 2007 (the "Joint Venture Agreement").

The salient terms of the Joint Venture Agreement are set out below:

Parties

- (1) Manfield Chemical
- (2) a German company (the "German Partner")
- (3) a Japanese company (the "Japanese Partner")

Term

There is no specific term for the operations of CMW unless it is terminated in accordance with the terms of the Joint Venture Agreement.

Board composition

CMW has a board composition of no more than five directors.

Manfield Chemical shall be entitled to nominate no more than two candidates to serve as directors of CMW, with one being the managing director of the board of directors of CMW. The German Partner shall be entitled to nominate no more than two candidates to serve as directors of CMW and one of such shall be appointed as the chairman of the board of directors of CMW. The Japanese Partner shall be entitled to nominate one candidate to serve as a director of CMW.

Each CMW Partner shall be entitled from time to time to remove any of the directors appointed by it. Upon ceasing to be a shareholder of CMW, each CMW Partner shall procure the resignation of its nominated director(s).

BUSINESS

Matters requiring unanimous consent

The Joint Venture Agreement provides for matters of CMW that require unanimous consent of the CMW Partners or its nominated director(s), which include, among other things, the following:

- (a) to sell, transfer, lease, assign or otherwise dispose of a material part of the undertaking, property and/or assets of CMW or contract to do so or make any material change in the nature of CMW's business;
- (b) to engage any managing director or general manager or increase their remuneration;
- (c) to create, allot or issue any new shares or consolidate, sub-divide or convert any of CMW's share capital;
- (d) to create, acquire or dispose of any subsidiary or of any share in any subsidiary;
- (e) to do or permit or suffer to be done any act or thing whereby CMW or any subsidiary may be wound up (whether voluntarily or compulsorily) save as otherwise expressly provided for in the memorandum and articles of association of CMW;
- (f) to issue any debenture or securities convertible into shares or debenture or any share, warrants or any options in respect of the shares;
- (g) to enter into any contract or transaction except in the ordinary course of business on arm's length terms or enter into any amendment to the Joint Venture Agreement or any agreement entered into pursuant to the Joint Venture Agreement;
- (h) to initiate or compromise any litigation or arbitration with third parties;
- (i) to reduce CMW's share capital or in any way alter the pre-emption and other rights attaching to such share capital set out in the Joint Venture Agreement or the memorandum and articles of association of CMW; or
- (j) to resolve to wind-up CMW or any of its subsidiaries.

All matters other than those specified as matters requiring unanimous consent in the Joint Venture Agreement shall require approval of directors appointed by the CMW Partners who hold an aggregate nominal value of 65% or more of the shares in CMW.

Termination of the Joint Venture Agreement

The Joint Venture Agreement shall terminate under the following circumstances:

- (1) when CMW Partners who together are registered holders of 75% or more in nominal value of the issued shares of CMW with the right to vote agree in writing to terminate the Joint Venture Agreement;
- (2) when a binding order is made for the winding up of CMW; or
- (3) when any step is taken by any agency, authority, department, government, ministry, official or public or statutory person of any state with a view to seizure, compulsory acquisition, expropriation or nationalization of all or a material part of CMW's business or assets or of the shares of CMW.

5.2.3 CMW production facilities

The production capacity of CMW's production facilities was approximately 14,821 tonnes, 14,839 tonnes, 10,026 tonnes, 5,013 tonnes and 5,170 tonnes while the historical production volume of CMW was approximately 4,458 tonnes, 4,252 tonnes, 3,350 tonnes, 1,441 tonnes and 1,646 tonnes, equivalent to a utilisation rate of approximately 30.1%, 28.7%, 33.4%, 28.7% and 31.8% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

There was a decrease in CMW's production capacity for the year ended 31 December 2014 due to the cessation of production at CMW's Guangzhou production facilities. According to the management of CMW, CMW's Guangzhou production facilities were set up by CMW in 2005 as the management of CMW wished to have their own production facilities located in southern PRC to enable them to take advantage of their sizeable customer base located there. Such facilities were not constructed in order to replace the arrangement under the Pinefield Toll Manufacturing Agreement, but rather to serve as another operational base.

According to the management of CMW, in 2013, since the Guangzhou production facilities had been underperforming due to the increasing operational costs over the years, it was decided by the management of CMW that it was no longer in the interests of CMW or its shareholders to continue production there. As such, production in the Guangzhou production facilities ceased in 2013 and CMW's Guangzhou production requirements were satisfied through the Pinefield Toll Manufacturing Agreement.

Our Directors noted that CMW's current production facilities for producing coating products are situated in central PRC in Wuxi. Capacity in this production facility has been increasing due to the purchase of machinery at the Wuxi plant in the past years to serve the central PRC market. As orders from customers in these regions had yet to take off, this resulted in the relatively low utilisation rates on average.

During the Track Record Period, CMW purchased further items of machinery of various production output volumes, increasing the depth of its production capacity for small, medium and large order volumes. According to the management of CMW, this was done to ensure that orders

could be competently and quickly handled and CMW could satisfy its customers' needs. The management of CMW is of the view that this prudential acquisition of production capacity is reasonable taking into account the competition in the market, which is such that it is important to have the ability to accommodate customers' requests. The low overall utilisation rates reflect that overall demand for CMW's products has yet to achieve the level it expected at the time of planning its production capacity expansion. The utilisation rate of CMW's production facilities was approximately 28.7% and 31.8% for the six months ended 30 June 2014 and 2015 respectively. In this respect, a slight increasing trend has been observed.

According to the management of CMW, the machinery at CMW's production facilities and its maintenance costs are relatively inexpensive, and the depreciation of such machinery does not have a significant impact on CMW's financial performance. During the three years ended 31 December 2014 and the six months ended 30 June 2014 and 2015, depreciation expenses amounted to approximately HK\$3.0 million, HK\$3.6 million, HK\$4.3 million, HK\$2.0 million and HK\$1.5 million respectively, compared to CMW's gross profit of approximately HK\$164.8 million, HK\$208.5 million, HK\$251.1 million, HK\$124.0 million and HK\$117.6 million respectively during the corresponding years/periods. CMW is thus able to maintain its profitability despite the low utilisation of its production facilities.

Additionally, CMW derives revenue from sales of products manufactured at its own production facilities as well as through the Pinefield Toll Manufacturing Agreement (for further details please refer to the paragraph below titled "5.2.6 Pinefield Toll Manufacturing Agreement"). Sales and profitability of CMW's products, including those manufactured under the Pinefield Toll Manufacturing Agreement have continued to perform satisfactorily. Consequently, CMW is able to continuously generate revenue and profit to cover its fixed costs. In light of the fact that depreciation expenses are also relatively small compared to profits, CMW is able to maintain its net profit margins.

5.2.4 Non-competition between our Group and CMW

Pursuant to the terms of the joint venture, CMW shall manufacture and sell a specified scope of products in Hong Kong and the PRC. CMW's products do not overlap with those of our Group as their scope of products primarily consists of non-stick and high temperature decorative coatings and coatings for mobile phones based on the technology provided to CMW by the CMW Partners and our Group. Similarly, our Group is not permitted to produce products which are within the specified scope of products manufactured by CMW. Accordingly, there is little possibility of potential competition between our Group and CMW.

5.2.5 Technology licensing

In addition to our share of profits of CMW, our Group receives a percentage of sales of all products manufactured by CMW using our technology (referred to as a royalty fee). The royalty fee for each month's products is calculated as a certain percentage of the selling price of the products. This percentage is inversely related to the cost of the raw materials used in such products' manufacture as a proportion of the selling price of such products. Therefore if the cost of raw materials represents a relatively small proportion of the selling price of the products, the monthly royalty fee received will be a relatively high percentage of the selling price of the products. This means that a higher royalty fee will be received for those products which have a

higher profit margin. The fixed formula is determined through arm's length negotiations between our Group and CMW and the same formula is also applicable to royalty fees payable by CMW to the other CMW Partners. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, royalty fees paid by CMW to our Group amounted to approximately HK\$5.6 million, HK\$5.4 million, HK\$6.3 million, HK\$3.1 million and HK\$2.7 million.

Manfield Coatings, and the other CMW Partners, first began licensing technology to CMW for the manufacture of coatings in 2000. The technology for coating manufacturing we have licensed to CMW consists of:

- (1) the formula of raw materials to be used
- (2) the amount of each type of raw materials to be used
- (3) the necessary chemistry and physics knowledge as to the various factors affecting the production process
- (4) the technique in respect of testing and checking the quality of coatings
- (5) the knowledge, technique and experience in detecting defects of coatings, and the corresponding rectification measures
- (6) the knowledge, technique and experience in application of coatings to clients' products

During the process of coating manufacturing, our Group's knowledge, technique and experience will be employed to control the sequence, timing and conditions to be used, as well as necessary adjustment to the formula that may be required during operation. In addition, the long term well-established relationships we have with our suppliers have enabled cooperation in the customisation and enhancement of raw materials used in our products, including those manufactured using the technology we license to CMW.

Given the nature of industrial coatings, technology licensed to CMW has been developing to cope with the changing requirements from customers. Our Group is the owner of the technology and the use of such technology in the manufacture of products, both inside and outside the scope of the products manufactured by CMW is part of our Group's ordinary and usual course of business. We have progressively enhanced and adapted such technology to extend additional features to our coatings to maintain competitiveness and improve product quality. Where applicable, we have shared such corresponding improvements with CMW.

Our Group's ability to provide continuous enhancement to the technology licensed to CMW to manufacture customised coating products to suit customers' ever-changing requirements on features of coating products has led to CMW's continuous employment of our Group's technology. Technology licensed by our Group to CMW can be utilised in manufacturing a variety of coatings including those with following applications and features:

Coating product	Description	Resin Type	Recommended use
Plastic Paint	<ul style="list-style-type: none"> — meets restricted PVC requirements — suitable for ABS, PC/ABS and PC substrates etc. 	Acrylic resin	ABS, PC and other plastic parts for mobile cases and keypads etc.
UV Curing Paint	<ul style="list-style-type: none"> — acrylate resin-based full gloss UV topcoat — suitable for coating directly on PC, ABS, PC/ABS substrate or the overcoating of plastic coating 	Acrylate resin	Surface of tablet computers, mobile phones etc, plastic substrates, which need high abrasion, high leveling
Soft Touch Coating	<ul style="list-style-type: none"> — highly elastic — rubberlike coating for high quality products — can be applied to different colour basecoats as well as substrates to give decorative rubber effect — anti-scratch and after-tack resistance in conditions of high humidity and heat 	Modified polyester/ isocyanate	For mobile phones, PDAs and MP3 players etc, which need rubberlike feeling
Ceramic UV Curing Paint	<ul style="list-style-type: none"> — acrylate resin-based low gloss UV topcoat — ceramic feeling — suitable for overcoating of ABS, PC, PC/ABS — high build, good abrasion and chemical resistance — good hardness, humidity and heat resistance. 	Acrylate resin	Top clear coating for digital products such as mobile phones, notebooks, PDAs etc, where high abrasion and hardness are required
UV Curing Anti-microbial topcoat	<ul style="list-style-type: none"> — employing Nano-silver as an anti-microbial agent to kill up to 99.9% of microbes — high build, gloss, good adhesion, chemical resistance, good hardness — suitable for overcoating 	Acrylate resin	Clear top coats for plastic substrates such as mobile phones, PDAs, MP3 players etc.
Coloured UV Curing Paint	<ul style="list-style-type: none"> — Suitable for ABS, PC, PC/ABS — Mono-coat and metallic/pearl feeling 	Acrylate resin	Top coating for digital products such as notebooks, PDAs

Based on our Directors' knowledge of and experience in the coatings industry and publicly available information demonstrating other coating companies engaging in technology licensing arrangements, our Directors are of the view, and the Sponsor concurs, that this technology licensing arrangement is an industry practice engaged in by market practitioners. While the terms of other technology licensing arrangements in the industry are not publicly available, our Directors further believe that the terms of the technology licensing agreement entered into by these market practitioners vary on a case-by-case basis, and therefore it is not possible to make a direct comparison between the other technology licensing arrangements in the industry and our Group's own licensing arrangement.

5.2.6 Pinefield Toll Manufacturing Agreement

Pinefield and CMW entered into the Pinefield Toll Manufacturing Agreement in 2000, pursuant to which, in consideration for its provision of manufacturing capacity, Pinefield receives a fee periodically agreed upon in advance by both parties taking into account manufacturing costs such as depreciation of equipment, labour and utilities on a cost recovery basis. Pursuant to the agreement, Pinefield shall use CMW's technology to manufacture certain liquid coating products solely for CMW. Pinefield agreed to enter into the Pinefield Toll Manufacturing Agreement on a cost recovery basis as it was identified not only as an opportunity to share the fixed costs of our manufacturing operations but also since our Group derives profits from our 45% interests in CMW and thus increased CMW production capacity would facilitate increased profits for our Group.

CMW entered into the Pinefield Toll Manufacturing Agreement as it lacked coating production facilities in Guangdong, which is where a large portion of its customer base is located. Products manufactured pursuant to this agreement do not take up a significant amount of our Group's capacity. For the year ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the total production volume of products manufactured for CMW under the Pinefield Toll Manufacturing Agreement was approximately 1,577 tonnes, 1,907 tonnes, 4,089 tonnes, 2,217 tonnes and 1,579 tonnes representing approximately 12.4%, 14.5%, 14.7%, 15.1% and 11.2% respectively of the aggregate production capacity of our Group. The volume of orders from CMW pursuant to the Pinefield Toll Manufacturing Agreement increased significantly for the year ended 31 December 2014 as compared with the corresponding period of the previous year. According to our Directors' understanding, this was due to CMW's Guangzhou production facilities (which were set up subsequent to the entering into of the Pinefield Toll Manufacturing Agreement) ceasing production by late 2013, which led to a greater volume of demand from CMW for Pinefield's manufacturing capacity during the year ended 31 December 2014. The decrease in volume of orders from CMW pursuant to the Pinefield Toll Manufacturing Agreement during the six months ended 30 June 2015 was due to the slowdown in the sales of CMW for products which are manufactured under Pinefield Toll Manufacturing Agreement, which is also reflected in the general slowdown of sales as described under the paragraph headed "CMW's revenue" under the section headed "Financial information" of this prospectus.

As seen from the above tables in the paragraph headed "1.2.3 Gross profit, sales volume, average selling price and gross profit margin of our products" of this section, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the average selling price of products manufactured under the Pinefield Toll Manufacturing Agreement and sold to CMW was approximately HK\$12,800 per tonne, HK\$12,339 per tonne, HK\$7,783 per tonne, HK\$7,651 per tonne and HK\$8,526 per tonne respectively. The decrease in average selling price

for the year ended 31 December 2014 was due to a shift in the product type required by CMW for their operations and sales while the increase in average selling price for the six months ended 30 June 2015 as compared to that for the corresponding period in previous year was due to CMW's demand for coating products of a relatively higher price. The Pinefield Toll Manufacturing Agreement is expected to remain in force to serve those customers of CMW which are located in southern PRC, for greater expediency and to avoid the higher transportation and distribution costs which would be incurred if the products are to be manufactured at its production facilities in Wuxi or, in future, in Tianjin. With the expansion of our Group's production capacity following the construction of the Springfield production facilities, our Directors believe orders under the agreement will take up a smaller proportion of our capacity in the future.

Under the Pinefield Toll Manufacturing Agreement, if Pinefield is unable to undertake any manufacture ordered by CMW, Pinefield may, subject to the approval of CMW, subcontract these orders to its subcontractors. In this respect, our Group has a list of standby subcontractors which can undertake subcontracting work for Pinefield on behalf of CMW as and when necessary.

5.2.7 *Other services*

Our Group also provides other miscellaneous services to CMW as required. We provide (i) management services consisting of general administration, human resources and provision of office premises (referring to the occasional use by CMW of our Hong Kong office as a sales office and meeting space); and (ii) transportation services including the delivery of products on CMW's behalf to its customers. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, income received from the provision of management services to CMW amounted to approximately HK\$6.5 million, HK\$7.0 million, HK\$7.7 million, HK\$2.7 million and HK\$2.5 million respectively, while income received from transportation services provided to CMW amounted to approximately HK\$1.4 million, HK\$2.6 million, HK\$2.4 million, HK\$1.2 million and HK\$1.1 million respectively. As with the Pinefield Toll Manufacturing Agreement, these services are undertaken on a cost recovery basis having been identified as an opportunity to share the fixed costs of our operations and to facilitate greater profits derived by our Group from CMW.

During the Track Record Period we also received rental income from CMW, calculated annually in advance based on the occupied space and equipment rented as agreed by both parties after arm's length negotiation, in consideration for renting out various office, laboratory and dormitory spaces within our Pinefield production facilities to CMW amounting to approximately HK\$1.5 million, HK\$1.6 million, HK\$1.8 million, HK\$0.5 million and HK\$0.8 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

Pinefield first began leasing office, laboratory and storage spaces, within its production facilities, to CMW in 2006. Save for the changes in rent according to market conditions, and change in the subject premises based on CMW's production need, there has been no material change to the major terms of the lease agreements entered into between Pinefield and a subsidiary of CMW. Currently, our Group leases an office of approximately 2,956m² and dormitories of approximately 2,475m² to CMW.

As confirmed by our Directors, the relevant lease agreements were entered into after arm's length negotiations in line with market rent. In our negotiations with CMW, our Directors have taken into account the certain ancillary and leisure facilities within Pinefield's factory premises, which is an enclosed area supported and guarded by Pinefield's personnel, made available to CMW by our Group. The Sponsor concurs with the view of our Directors that (i) the contracts were negotiated at arm's length and are in line with market rent; and (ii) the terms are fair and reasonable having considered the above. Despite the outsourcing of manufacturing by CMW to Pinefield, these premises on the Pinefield site are rented by CMW to perform additional sampling and quality control checks on the products manufactured under the Pinefield Toll Manufacturing Agreement, and is also used as a sales office and a meeting space for clients or any other parties related to CMW who wish to inspect the manufacturing facilities and process.

6. CUSTOMERS

Our customers are primarily located in the PRC. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, revenue from customers located in the PRC comprised approximately 68.5%, 72.1%, 75.3%, 73.0% and 74.2% of our total revenue with particularly large proportions in Shenzhen and Dongguan whilst revenue from those located in Hong Kong and other jurisdictions formed the remaining approximately 31.5%, 27.9%, 24.7%, 27.0% and 25.8%. Our Directors consider that this distribution is due to the general requirement that purchasers of customised coatings be close to the manufacturer in order to facilitate the consultation and customisation process, and also to reduce the cost of transportation.

6.1 Customer industries

Our Group's customer base is predominantly engaged in the toy industry and the consumer electronics industry. More recently, we recorded an increase in revenue from customers in other industries such as the auto-finishing industry, although revenue contribution from customers in this industry remains small, amounting to less than 5% of our revenue. As we have had over 2,000 customers during the Track Record Period, our Group does not have complete records of the industry engaged in by each individual customer. This being the case, we have set out below a table of the industries engaged in by our top 20 customers for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 in terms of revenue, to provide an illustration of our major customer industries:

	For the year ended 31 December				Six months ended 30 June			
	2012		2013		2014		2015	
	No. of customers	Approximate % of total revenue	No. of customers	Approximate % of total revenue	No. of customers	Approximate % of total revenue	No. of customers	Approximate % of total revenue
Toys	11	24.2%	11	20.8%	11	21.2%	11	22.8%
Consumer electronics	3	8.3%	4	9.3%	4	7.4%	5	8.7%
Coatings ⁽¹⁾	1	11.4%	1	11.4%	1	12.5%	1	13.8%
Miscellaneous	5	6.3%	4	12.1%	4	11.8%	3	8.7%
Total	20	50.2%	20	53.6%	20	52.9%	20	54.1%

Note:

1. This entry refers to the revenue received from toll manufacturing and resale of raw materials to CMW which is engaged in the coatings industry.

BUSINESS

6.2 Top five customers

The tables below set forth the particulars relating to our Group's top five customers over the Track Record Period:

For the year ended 31 December 2012					
Customer	Revenue HK\$'000	% of total revenue	Product type	Industry engaged in	Years of business relationship
CMW ⁽¹⁾	32,913	11.4%	Liquid	Coating manufacture	at least 14 years
Customer A	12,897	4.5%	Liquid	Toy	at least 8 years
Customer B	12,447	4.3%	Liquid	Consumer electronics	at least 12 years
Customer C	11,889	4.1%	Liquid and Powder	Toy	at least 13 years
Customer D	10,408	3.6%	Liquid	Toy	at least 13 years
For the year ended 31 December 2013					
Customer	Revenue HK\$'000	% of total revenue	Product type	Industry engaged in	Years of business relationship
CMW ⁽¹⁾	35,955	11.4%	Liquid	Coating manufacture	at least 14 years
Teknos Group	22,819	7.3%	Liquid	Coating manufacture and trading	at least 4 years
Customer C	15,803	5.0%	Liquid	Toy	at least 13 years
Customer B	11,443	3.6%	Liquid	Consumer electronics	at least 12 years
Customer A	11,147	3.5%	Liquid	Toy	at least 8 years
For the year ended 31 December 2014					
Customer	Revenue HK\$'000	% of total revenue	Product type	Industry engaged in	Years of business relationship
CMW ⁽¹⁾	41,105	12.5%	Liquid	Coating manufacture	at least 14 years
Teknos Group	22,192	6.8%	Liquid	Coating manufacture and trading	at least 4 years
Customer C	19,082	5.8%	Liquid and Powder	Toy	at least 13 years
Customer A	10,426	3.2%	Liquid	Toy	at least 8 years
Customer B	9,709	3.0%	Liquid	Consumer electronics	at least 12 years
For the six months ended 30 June 2015					
Customer	Revenue HK\$'000	% of total revenue	Product type	Industry engaged in	Years of business relationship
CMW ⁽¹⁾	17,779	12.0%	Liquid	Coating Manufacture	at least 14 years
Customer C	9,198	6.2%	Liquid	Toy	at least 13 years
Teknos Group	7,606	5.1%	Liquid	Coating Manufacture and Trading	at least 4 years
Customer A	5,487	3.7%	Liquid	Toy	at least 8 years
Customer E	3,602	2.4%	Powder	Consumer electronics	at least 3 years

Note:

1. This revenue was generated from toll manufacturing (i.e. the Pinefield Toll Manufacturing Agreement) and the resale of raw materials which were cost recovery in nature.

During the Track Record Period, our Group's top five customers accounted for approximately 27.9%, 30.8%, 31.2% and 29.4% of the total revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. As shown in the above table, except for CMW, no single customer accounted for more than 8% of our Group's revenue for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015. As for CMW, which accounted for less than 13% of our revenue during the Track Record Period, such revenue was charged on a cost recovery basis. As such, our Group has relatively little exposure to risks relating to reliance on any one single customer. The top five customers for each year of the Track Record Period were entirely or predominantly purchasers of liquid coatings and this reflects our Group's current manufacturing output.

Save for CMW and Teknos Coatings as part of Teknos Group, all of our top five customers during the Track Record Period are Independent Third Parties. Our Directors and our Controlling Shareholders have confirmed that neither they themselves nor their associates have any interest in our Group's largest customers (save for CMW) during the Track Record Period. We generally request that payment from our customers, including those customers with whom we have entered into long-term agreements, be received within 30-60 days of the issue of the invoice. We monitor the settlement status and assess according to the paragraph headed "Trade and other receivables" under the section headed "Financial information" of this prospectus.

Our Group has entered into long-term agreements with two customers; namely CMW (the Pinefield Toll Manufacturing Agreement) and Teknos Group, specifically Teknos Coatings (the Teknos Agreement). These agreements provide a framework for transactions with the two relevant parties but nevertheless, each order is placed on a case-by-case basis. Save for these agreements, our Group has not entered into any long-term agreements with our customers and all orders are placed on a case-by-case basis.

6.3 Revenue and gross profit from CMW

Revenue received and gross profit generated from CMW can be split into two categories as follows:

6.3.1 Revenue received and gross profit generated from the Pinefield Toll Manufacturing Agreement

As mentioned in the paragraph headed "5.2.6 Pinefield Toll Manufacturing Agreement" of this section, the Pinefield Toll Manufacturing Agreement is undertaken on a cost recovery basis. As such, although the revenue derived from this arrangement accounted for approximately HK\$20.2 million, HK\$23.5 million, HK\$31.8 million, HK\$17.0 million and HK\$13.5 million, or approximately 7.0%, 7.5%, 9.7%, 11.0% and 9.1% of our Group's revenue, for the years ended 31 December 2012, 2013 and 2014 respectively, gross profit from such arrangement only amounted to approximately HK\$0.2 million, HK\$0.2 million and HK\$0.3 million of our Group's total gross profit for the years ended 31 December 2012, 2013 and 2014. For the six months ended 30 June 2014 and 2015, the Pinefield Toll Manufacturing Agreement resulted in a minimal loss of approximately HK\$0.2 million and HK\$0.3 million respectively.

The revenue generated by transactions under the Pinefield Toll Manufacturing Agreement increased for the year ended 31 December 2014, which, according to our Directors' understanding, was due to CMW's Guangzhou production facilities (which were set up subsequent to the entering into of the Pinefield Toll Manufacturing Agreement) ceasing production by late 2013, which led to a greater volume of demand from CMW for Pinefield's manufacturing capacity during the year ended 31 December 2014. Revenue generated under the Pinefield Toll Manufacturing Agreement for the six months ended 30 June 2015 was lower than that for the corresponding period in the previous year, due to a slowdown in the sales of CMW.

The pricing for each period is agreed upon by both parties in advance taking into account historical costs and estimated future costs, and as such due to fluctuations in manufacturing costs, it is sometimes the case that our Group will make some minimal gross profit or loss in the carrying out of the Pinefield Toll Manufacturing Agreement.

The Pinefield Toll Manufacturing Agreement was entered into by our Group as a means of sharing the fixed costs of Pinefield's manufacturing operations, and also since we derive profits from our 45% interest in CMW, and as such benefit from increased CMW production activity. As shown above, our Group does not rely on profits generated by the Pinefield Toll Manufacturing Agreement and would not suffer any material loss were the agreement to be terminated.

6.3.2 Revenue received and gross profit generated from the resale of raw materials

On an ad hoc basis, occasionally our Group purchases raw materials for and subsequently sells the raw materials on to CMW for greater convenience and expediency (please refer to the item "Sales to subsidiaries of an associate" in Note 5 of the Accountants' Report set out in Appendix I to this prospectus). On occasion, such an arrangement is also employed to allow both parties to meet minimum order volumes for certain less common raw materials such as EFKA-3777 (additive) and Heliogen® Blue K 7096 (pigment). We provide the raw materials to CMW at the price we purchased them at, and hence we make no gross profit margin. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, revenue derived from this type of transaction amounted to

approximately HK\$12.7 million, HK\$12.4 million, HK\$9.3 million, HK\$4.3 million and HK\$4.3 million respectively, accounting for approximately 4.4%, 3.9%, 2.8%, 2.8% and 2.9% of our Group's total revenue for the corresponding years/periods. The breakdown is set out below:

	For the six months				
	For the year ended 31 December		ended 30 June		
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Solvent	2,109	2,294	2,149	976	944
Resin	5,078	4,581	3,268	1,446	1,526
Pigment	3,288	3,753	1,567	684	788
Additives	913	526	716	370	354
Packaging	<u>1,335</u>	<u>1,266</u>	<u>1,579</u>	<u>789</u>	<u>706</u>
Total	<u>12,723</u>	<u>12,420</u>	<u>9,279</u>	<u>4,265</u>	<u>4,318</u>

The sales of raw materials to CMW decreased for the year ended 31 December 2014 since the timing of the demand for the relevant raw materials occurred in such a way that joint purchase was warranted less frequently as compared to previous years. The volume of raw materials sold under such arrangement therefore correspondingly decreased. As shown above, our Group does not rely on profits generated by the resale of raw materials to CMW and would not suffer any material loss were the arrangement to be terminated. If this were to occur, our Group could then place the minimum order volume for those less common raw materials, as mentioned above, less frequently for our own consumption. Our Directors consider that if this were to be necessary there would be no material impact to the cost structure.

6.4 Revenue and gross profit generated from Teknos Group

Revenue from Teknos Group was received pursuant to the Teknos Agreement entered into with Teknos Coatings amounting to approximately HK\$5.9 million, HK\$22.8 million, HK\$22.2 million, HK\$8.8 million and HK\$7.6 million, or approximately 2.0%, 7.3%, 6.8%, 5.7% and 5.1% of our Group's total revenue, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. As mentioned in the paragraph headed "5.1.4 MT" of this section, the Teknos Agreement is calculated on a cost plus basis taking into account factors including raw material costs, packaging costs and wages. Our Company has entered into the Teknos Agreement as it not only provides an increasingly large source of revenue for us, but it also boosts the utilisation rates of our MT production facilities, which are relatively under-utilised, hence spreading the fixed production costs. Therefore, although the gross profit margin derived from such agreement is lower than the overall gross profit margin of our Group, our Directors still consider it beneficial.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, gross profit generated by the Teknos Agreement amounted to approximately HK\$1.3 million, HK\$3.6 million, HK\$1.6 million, HK\$0.8 million and HK\$0.6 million, which was the equivalent of approximately 1.7%, 3.9%, 1.7%, 1.8% and 1.6% of our Group's total gross profit for the corresponding years/periods.

Teknos is a substantial shareholder of MT. Therefore, Teknos' subsidiary, Teknos Coatings, is a connected person of our Company for the purposes of the Listing Rules, and as such, all transactions between Teknos Coatings and our Company are connected transactions. Please refer to the section headed "Connected transactions" of this prospectus for further details relating to the continuing connected transaction between Teknos Coatings and our Company.

7. SALE PROCESS

7.1 Marketing

As at 30 June 2015, our Group had in total 57 marketing personnel located at our various production facilities and offices. Our marketing personnel not only maintain regular contact with our customers but also follow up on referrals from existing contacts. Occasionally our Group will provide commission to Independent Third Party external agents for introducing customers to our Group.

7.2 Ordering process

Customers generally approach us with certain product requirements. We will hold an initial discussion with the potential customer to ascertain the customer's product specifications and relay these parameters to the technical team. As part of this initial consultation process, we will often provide the potential customer with a colour album to facilitate selection. A customised solution will be offered and a sample may be provided to the potential customer for approval. Upon receiving an order, our production team will commence manufacture. We do not require our customers to pay a deposit and the customer is normally required to provide payment within 30–60 days of the issue of the invoice.

We will usually be able to manufacture the products using the raw materials supplies from our inventories. As part of our procurement process, we usually request a quote and order samples from a supplier, conduct the appropriate testing and subsequently, if satisfied, order the raw materials and manufacture the product.

7.3 Inventory

We aim to maintain two to three months' volume of raw material supplies, save for solvents. Since most solvents can be sourced from our suppliers quickly and conveniently, our Group normally maintains one month's worth of solvent supplies in our inventories.

In terms of inventory control measures, we operate an ERP system based on sales projections and delivery lead times which is in place to enable effective inventory control.

Our inventory for finished products refers to those products already completed and awaiting delivery. Normally, products will be delivered within one week of completion.

7.4 Pricing

When determining the various sale prices of our different types of products, our Group takes into account (i) respective raw material price; (ii) prices of similar or substitute products offered by our competitors; (iii) complexity of technology used in the respective product's manufacture; and (iv) production costs and service costs including transportation and the provision of post-purchase technical services carried out by our technical team stationed throughout the region. Similar product types, such as different varieties of powder coatings, will generally generate similar profit margins.

7.5 Transportation

7.5.1 Domestic

We operate our own transportation fleet, numbering 17 trucks as at 30 June 2015, for product delivery in the PRC and Hong Kong. These trucks are in possession of the necessary licences required to transport flammable materials (more details of which can be found in the paragraph headed "10.7 Licences and permits" of this section).

Our Group maintains a pool of transport firms which, when necessary, may be subcontracted on an ad hoc basis to complete delivery of our customers' goods. This only occurs when necessary and in the normal course of business we are able to complete delivery of our customers' orders ourselves. As such, the total expenditure on subcontracting transport firms for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was minimal, amounting to approximately HK\$1.4 million, HK\$1.6 million, HK\$2.3 million, HK\$1.2 million and HK\$1.0 million respectively.

Our Group enters into long term framework agreements with the transport firms but place orders on a case-by-case basis. The framework agreements usually have the following salient conditions:

- (i) we guarantee our goods and packaging will be intact when we provide them to the subcontractor. The subcontractor shall carefully inspect the goods ensuring the total amount, packaging and names are all correct;
- (ii) we take responsibility for the loading of the products onto the subcontractor's vehicle and the subcontractor is responsible for the unloading; and
- (iii) the subcontractor shall possess the appropriate insurance policy for our goods, and in the event of any loss, theft or damage to our goods during the course of delivery, the subcontractor is to compensate our Group.

Save for Ants Logistics, all our subcontractors are Independent Third Parties. Ants Logistics is a logistics firm often sub-contracted by our Group to deliver our products to our customers. It was previously a wholly-owned subsidiary of our Group but was disposed of in

May 2013 since it had been loss-making during the Track Record Period, generating losses for our Group of approximately HK\$0.7 million and HK\$0.6 million for the years ended 31 December 2012 and 2013 respectively.

Ants Logistics was one of at least eight transport firms our Group sub-contracted during the Track Record Period and fees paid to Ants Logistics amounted to approximately HK\$0.4 million, HK\$0.3 million, HK\$1.1 million, HK\$0.6 million and HK\$0.4 million respectively, or the equivalent of approximately 24.8%, 20.1%, 47.3%, 49.9% and 38.6% of the total fees paid to transport firms for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. Having engaged Ants Logistics in the past, our Directors believe we have achieved high operational efficiency with them, and as such we continue to engage them after disposal of Ants Logistics. However, since we are able to deliver our products using our own transportation fleet, and when necessary, we may on an ad hoc basis sub-contract to at least seven other transport firms, we do not rely on Ants Logistics for the delivery of our products and our operations would not be materially adversely affected were we to stop engaging them.

7.5.2 Overseas

During the Track Record Period, less than 7% of revenue was derived from our customers located overseas (i.e. outside PRC, Macau and Hong Kong). In these cases, we deliver our products from Hong Kong to overseas destinations by sea.

8. RAW MATERIALS AND SUPPLY

8.1 Breakdown of raw materials

Raw materials of our coatings can be broadly categorised into four major groups, namely solvent, resin, pigment and additives. The breakdown of the cost and volume of the raw materials purchased during the Track Record Period is set out below:

	For the year ended 31 December						For the six months ended 30 June					
	2012		2013		2014		2014		2015			
	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume	Volume (tonnes)	% of volume
Solvent	4,524	60.5%	4,777	54.0%	5,077	55.3%	2,019	52.0%	2,210	55.2%		
Resin	1,998	26.7%	2,492	28.2%	2,453	26.7%	1,197	30.8%	1,116	27.9%		
Pigment	811	10.9%	1,390	15.7%	1,394	15.1%	543	14.0%	553	13.8%		
Additives	140	1.9%	182	2.1%	264	2.9%	123	3.2%	123	3.1%		
Total	<u>7,473</u>	<u>100.0%</u>	<u>8,841</u>	<u>100.0%</u>	<u>9,188</u>	<u>100.0%</u>	<u>3,882</u>	<u>100.0%</u>	<u>4,002</u>	<u>100.0%</u>		

	For the year ended 31 December						For the six months ended 30 June					
	2012		2013		2014		2014		2014		2015	
	Costs HK\$'000	% of total costs	Cost HK\$'000	% of total costs	Cost HK\$'000	% of total costs	Cost HK\$'000	% of total costs	Cost HK\$'000	% of total costs	Cost HK\$'000	% of total costs
Solvent	43,636	36.6%	45,304	31.7%	47,305	31.7%	18,821	29.1%	17,338	28.2%		
Resin	47,618	40.0%	61,618	43.0%	59,488	39.9%	28,540	44.2%	26,330	42.9%		
Pigment	21,254	17.8%	26,940	18.8%	28,875	19.4%	11,576	17.9%	11,098	18.1%		
Additives	6,624	5.6%	9,246	6.5%	13,455	9.0%	5,652	8.8%	6,657	10.8%		
Total	<u>119,132</u>	<u>100.0%</u>	<u>143,108</u>	<u>100.0%</u>	<u>149,123</u>	<u>100.0%</u>	<u>64,589</u>	<u>100.0%</u>	<u>61,423</u>	<u>100.0%</u>		

8.2 Average price of raw materials

For illustrative purposes, we set out in the table below the average price per tonne of raw materials purchased during the Track Record Period. Comparative analysis is of limited use in attempting to gauge fluctuations in raw material costs as each category of raw material encompasses a wide range of different substances with different market values. For example, whilst in some years our Group may have manufactured a high proportion of products using a relatively expensive solvent, in other years it may have manufactured a high proportion of products using relatively inexpensive solvent and this would inevitably distort the figures.

	Average price/tonne				
	For the year ended 31 December			For the six months ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Solvent	9.6	9.5	9.3	9.3	7.8
Resin	23.8	24.7	24.2	23.8	23.6
Pigment	26.2	19.4	20.7	21.3	20.1
Additives	47.1	50.8	51.0	46.0	54.2

8.3 Function and characteristics of raw materials

8.3.1 Solvent

The function of solvents in coatings is to create the required viscosity to aid the smooth application and uniform density of the product. Most solvents are petroleum oil derivatives, and consequently the price of solvents is dependent on the petroleum oil industry. As shown in the table above, the average purchase price of solvent recorded during the six months ended 30 June 2015 has decreased, in line with the lower petroleum price as seen globally in the corresponding period. Solvents are manufactured by many downstream sector companies within the petroleum oil industry throughout China and Hong Kong and as such are relatively easy to procure. Solvents are only used in the production of solvent-based liquid coatings and are not a component of powder coatings or water-based liquid coatings.

8.3.2 Resin

Resin is the film-forming component of coatings, binding the various raw materials together. A major component of resins is vegetable oil and chemical monomer and as such, prices fluctuate with both the vegetable oil industry and the petroleum oil industry. Resin takes as long as one to two months to deliver and therefore, as mentioned above, to avert any potential raw material shortages, the inventory will be stocked two to three months in advance.

8.3.3 Pigment

Pigment not only dictates the colouring of the coating but also protects the substrate of the product. Pricing of pigment varies dramatically depending on which pigment is used. Those pigments which require high energy input are dependent on petroleum oil prices.

8.3.4 Additives

Additives are chemicals used in coatings for the purpose of aiding dispersion of the raw materials and producing a smooth uniform finish. The category of additives encompasses a wide range of raw materials and as such, it is difficult to generalise as to their price.

Our Group also purchases packaging and containers for its products from various suppliers.

During the Track Record Period, we have not experienced any shortages of any raw materials during the course of our operations.

9. SUPPLIERS

9.1 Supplier location

Our Company purchases from a pool of suppliers, numbering approximately 300 to 400 for each year of the Track Record Period. Our suppliers are mainly based in Hong Kong and the PRC.

9.2 Top five suppliers

The tables below set forth the particulars relating to our Group's top five suppliers in terms of raw materials purchased during the Track Record Period:

For the year ended 31 December 2012

Supplier	Cost HK\$'000	% of total raw material cost	Nature of supply	Years of business relationship
Teknos Group ⁽¹⁾	10,766	7.7%	Finished products and various raw materials	at least 4 years
Supplier A	9,260	6.6%	Resin	at least 4 years
CMW	8,985	6.4%	Various	at least 14 years
Supplier B	6,316	4.5%	Solvent	at least 8 years
Supplier C	6,027	4.3%	Resin	at least 4 years

Note:

1. Raw material costs include the costs of purchasing finished goods from Teknos Group — an arrangement explained in greater detail in the paragraph headed “9.4.1 Purchase of finished goods from Teknos Coatings” below.

For the year ended 31 December 2013

Supplier	Cost HK\$'000	% of total raw material cost	Nature of supply	Years of business relationship
CMW	10,376	7.0%	Various	at least 14 years
Supplier A	9,230	6.3%	Resin	at least 4 years
Supplier B	7,119	4.8%	Solvent	at least 8 years
Supplier C	6,896	4.7%	Resin	at least 4 years
Supplier D	5,029	3.4%	Solvent	at least 4 years

For the year ended 31 December 2014

Supplier	Cost HK\$'000	% of total raw material cost	Nature of supply	Years of business relationship
Supplier E	10,768	7.1%	Solvent	at least 8 years
Supplier A	9,356	6.1%	Resin	at least 4 years
Supplier F	7,522	4.9%	Solvent	at least 8 years
Supplier C	7,251	4.8%	Resin	at least 4 years
Supplier B	5,644	3.7%	Solvent	at least 8 years

BUSINESS

For the six months ended 30 June 2015

Supplier	Cost HK\$'000	% of total raw material cost		Nature of supply	Years of business relationship
		Supplier	Cost HK\$'000		
Supplier A	5,150	7.9%		Resin	at least 4 years
Supplier E	4,566	7.0%		Solvent	at least 8 years
Supplier F	3,885	5.9%		Solvent	at least 8 years
Supplier C	3,109	4.7%		Resin	at least 4 years
Supplier G	2,778	4.2%		Resin	at least 5 years

During the Track Record Period, our Group's top five suppliers accounted for approximately 29.5%, 26.2%, 26.6% and 29.7% of the total raw material costs for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. As shown in the above tables, no single supplier accounted for more than 8% of our Group's raw material costs for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015. Moreover, our Group maintains a number of suppliers for each category of raw material and as such our Group has very little exposure to the loss of any supplier.

Our Group has not entered into any long-term agreements with our suppliers and all orders are placed on a case-by-case basis. We will often place our orders up to two months before delivery is required to ensure sufficient time is allowed for suppliers to deliver the product. Each individual order has the following salient terms and conditions:

- (a) Payment terms — some suppliers will only issue goods upon receipt of payment while others allow a credit term of up to 60 days after monthly billing.
- (b) The acceptance of goods — acceptance is subject to the correct product being provided by the supplier and the sample being approved by us. If the goods are rejected (due to defective products or incorrect specifications etc.), the suppliers agree to bear all related fees and recall goods within one week of receipt of complaint.

Save for Teknos Group and CMW, all top five suppliers during the Track Record Period are Independent Third Parties. Our Directors and our Controlling Shareholders have confirmed that neither they themselves nor their associates have any interest in our Group's top five suppliers (save for CMW) during the Track Record Period.

9.3 Purchases from CMW

CMW was one of our top five suppliers during the Track Record Period. As previously mentioned, CMW was also one of our Group's top five customers during the Track Record Period (for further details and for gross profit attributable to CMW please see the paragraph headed "6. Customers" of this section).

9.3.1 Purchase of raw materials at cost

Our Group purchases raw materials purchased by CMW. As with the inverse arrangement detailed in the paragraph headed "6. Customers" of this section, this arrangement is in place for greater convenience and expediency. CMW provides the raw material to us at the price at which it was purchased. Raw material costs attributable to CMW for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 amounted to approximately HK\$9.0 million, HK\$10.4 million, HK\$3.5 million, HK\$1.5 million and HK\$1.8 million. As can be seen in the tables under the paragraph headed "9.2 Top five suppliers", raw material costs attributable to CMW were at all times not more than 7.0% of total raw material costs. As with the resale of raw materials to CMW, the raw material costs attributable to CMW decreased for the year ended 31 December 2014 as the timing of the demand for the relevant raw materials occurred in such a way that joint purchase was warranted less frequently as compared to previous years. Therefore, the volume of raw materials purchased under such purchase-sharing arrangement correspondingly decreased. Owing to the nature of such mutually beneficial co-operation, our Directors consider that although this arrangement was not negotiated at arm's length and is not based on normal commercial terms, our Group does not rely upon CMW as a supplier and our Group would suffer no significant detriment were this arrangement to be terminated. Save for the purchase of raw materials under this arrangement, we do not purchase any other products from CMW.

During the Track Record Period, the value of raw materials purchased by our Group from CMW can be broken down as follows:

Raw materials purchased	For the six months ended 30 June				
	For the year ended 31 December				
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Solvent	5,323	5,449	216	82	60
Resin	1,777	2,161	1,713	677	471
Pigment	1,650	1,955	1,151	561	915
Additives	214	788	438	132	333
Packaging	21	23	6	6	—
Total	8,985	10,376	3,524	1,458	1,779

9.3.2 Relationship with CMW

CMW is a joint venture our Group set up in 2000 together with the other CMW Partners. The other CMW Partners are third parties only related to our Group by virtue of their joint interest in CMW. They are reputable international companies involved in coating manufacture. As a shareholder of CMW together with the other CMW Partners, we benefit not only financially but also in terms of our industry reputation since we are partnered with two reputable international coatings providers. Thus, the joint venture was entered into with these intangible benefits in mind, in addition to the financial upside.

To facilitate the operation of CMW, we entered into the Pinefield Toll Manufacturing Agreement⁽¹⁾ with CMW, and our Group also granted CMW the licence for the use of our Group's technology for its coatings manufacturing activity⁽²⁾. These have been part of our Group's business operations for more than 14 years and during the Track Record Period respectively and given that these activities generate profits for our Group, they make commercial sense.

Our Directors are of the view, and the Sponsor concurs, that our Group does not heavily rely on CMW in any aspect of its business for the following reasons:

- As a customer, CMW does not contribute material gross profit to our Group as the Pinefield Toll Manufacturing Agreement is charged at a cost recovery basis. Our Group generated gross profit from over 2,000 customer entities of approximately HK\$77.6 million, HK\$93.2 million, HK\$92.4 million, HK\$44.7 million and HK\$38.2 million for the year ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, while CMW contributed a minimal amount of approximately HK\$0.2 million, HK\$0.2 million, HK\$0.3 million, and a gross loss of approximately HK\$0.2 million and HK\$0.3 million respectively;
- As a supplier, resale of raw materials by CMW to our Group enables our Group to enjoy minor discounts due to the ability of our Group and CMW to jointly buy in bulk for greater convenience and expediency, or for our Group and CMW to meet minimum order volumes for certain less common raw materials. Were this arrangement to be terminated, our Group would suffer no material adverse impact as our Group would order such minimum order volume of raw materials less frequently, potentially leading to a slight increase in inventory turnover days and an insignificant decrease in working capital;
- All other services provided incidental to the Pinefield Toll Manufacturing Agreement are undertaken on a cost recovery basis, and so do not result in gross profit for our Group;

¹ Please refer to the paragraph headed "5.2.6 Pinefield Toll Manufacturing Agreement" of this section

² Please refer to the paragraph headed "5.2.5 Technology licensing" of this section

- Rental income from CMW is minimal in terms of our Group's overall financial results contributing a net rental income after tax of approximately HK\$0.2 million, HK\$0.2 million, HK\$0.2 million, HK\$0.1 million and HK\$0.1 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively;
- Despite forming a relatively sizeable portion of our Group's net profit, our Group is able to satisfy the profit test under Rule 8.05 of the Listing Rules with the share of profits of CMW carved out of our Group's results; and
- CMW is a joint venture engaging in the importing, distributing, manufacturing and marketing of non-stick and high temperature decorative coatings and coatings for mobile phones. Royalty fees are derived from the use of our Group's technology and should the joint venture agreement between our Group and the other CMW Partners be terminated, our Group would no longer be required to strictly delineate its scope of products with CMW's scope of products and would hence be free to take up the portion of business currently manufactured using our Group's technology under the technology licensing arrangement for our own revenue and profit. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, revenue of CMW amounted to approximately HK\$525.1 million, HK\$551.4 million, HK\$644.5 million, HK\$309.9 million and HK\$279.2 million respectively, of which approximately HK\$105.8 million, HK\$111.6 million, HK\$138.1 million, HK\$69.7 million and HK\$55.6 million respectively was derived from the sale of products manufactured under the technology licenced by our Group.

Our Directors are of the view that as our Group does not heavily rely on CMW, it is not necessary for a contingency plan to be deployed in the case of CMW's discontinuation. On the contrary, it is CMW which has been utilising the technology provided by our Group and the other CMW Partners for its on-going production activity. Moreover, such arrangement has been part of our Group's business operations for more than 15 years. Our Directors believe that it is a long-standing, recurring, stable, and sustainable arrangement which makes commercial sense. Nevertheless, in the unlikely event CMW was discontinued, our Directors currently envisage that our Group would use the said technology previously licensed to CMW to extend our Group's sales to products previously restricted from our Group for the benefit of CMW pursuant to the agreements entered into with CMW and the other CMW Partners⁽¹⁾.

9.4 Purchases from Teknos Group

For the year ended 31 December 2012, Teknos Group was one of our Group's top five suppliers. As previously mentioned, Teknos Group was also one of our Group's top five customers during the Track Record Period due to the Teknos Agreement (for further details and for gross profit attributable to Teknos Group, please see the paragraph headed "6. Customers" of this section). During the Track Record Period, goods purchased by our Group from Teknos Group fall into two categories: the purchase of finished goods and the purchase of raw materials.

¹ Please refer to the paragraph headed "5.2.4 Non-competition between our Group and CMW" of this section

9.4.1 Purchase of finished goods from Teknos Coatings

During the Track Record Period, our Group purchased finished goods from Teknos Coatings during the year ended 31 December 2012. Although we do not engage in trading in the normal course of business, this was in this instance, identified as being commercially sound. As confirmed by our Directors, these goods were purchased on normal commercial terms at arm's length. By 1 January 2013, we had ceased purchasing finished goods from Teknos Coatings.

For the year ended 31 December 2012, total costs of purchases of Teknos Coatings' finished goods amounted to approximately HK\$10.5 million or approximately 7.5% of our Group's total raw material costs (for the purposes of financial reporting, these finished goods were categorised as raw materials). Gross profit from such arrangement amounted to approximately HK\$1.9 million or approximately 2.4% of our gross profit for the year ended 31 December 2012. Hence, during the Track Record Period, the trading of Teknos Coatings's finished goods accounted for a minimal proportion of our Group's total revenue and gross profit.

9.4.2 Purchase of raw materials from Teknos Group

During the Track Record Period, our Group also purchased a small amount of raw materials from Teknos Group. These specific raw materials are those required for products ordered by Teknos Coatings pursuant to the Teknos Agreement, and are purchased by our Group on normal commercial terms at arm's length. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, costs of raw materials purchased by our Group from Teknos Group amounted to approximately HK\$0.2 million, HK\$0.5 million, HK\$0.6 million, HK\$0.2 million and HK\$0.5 million, or approximately 0.2%, 0.3%, 0.4%, 0.3% and 0.8% of our total raw material costs respectively. It should be noted that as such raw materials are purchased from Teknos Group in order to undertake manufacture of products ordered pursuant to the Teknos Agreement, and as the pricing policy as set out in the Teknos Agreement takes into account raw material costs, the costs of raw material purchases from Teknos Group are entirely recovered by the revenue received by our Group pursuant to the Teknos Agreement.

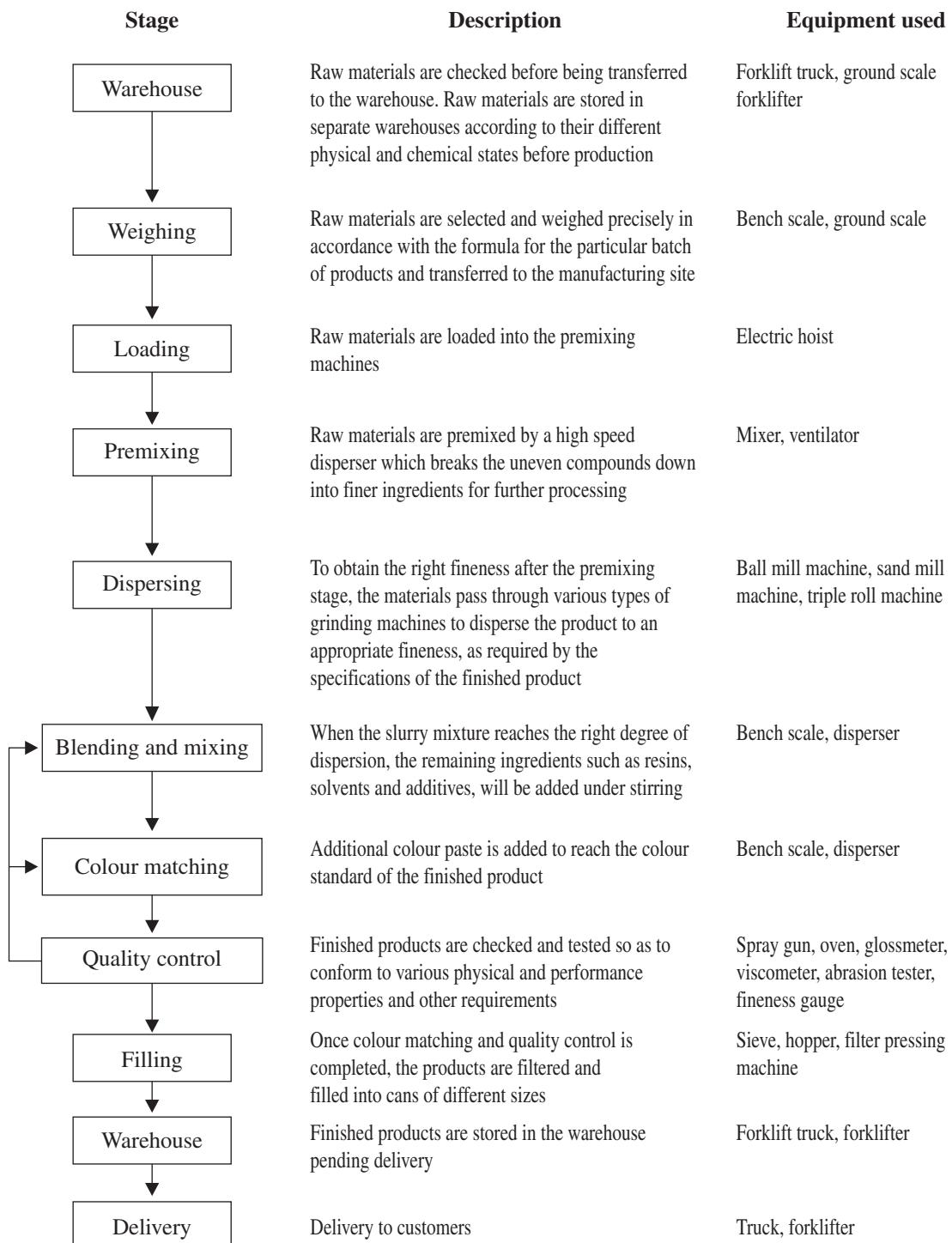
9.4.3 Relationship between Teknos Group and our Group

As Teknos is a substantial shareholder of one of our subsidiaries, Teknos and Teknos Coatings are connected persons of our Company for the purposes of the Listing Rules, and as such, transactions in the future between Teknos Group and our Company will be connected transactions. Please refer to the section headed "Connected transactions" of this prospectus for further details relating to the transactions during the Track Record Period between Teknos Group and our Company.

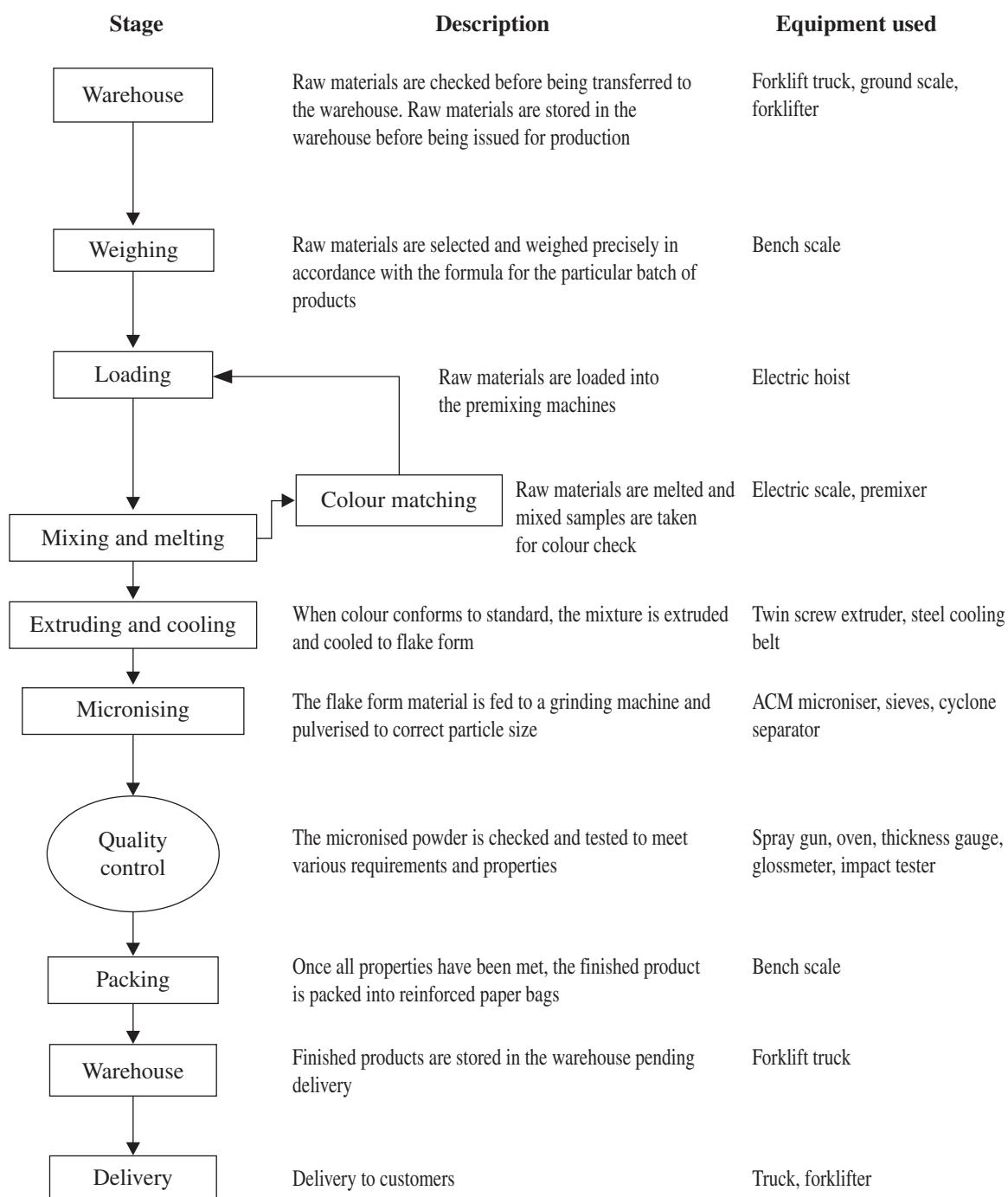
10. PRODUCTION PROCESS

The following charts show the principal steps in the production of our Group's coating products:

10.1 Liquid coating production process



10.2 Powder coating production process



It is not possible to provide a “standard” or average production time for our Group’s products due to the customised nature of the products. As our Group produces a range of powder and liquid coatings of vastly different quantities and specifications, and has had over 2,000 different customer entities during the Track Record Period, some of whom have placed orders as often as twice within one week, it is not feasible to provide an average production time.

10.3 Waste disposal

During the Track Record Period, our Group engaged two Independent Third Party firms to assist in our disposal of the minor wastage generated during our Group's operations, with aggregate fees of approximately HK\$42,000, HK\$48,000, HK\$48,000, HK\$20,000 and HK\$27,000 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

10.4 Quality control

Our Group's quality management system strictly adheres to the requirements of the ISO 9001:2008. Certain individual coatings categories, such as coatings for toys, are also subject to various other specifications or standards as required by individual customers or jurisdictions.

As at 31 December 2012, 2013 and 2014 and as at 30 June 2015, our Group employed 39, 29, 37 and 47 quality control personnel respectively.

Senior members of our quality control team have graduated from universities and technical schools and have relevant industry experience ranging from 5–20 years.

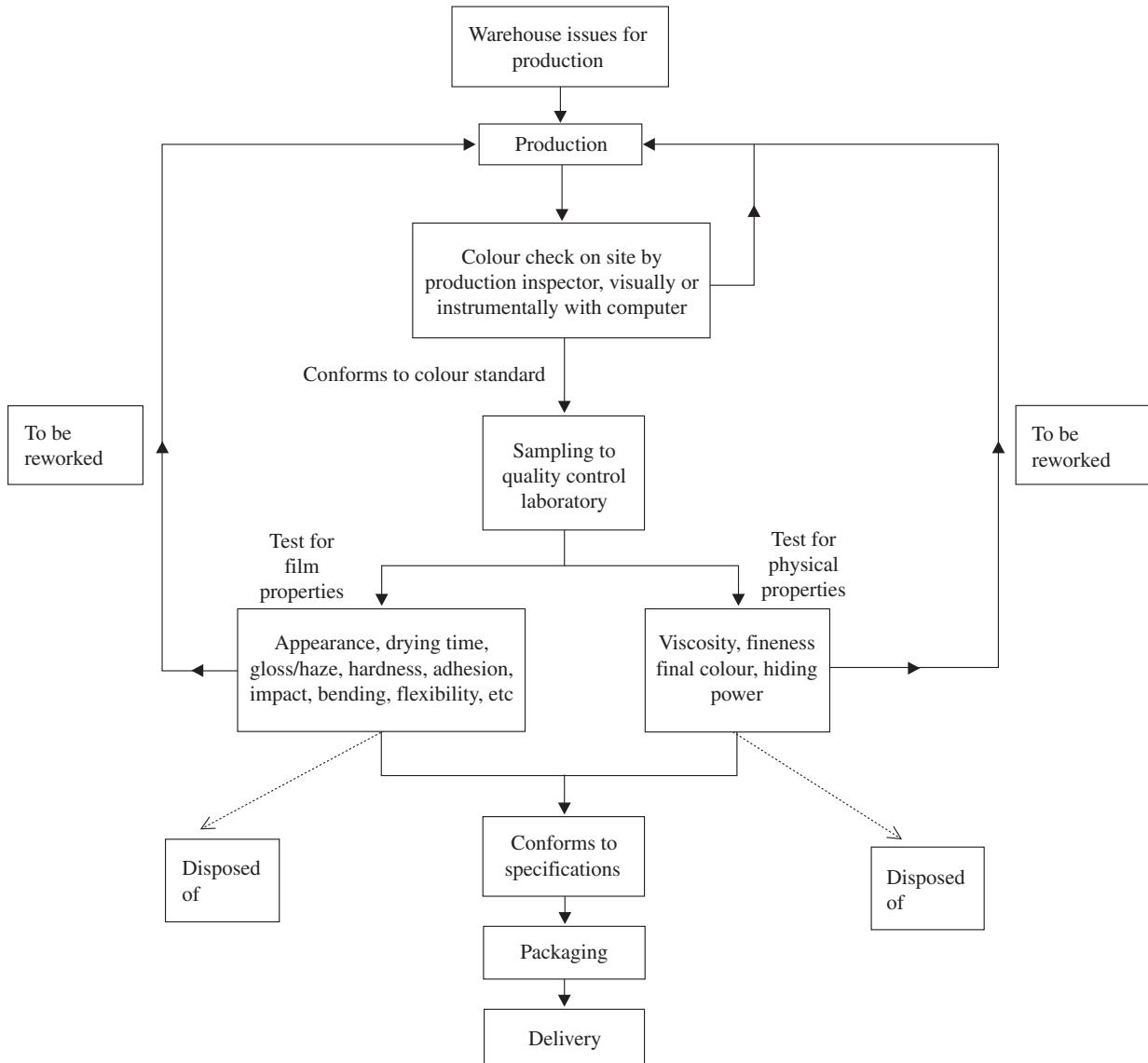
10.4.1 Raw materials quality control

We have established guidelines for the quality control of raw materials. We require raw materials with heavy metal components, such as pigment, to be delivered to our warehouses with an accompanying certificate of non-toxicity. These raw materials will then be sampled and assessed for toxicity.

If at any time during this initial raw material quality control stage, it is found that the raw material does not conform to the standards expected by our Company, we will not admit these raw materials into our warehouse. The supplier will be contacted and informed to handle either the product rectification or product return. If the raw material meets our specifications, the warehouse will be notified of the approval of the delivery and it shall be relocated to the approved raw materials section of the warehouse accordingly.

10.4.2 Quality control process during production

During the production process, the following stages of quality control are carried out:



Upon completion of manufacture of the product, there will be an initial colour check carried out by one of our quality control team either visually or instrumentally. If the product passes this test, a sample will be taken and sent to the quality control laboratory where it will be tested for film and physical properties. Upon receiving approval from the quality control team, the product will be packaged and delivered.

If at any time, the product does not conform to our standards, our production department and/or our technical team will explore the possibility of re-working the product. If it is considered there exists no possibility of re-working the product, or if it is not commercially viable, the product will be sent to the defective product warehouse. If the

technical department confirms there is no value in re-working the product, then having obtained approval from the general manager, the product is disposed of via a specialised waste disposal company.

10.4.3 Certification on quality control

We place strong emphasis on our quality control process and exert efforts to obtain certification to assure our customers of our high production quality. Our Group currently holds the following certification:

Year	Certificate	Entity awarded	Awarding body	Expiry date
2013	實驗室認可證書 (Certificate of Laboratory Accreditation)	Pinefield	中國合格評定國家認可 委員會 (China National Accreditation Service for Conformity Assessment)	9 April 2016
2014	ISO 9001:2008 Certificate (relating to quality management systems)	Pinefield, Springfield, Manfield Coatings	The Certification Body of TUV SUD Asia Pacific TUV SUD Group	23 February 2017
2014	ISO 14001:2004 Certificate (relating to environmental management systems)	Pinefield, Springfield	The Certification Body of TUV SUD Asia Pacific TUV SUD Group	10 February 2016
2015	玩具塗料供應商推薦書 (Certificate of recommendation as a supplier of AA grade coatings)	Pinefield, Manfield Coatings, Springfield	深圳市玩具行業協會及 深圳市出入境檢驗檢疫 協會 (Shenzhen Toy Industry Society and the Shenzhen Entry-Exit Inspection and Quarantine Society)	1 June 2018

10.4.4 Product returns and warranty

Normally, we offer a warranty period of six months for our products and in the event any product's performance or colour is found to be unsatisfactory within this timeframe, we will ensure the product is rectified or replaced at our own cost. To verify the veracity of any complaints over the quality of the product, we will assess the sample of the product taken prior to the delivery against the product specifications to evaluate the product's quality.

During the Track Record Period, the total value of product returns was insignificant, amounting to approximately HK\$1.0 million, HK\$0.6 million, HK\$0.7 million, HK\$0.5 million and HK\$0.3 million, equivalent to approximately 0.3%, 0.2%, 0.2%, 0.3% and 0.2% of total revenue, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

Our Group will also provide a signed warranty of compliance with specified standards upon request by our customers.

10.5 Post-sale technical services

Our Group also provides post-sale technical customer service. If necessary, our technicians will travel to customers' factories and provide technical services and post-sales support primarily entailing the provision of assistance to the customer in testing the product and providing manufacturing guidance.

10.6 Product development

Our Group conducts product development in the manufacturing of most orders, since, within the industrial coating industry, each product must be tailored to meet the customer's specifications and requirements. The cost of this product development is included in the pricing calculations for each product.

10.7 Licences and permits

The material licences and permits currently held by our Group are detailed below:

Entity	Licence	Regulatory body	Date granted	Date of expiry
Pinefield	全國工業產品生產許可證 (Production Licence)	廣東省質量技術監督局 (Administration of Quality and Technology Supervision of Guangdong Province)	16 August 2013	15 August 2018
	安全生產許可證 (Work Safety Licence)	深圳市經濟貿易和信息化委員會 (Economy, Trade and Information Commission of Shenzhen Municipality)	5 February 2013	4 February 2016
	廣東省污染物排放許可證 (Guangdong Province Pollutant Emission Permit for Waste Water and Gas)	深圳市寶安區環境保護和水務局 (Shenzhen Baoan Environmental Protection Bureau)	21 September 2012	21 September 2017

BUSINESS

Entity	Licence	Regulatory body	Date granted	Date of expiry
Springfield	全國工業產品生產許可證 (Production Licence)	廣東省質量技術監督局 (Administration of Quality and Technology Supervision of Guangdong Province)	10 December 2014	9 December 2019
	安全生產許可證 (Work Safety Licence)	廣州市安全生產監督管理局 (Guangzhou Administration of Work Safety)	10 April 2014	9 April 2017
	廣東省污染物排放許可證 (Guangdong Province Pollutant Emission Permit for Waste Water and Gas)	廣州市增城區環境保護局 (Guangzhou City Zengcheng District Environmental Protection Bureau)	12 October 2015	31 October 2016
	廣州市危險化學品生產儲存企業 (項目) 設立批准書 (Guangzhou City Certificate of Approval for the Production and Storage of Dangerous Chemicals)	廣州市安全生產監督管理局 (Guangzhou Administration of Work Safety)	12 December 2008	Not Specified
MT	全國工業產品生產許可證 (Production Licence)	江蘇省質量技術監督局 (Bureau of Quality and Technology Supervision of Jiangsu Province)	1 December 2014	30 November 2019
	安全生產許可證 (Work Safety Licence)	江蘇省安全生產監督管理局 (Jiangsu Administration of Work Safety)	26 January 2015	25 January 2018
Kesite	中華人民共和國危險化學品經營許可證 (Operating Licence for Hazardous Chemicals)	蘇州市相城區安全生產監督管理局 (Suzhou Xiangcheng Administration of Work Safety)	10 May 2013	9 May 2016
Manfield Coatings	Licence for the manufacture of dangerous goods	Fire Services Department	24 August 2005	23 August 2016
	Licence for the storage of dangerous goods	Fire Services Department	24 August 2005	23 August 2016
	Licence for the conveyance of dangerous goods in category 2/5 by vehicles	Fire Services Department	14 July 2011	13 June 2016

Our trucks used for transportation hold transportation licences permitting the transit of Grade 3 non-operational dangerous goods.

Our Directors confirm that we have obtained all relevant licences and permits to carry out our business in the Track Record Period and that there is no legal impediment likely to hinder us in our future renewal of the above licences as and when it becomes necessary.

10.8 Insurance

Our Group maintains property and vehicle insurance across our subsidiaries and intends to purchase directors insurance after Listing. Since the levels of premium required to maintain product liability insurance render holding an insurance policy commercially non-viable and since our Group actively monitors and manages our inventories and production process, we do not hold product liability insurance. As confirmed by our Directors, there is no industry requirement for the holding of such insurance and our Group has not been involved in any incidents of material product liability claims in the past. Our Directors confirm that this is consistent with general industry practice. We also provide pension, medical, work injury, unemployment, social and maternity insurance for our employees.

10.9 Health, work safety, social and environmental matters

Our Group and our production facilities are subject to various laws and regulations promulgated by national and local authorities. For more details on these regulations please refer to the section headed “Regulatory environment” of this prospectus. On a continuous basis, we attempt to identify and prevent all risks within the production process, and we have set out below a summary of the major actions we take to ensure work safety and environmental protection.

10.10 Work safety

We take work safety very seriously in all of our production facilities and have established the following measures to prevent any harm from befalling our employees or our facilities:

10.10.1 Fire prevention

All cigarettes, open flames and lighters are expressly forbidden within our production facilities. Our security officers will check all persons (whether employees, customers, suppliers etc.) for any fire hazards, such as the above, upon entering into the facility. Specialist fire prevention officials will undertake daily patrols of the facilities to check for any fire. The safety department will provide all new employees with fire safety training to ensure all staff are familiar with the necessary procedures in case of fire.

10.10.2 Specialist tasks

All specialist employees such as electricians, welders, forklift drivers and lift operators must hold the relevant licence to operate the equipment.

10.10.3 Dangerous chemicals

All dangerous chemicals must be clearly labelled upon entry into the production facilities. Dangerous chemicals must be stored in a location which has the suitable fire prevention and fire alarm facilities. All workers coming into contact with the chemicals must use suitable equipment to handle the chemicals at all times. Those involved in the loading and unloading of the chemicals must have received training and those involved in the transport are required to hold the relevant licence. Each department will hold training sessions to promote understanding of the procedures associated with dangerous chemicals at least once a year.

10.10.4 Facilities

Members of our safety committee will inspect our manufacturing and living facilities every month and if any potential hazard is identified, they will formally notify the relevant department in writing.

10.10.5 Production facilities and equipment management

The day-to-day protection of our production equipment, such as cleaning and rust-proofing, is carried out by members of the relevant department in which such equipment is housed. This work will be checked and supervised by the head of the relevant department, and when necessary, the engineering department will provide guidance.

Certain equipment, facilities and buildings will also be subject to yearly maintenance procedures consisting of a maintenance plan designed and approved by the engineering department, the relevant department's examination and approval of such maintenance work carried out and the final filing of the relevant documents by the engineering department.

10.11 Environmental policies

10.11.1 Waste handling

All waste gas and dust generated during our production process is safely handled by extraction systems according to national safety standards. Our quality management department inspect our equipment to ensure that the waste products do not exceed that permitted by the relevant laws or standards. It is ensured that all waste is disposed of properly through qualified waste disposal companies.

10.11.2 Noise

It is ensured that all machines that create excessive noise pollution are accompanied by suitable noise insulation and none are within close distance of any residential accommodation.

10.11.3 Hazardous substances

Every year, each relevant department conducts a yearly survey of hazardous substances that could lead to product contamination. Any relevant findings will be acted upon if the circumstances require it. One of our subsidiaries, Pinefield, has voluntarily carried out a clean production audit and the Habitation and Environment Commission of Shenzhen (深圳市人居環境委員會) (“Shenzhen HEC”) has issued a certificate certifying Pinefield was audited and accepted as a “Shenzhen Hygienic Manufacturing Garden” (深圳市清潔生產企業) in December 2009 (valid until December 2012), and December 2012 (valid until December 2015), respectively. Our Directors confirm that Pinefield is arranging for the renewal of the said certificate in November 2015.

10.11.4 Government measures — clean production audit

In October 2010, Shenzhen HEC issued a notice requiring Pinefield and other enterprises to carry out clean production audit (關於責令深圳松輝化工有限公司等單位限期實施清潔生產審核的通知) to Pinefield pursuant to which Pinefield shall carry out a mandatory clean production audit. As advised by our PRC Legal Adviser, Pinefield had complied with the requirement to carry out such clean production audit and the result is ‘pass’. This is evidenced by the fact that on 6 February 2013, the Guangdong Environmental Protection Office (廣東省環境保護廳) issued a letter 《廣東省環境保護廳關於報送廣東省2012年第四季度通過清潔生產評估驗收的重點企業名單的函》 (粵環函[2013]143號) confirming that Pinefield had passed the clean production audit in 2012. The result has also been published on the official website of the Guangdong Environmental Protection Office.

In July 2014 Shenzhen HEC issued Shenzhen 2014 Work Plan for Treatment of VOC Pollution (深圳市2014年揮發性有機物污染整治工作方案) whereby Pinefield was one of around 670 companies identified and requested to take action pursuant to such notice. As advised by our PRC Legal Adviser, this is a measure taken by the Shenzhen government to improve the air quality for environmental protection purpose and the inclusion of Pinefield in such list has no implication that Pinefield has been or is in breach of any of the VOC emissions and/or other environmental protection laws and regulations. Pinefield has not been subject to any fine or penalty as a result of or in conjunction with its inclusion in such list. Pinefield had complied with the requirements by submission of specified documents. This is evidenced by a receipt acknowledgment dated 17 November 2014 issued by the Songgang Management Office of the Environmental Protection and Water Bureau of Baoan District of Shenzhen City (深圳市寶安區環境保護及水務局松崗管理所).

Our Directors confirm that our Group was not involved in any material incident involving waste handling, noise or hazardous substances during the Track Record Period.

10.12 Accidents

Pursuant to our Company's internal control guidelines, all accidents involving chemicals should be investigated by the technical department, the relevant causes identified, and preventative measures evaluated. In case of any accident involving industrial and occupational safety, the safety department and/or quality management department will investigate the causes and evaluate the preventive measures. In the course of the inspection, if any unsatisfactory findings are discovered, the relevant changes should be made. Additionally, the relevant departments are required to keep all records relating to such inspection matters.

During the Track Record Period, we have suffered no material accidents in the course of our operations, and have not needed to pay any material compensation to employees for personal or property damage.

10.13 Annual cost of compliance

For the year ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the cost of compliance with those various regulations, taking into account environmental protection, waste disposal, fire prevention and health and safety costs amounted to approximately HK\$1.9 million, HK\$3.1 million, HK\$4.0 million, HK\$1.7 million and HK\$1.2 million respectively, the equivalent of approximately 0.9%, 1.4%, 1.7%, 1.5% and 1.1% of our Group's total cost of sales and services respectively.

10.14 Intellectual property

Our Group has applied for and successfully obtained three product patents. However, our Group rarely patents its products and instead prefers to protect the confidentiality of the manufacturing process of its products and avoid any potential leakage of information. Our Group also signs non-disclosure agreements with our senior management and technical department to protect our intellectual property. Our Group owns four registered trademarks; two "Manfield" trademarks, the "Pinefield" trademark and the "雪松 Xue Song" trademark. Further details of our intellectual property rights are set out in Appendix V to this prospectus.

There had been no dispute or infringement of trademarks and patents as at the Latest Practicable Date.

11. PROPERTIES

Details of the major properties owned or occupied by our Group's production facilities and headquarters are as follows.

Location Type	Self-owned/ leased	Property	Description and tenure	Purpose
<i>Hong Kong</i>				
Building	<i>Self-owned¹</i>	Factory units K, L on 5/F Factory units E, G, H, K on 6/F Factory units E, H to L on 9/F Carpark L1 and P8 on 1/F On Wah Industrial Building Nos. 41–43 Au Pui Wan Street Shatin, New Territories Hong Kong	The property is self-owned with gross floor area of approximately 12,948 sq.ft.	office and industrial use
	<i>Leased</i>	Factory unit L on 6/F On Wah Industrial Building Nos. 41–43 Au Pui Wan Street Shatin, New Territories Hong Kong	The property is leased with gross floor area of approximately 1,862 sq.ft.	warehouse
<i>Shenzhen</i> 深圳				
Land ²	Leased	Bai Long Gang, Shang Shan Men Village, Song Gang Town, Baoan District 寶安區松崗鎮上山門村白龍崗	The property is leased with land area of a total of approximately 35,584 sq.m.	industrial use
Building ²	Leased ³	Bai Long Gang, Shang Shan Men Village, Song Gang Town, Baoan District 寶安區松崗鎮上山門村白龍崗	The property is leased with total permitted gross floor area of approximately 37,440.2 sq.m.	office, warehouse and industrial use
<i>Guangzhou</i> 廣州				
Land	Self-owned	Dajing, Sanjing Village, Zhongxin Town, Zengcheng District 增城區中新鎮三徑村大逕	The land is self-owned with land area of approximately 66,631 sq.m.	industrial use
Building ⁴	Self-owned	Dajing, Sanjing Village, Zhongxin Town, Zengcheng District 增城區中新鎮三徑村大逕	The property is self-owned with total permitted gross floor area of approximately 14,618 sq.m.	office, warehouse and industrial use

BUSINESS

Location Type	Self-owned/ leased	Property	Description and tenure	Purpose
Changzhou 常州				
Land	Leased	No. 1–9, Luoyang Town Industrial Town, Wujin District 武進區洛陽鎮工業區1–9號	The property is leased with land area of a total of approximately 29,333.48 sq.m.	industrial use
Building ⁵	Leased	No. 1–9, Luoyang Town Industrial District, Wujin District 武進區洛陽鎮工業區1–9號	The property is leased with total permitted gross floor area of approximately 7,769.96 sq.m.	office, warehouse and industrial use

Notes:

1. Factory units C and D on 6/F, On Wah Industrial Building Nos. 41–43, Au Pui Wan Street, Shatin, New Territories Hong Kong are self-owned with gross floor area of approximately 1,349 sq. ft., and are subject to a tenancy for the period 1 July 2015 to 30 June 2016.
2. The land is collectively owned land and as such the lessor is unable to provide a valid ownership certificate for the majority of the land. Our PRC Legal Adviser opined that:
 - (i) all liability for the leasing of the land rests with the lessor, and our Group is not subject to any potential fine or punishment and has not been regarded to be in breach of any PRC laws for the renting, or the building of new buildings, on such land.
 - (ii) as the lessor does not possess a valid building ownership certificate for those buildings newly constructed on the aforesaid land, it is feasible that the lessor would be required to demolish such buildings. The lessor would bear all relevant liability for such demolition.
 - (iii) our Group as lessee of the land and buildings is not in a position to undertake any remedial actions unilaterally in respect of the aforesaid possible liability.

It is feasible that our Group would be required to vacate the land. For our Group's contingency plan, please refer to the paragraph headed "5.1.2.2 Pinefield land" of this section.

3. As revealed from tenancy agreements entered into by CMW, a connected person of the Company, and Pinefield, portions of the property were rented to the former between 2010 and up to the Latest Practicable Date.
4. The properties have been completed and have passed the completion examination (竣工驗收) and tax payment. We are currently in the process of application for the building ownership certificates for such properties and preliminarily expect to be able to obtain such certificates before 31 December 2015.
5. The properties have been constructed and are pending the completion examination (竣工驗收). The relevant building ownership certificates will be applied for thereafter. Our PRC Legal Adviser is of the view that there is no legal impediment in obtaining such building ownership certificates.

12. LITIGATION

Certain of our operating subsidiaries have initiated legal actions for debt collection and the legal actions are in progress. Our Group is not involved in any actual or threatened claims or litigation of a material nature at the Latest Practicable Date.

13. HISTORICAL NON-COMPLIANCE INCIDENTS

We have set out below details of our material non-compliance incidents during the Track Record Period:

Details of the non-compliance incidents	Reasons for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Remedial/rectification action taken/to be taken
13.1 MT did not obtain the required production licence for industrial products (全國工業產品生產許可證) since its commencement of manufacture of coatings in 2007.	<p>MT is a Sino-foreign equity joint venture established in the PRC in January 2007 between Manfield Chemical and Taike. Taike was the PRC shareholder and it injected the plant, land and production facilities as capital of MT in September 2007. Given Taike was then a factory already in operation, the management of MT arranged for inheriting the production related licences and permits from Taike and were not aware that the Production Licence was not among those licences and permits. The management of MT also mistakenly took comfort from the fact that the relevant government bureau, the Quality and Technical Supervision Bureau of Wujin District (武進區質量技術監督局) ("Wujin QTS"), did not raise any issue regarding this during their routine inspection of MT.</p>	<p>Pursuant to Article 45 of the Regulation on Administration of Production Licence for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), for manufacture of coatings within the ambit of the Catalogue before obtaining the required Production Licence, we may be required to cease production, may have our illegal products forfeited, and be further fined for an amount up to three times of the value of the relevant products we manufactured during the period. The illegal profit, if any, will be forfeited.</p> <p>Wujin QTS issued a letter ("the Letter") on 29 July 2014, confirming that (i) there were no records of any violations of rules or regulations committed by MT in respect of quality and technology supervision since its establishment; (ii) Wujin QTS Bureau considered that MT had complied with the relevant rules and regulations in respect of quality and technology supervision; (iii) it has no objection to our current application for a Production Licence; (iv) it will issue the Production Licence subject to the relevant laws and regulations; and (v) it will not take action against our Group for our not having obtained the Production Licence before then.</p> <p>As advised by our PRC Legal Adviser, taking into account the applicable PRC regulations and the official website, Wujin QTS is the competent local authority to examine and penalise (查處) MT in relation to quality and technical supervision and has the authority to issue the Letter.</p> <p>Our PRC Legal Adviser further advised us that given the Letter issued by Wujin QTS and our remedial actions taken so far, there is no material legal impediment for obtaining the Production Licence, and the possibility that we would be penalised for such non-compliance is very remote. Therefore, we do not make any provision for the potential liabilities in connection with the non-compliance incident.</p> <p>For the years ended 31 December 2012, 2013 and 2014, MT produced approximately 61 tonnes, 102 tonnes and 16 tonnes of solvent-based coatings which were products falling within the ambit of the Catalogue, and the relevant revenue amounted to approximately HK\$4.2 million, HK\$7.5 million and HK\$1.3 million respectively, while the corresponding gross profit amounted to approximately HK\$0.1 million, HK\$1.9 million and HK\$0.6 million respectively. In the unlikely event of a fine being imposed, the corresponding maximum amount of fine, and profit to be forfeited for such production during the Track Record Period amounted to approximately HK\$39.2 million and HK\$2.6 million respectively.</p>	<p>We immediately liaised with Wujin QTS and started the preparatory work for applying for the Production Licence.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we have not received any penalty (including notice requiring MT to cease production of products falling within the ambit of the Catalogue) from the relevant authority in respect of our not having obtained the Production Licence.</p> <p>Wujin QTS issued the Letter confirming that no penalty has been imposed on MT due to any non-compliance of the laws in relation to quality and technical supervision or industrial product licensing. It also stated (i) it has no objection to our current application for a Production Licence; (ii) it will issue the Production Licence subject to the relevant laws and regulations; and (iii) it will not take action against our Group for our not having obtained the Production Licence before then.</p> <p>Mr. Gao Bin, our quality management manager, has been designated to oversee the compliance with and update of relevant rules and regulations in respect of licences and permits of our Group. ETR Law Firm, our PRC Legal Adviser, has been retained to review for all necessary licences and permits, and provide training to our Directors and senior management on laws and regulations relevant to our Group's operation.</p> <p>On 1 December 2014, the Jiangsu Province Quality and Technology Supervision Bureau issued a Production Licence to MT valid from 1 December 2014 until 30 November 2019.</p>

Details of the non-compliance incidents	Reasons for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Remedial/rectification action taken/to be taken
<p>13.2 No registration has been made for four lease agreements in relation to the sublease of certain buildings located at Bai Long Gang, Shang Shan Men Village, Song Gang Town, Baoan District, Shenzhen City, Guangdong Province, the PRC, by Pinefield to CMW for the period from 1 August 2012 to 30 April 2014.</p>	<p>The failure to comply was unintended and due to a misunderstanding of the relevant registration requirements. As these were leases entered into between our subsidiary and our associate, the management mistakenly believed that the registration requirement was not applicable.</p>	<p>Article 6 of the Regulations on Lease of Houses of Shenzhen Special Economic Zone (《深圳經濟特區房屋租賃條例》) provides, the parties who create or alter a property lease shall apply to the competent district authority for registration within 10 days from the date that the lease agreement is signed. Article 53 states that if a property is leased or sub-leased without registration, the lessor shall be penalised with a maximum lump-sum fine of 20% of the total rent agreed in the lease agreement; the lessee at fault shall be penalized with a maximum lump-sum fine of 10% or less of the total rent agreed in the lease agreement.</p>	<p>Our PRC Legal Adviser has opined that since these lease agreements ceased to have effect, no further rectification measures in respect of registration of the lease agreements can be taken.</p>

Details of the non-compliance incidents	Reasons for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Remedial/rectification action taken/to be taken
13.3 No registration has been made for two lease agreements in relation to the sublease of certain building located at Bai Long Gang, Shang Shan Men Village, Song Gang Town, Baoan District, Shenzhen City, Guangdong Province, the PRC, by Pinefield to Champion for the period from 1 January 2012 to 30 June 2013.	The non-registration was unintended and due to a misunderstanding of the relevant registration requirements. As these lease agreements were entered into between our subsidiary and our associate, the management mistakenly believed that the registration requirement was not applicable.	<p>Article 6 of the Regulations on Lease of Houses of Shenzhen Special Economic Zone (《深圳經濟特區房屋租賃條例》) provides, the parties who create or alter a property lease shall apply to the competent district authority for registration within 10 days from the date that the lease agreement is signed. Article 53 states that if a property is leased or sub-leased without registration, the lessor shall be penalised with a maximum lump-sum fine of 20% of the total rent agreed in the lease agreement; the lessee at fault shall be penalized with a maximum lump-sum fine of 10% or less of the total rent agreed in the lease agreement.</p> <p>Our PRC Legal Adviser advises (i) that the validity of these lease agreements is not affected by non-registration of these lease agreements; and (ii) since the non-registration of the lease agreements was due to Pinefield's misunderstanding, Champion is not subject to penalty.</p> <p>As advised by our PRC Legal Adviser, according to Article 29 of the Administrative Penalty Law of the People's Republic of China (《中華人民共和國行政處罰法》), penalisation for such non-compliance is time-barred after 2 years following the termination of the non-compliant lease agreement. As such, penalty for non-registration of the two lease agreements has been time-barred.</p>	<p>Our PRC Legal Adviser opined that since these lease agreements ceased to have effect, no further rectification measures in respect of registration of these lease agreements can be taken.</p> <p>In order to enhance our internal controls to ensure a similar oversight is avoided in the future, we have allocated the responsibility for ensuring our Group is in compliance with the relevant lease registration requirements to Mr. Ng Kai On, one of our executive Directors, and Mr. Kong Muk Yin, our company secretary and one of our non-executive Directors. At a subsidiary level, we have implemented a new internal policy whereby the finance manager of each subsidiary is in charge of the registration requirements of all lease agreements entered into by such subsidiary.</p> <p>Our Directors are of the view that these new internal control measures are adequate to prevent such incidents of non-compliance in the future.</p>

Details of the non-compliance incidents	Reasons for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Remedial/rectification action taken/to be taken
<p>13.4 No registration has been made for the lease of building located at Dongqiao Industrial Zone, Xiangcheng District, Suzhou City, the PRC, by Kesite.</p> <p>The term of the lease agreement is for a period from 1 January 2014 to 31 December 2015.</p>	<p>Kesite leases the property from an Independent Third Party. To the best knowledge and belief of our Directors, registration of the lease in Suzhou City is normally performed by the landlord. A property ownership certificate is required for the registration of the lease and such property ownership certificate is not available to Kesite.</p>	<p>Article 14 of the Administrative Rules on Commercial Property Leases (《商品房屋租赁管理办法》) provides that a lease should be registered within 30 days of the entering into of the contract. If a property is leased without registration and the parties do not rectify the situation within the prescribed time limit as ordered by the local competent authority, each of the lessor and the lessee shall be penalised with a fine ranging between RMB1,000 to RMB10,000.</p> <p>As advised by our PRC Legal Adviser, the validity of the lease agreement is not affected by the non-registration of the lease and therefore Kesite can continue to occupy and use the leased property legitimately.</p> <p>As advised by our PRC Legal Adviser, according to Article 29 of the Administrative Penalty Law of the People's Republic of China (《中华人民共和国行政处罚法》), penalisation for such non-compliance is time-barred after two years following the termination of the non-compliant lease agreement. As such, penalty for this incident of non-compliance will become time-barred on 30 December 2017, unless the agreement is duly registered or terminated early.</p> <p>Our PRC Legal Adviser advises that the potential maximum penalty for the non-registration of the lease is approximately RMB10,000.</p>	<p>In August 2014, Kesite has requested the landlord to register the lease.</p> <p>As our PRC Legal Adviser opined that the validity of the lease agreement is not affected by the non-registration of the lease, and Kesite can continue to occupy and use the lease legitimately, no further rectification measures can be taken.</p> <p>In order to enhance our internal controls to ensure a similar oversight is avoided in the future, we have allocated the responsibility for ensuring our Group is in compliance with the relevant lease registration requirements to Mr. Ng Kai On, one of our executive Directors, and Mr. Kong Muk Yin, our company secretary and one of our non-executive Directors. At a subsidiary level, we have implemented a new internal policy whereby the finance manager of each subsidiary is in charge of the registration requirements of all lease agreements entered into by such subsidiary.</p> <p>Our Directors are of the view that these new internal control measures are adequate to prevent such incidents of non-compliance in the future.</p>

Saved as disclosed above, our Directors confirm that there have been no other material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, as advised by our PRC Legal Adviser, our Company and each of our PRC subsidiaries have, in all material aspects, complied with the PRC laws and regulations that are applicable to our business operations during the Track Record Period and up to the Latest Practicable Date.

Awards

In recognition of our quality products, we have received a number of awards during our operating history. Set out below is a summary of such awards.

Year	Award	Entity Awarded	Awarding Body
1998 and 1999	Certificate of Merit in Quality	Manfield Coatings	Industry Department of Hong Kong
1999	Certificate of Merit in Productivity	Manfield Coatings	Hong Kong Productivity Council
2000	Winner of the Hong Kong Productivity Award	Manfield Coatings	Hong Kong Productivity Council
2003	Certificate of Merit	Manfield Coatings	Hong Kong Management Association
2003 and 2004	2003年全國質量管理獎鼓勵獎 (Encouragement of 2003 China Quality Management Award)	Manfield Coatings	中國質量協會 (China Association for Quality)
2004	廣東省質量管理獎, (Guangdong Quality Management Award)	Pinefield	廣東省質量協會, (Guangdong Quality Management Association)
2005	HKMA Quality Award Gold Award	Manfield Coatings	Hong Kong Management Association
2006	Winner of the APBEST (Asia-Pacific Business Excellence Standard) Award	Manfield Coatings	Asia-Pacific Business Excellence Standard Academy
2007	全國外商投資雙優企業, (National Excellent Taxpaying and Turnover Performance Enterprise with Foreign Investment)	Pinefield	中國外商投資企業協會, (China Association of Enterprises with Foreign Investment)
2007	深圳知名品牌, (Shenzhen Top Brand)	The “Manfield” brand	深圳知名品牌評價委員會, (Shenzhen Top Brand Evaluation Committee)
2013 and 2014	Green Medal Pearl River Delta Environmental Award	Manfield Coatings	Federation of Hong Kong Industries One Factory-One Year-One Environmental Project Programme

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue, our Controlling Shareholders will hold 450,000,000 Shares, representing 75% in aggregate of the total issued share capital of our Company.

Save as disclosed above, there is no person who will, immediately following the completion of the Share Offer, be directly or indirectly interested in 30% or more of the voting power at general meetings of our Company.

Background of our Controlling Shareholders

As at the Latest Practicable Date, one of our Controlling Shareholders, Mr. Lee Seng Hui (“Mr. Lee”), was interested in, as a trustee of Lee and Lee Trust (a discretionary trust) and through personal interests, approximately 71.88% of the total number of issued shares of Allied Group Limited (Stock Code: 373).^(Note)

Note: It should be noted that a number of Allied Group’s subsidiaries and associated companies are also listed in Hong Kong and other jurisdictions including: Allied Properties (HK) Limited, Sun Hung Kai & Co. Limited, SHK Hong Kong Industries Limited, Tian An China Investments Co. Limited, Tanami Gold NL, Eurogold Limited and Dragon Mining Limited.

Mr. Lee has numerous executive roles and currently sits on a number of business committees as well as the board of directors of several listed companies within Allied Group Limited and its various subsidiaries. He considers himself a passive investor of our Group and has entrusted the running of our Group’s business to our management. As such, he has not assumed the role of director in our Group.

Mr. Lee graduated with a bachelor of laws degree from the Law School of the University of Sydney in Australia with honours. He has been appointed as the chief executive of Allied Group Limited since January 1998.

Set out below are the details of the current and past directorships of Mr. Lee in publicly listed companies in Hong Kong and overseas in the past three years:

Company name	Position	Duration	Place of listing and relevant stock exchange (Stock code)
Allied Group Limited	Executive director, chief executive ⁽¹⁾	July 1992 to present	Hong Kong HKSE (373)
Allied Properties (H.K.) Limited	Executive director, chief executive	June 2010 to present	Hong Kong HKSE (56)
APAC Resources Limited	Non-executive director	October 2009 to present	Hong Kong HKSE (1104)

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Company name	Position	Duration	Place of listing and relevant stock exchange (Stock code)
Tian An China Investments Company Limited	Non-executive director, chairman	April 2007 to present	Hong Kong HKSE (28)
Mount Gibson Iron Limited	Non-executive chairman ⁽²⁾	January 2010 to present	Australia Australian Securities Exchange (MGX)
Tanami Gold NL	Non-executive director	March 2008 to November 2013	Australia Australian Securities Exchange (TAM)

Notes:

- (1) From July 1992 to December 1993, Mr. Lee held the position of non-executive director in Allied Group Limited. In December 1993, he was appointed as an executive director, and in January 1998 he was appointed as the chief executive.
- (2) From January 2010 to December 2012, Mr. Lee held the position of non-executive director in Mount Gibson Iron Limited. Between December 2012 and February 2014, he was the non-executive deputy chairman, and since February 2014 he has been the non-executive chairman.

Save as disclosed above, Mr. Lee Seng Hui did not hold any other directorship in publicly listed companies in Hong Kong or overseas in the past three years.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Competing interests

As confirmed by our Directors, our Controlling Shareholders and their respective associates do not have any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

Management independence

Although our Controlling Shareholders will continue to hold controlling interests in our Company upon completion of the Share Offer, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management. Our Board has eight Directors comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board and senior management operate independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the Listing of our Company on the Stock Exchange.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders.

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Despite the fact that we will have certain continuing connected transactions, particulars of which are set out in the section headed "Connected transactions" of this prospectus, having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their associates; and (iii) our Controlling Shareholders have no interest in any of our customers, suppliers or other business partners, our Directors consider that our Group can operate independently from our Controlling Shareholders from an operational perspective.

Financial independence

During the Track Record Period, we had obtained banking facilities secured by personal guarantees of Mr. Yuen and Mr. Ko. Our Directors undertake that these personal guarantees will be replaced by our Group's corporate guarantees upon Listing.

During the Track Record Period, we had been provided with a shareholder's loan of approximately HK\$31.4 million by Mezzo. Our Directors confirm that the abovementioned shareholder's loan will be partially repaid by our Group as to HK\$20 million prior to Listing with the remaining to be waived upon Listing.

Our Group has our own accounting and finance department and independent financial system and makes financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. In view of our Group's internal resources and estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that upon Listing, our Group is capable of obtaining financing from external resources independently without the support of our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

NON-COMPETITION UNDERTAKING

Mr. Yuen and Mr. Ko (each being a member of the senior management of our Group) and our Controlling Shareholders (each a “Covenantor” and collectively, the “Covenantors”) entered into the Deed of Non-Competition with and in favour of our Company, under which each of the Covenantors irrevocably and unconditionally, jointly and severally, warrants and undertakes to our Company (for ourselves and as trustee for each of our subsidiaries) that:

- (a) he/it will not, and will procure any Covenantor and his/its associates (each a “Controlled Person” and collectively, the “Controlled Persons”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the “Controlled Company”) not to, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in any territory that our Group carries on its business from time to time (the “Restricted Business”);
- (b) when any Controlled Person and/or any Controlled Company is offered or become aware of any new project or business opportunity (the “New Business Opportunity”) directly or indirectly to engage or become interested in a Restricted Business, he/she/it (i) shall promptly notify our Company of such New Business Opportunity in writing, refer the same to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by our Company in writing and the principal terms of which he/she/it and/or his/her/its associates invest or participate in are no more favourable than those made available to our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The restrictions which each of the Covenantors has agreed to undertake pursuant to the non-competition undertaking will not apply to such Covenantors in the circumstances where he/it has:

the holding of or interests in shares or other securities by any of the Covenantors and/or his/its associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

- (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant combined turnover or combined assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (ii) the total number of the shares held by any of the Covenantors and his/its associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than the Covenantors and his/its associates together hold.

The non-competition undertaking will take effect from the date on which dealings in our Shares first commence on the Stock Exchange and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceases to be regarded as our controlling shareholder (as defined under the Listing Rules from time to time) of our Company; (ii) a covenantor, not being a Controlling Shareholder, ceases to be a member of senior management of our Group; or (iii) Shares cease to be listed and traded on the Stock Exchange or other recognized stock exchange.

Our Company will adopt the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

- (1) our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by the Covenantors;
- (2) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking;
- (3) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Covenantors in the annual reports of our Company;
- (4) the Covenantors will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (5) our independent non-executive Directors will be responsible for deciding whether or not to allow the Covenantors and/or their respective associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (6) our independent non-executive Directors may appoint an independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and the Covenantors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained a positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board is responsible and has general power for the management and conduct of our business. Our board consists of three executive Directors, two non-executive Directors and three independent non-executive Directors.

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Mr. Yuen Shu Wah (原樹華先生)	65	chairman, executive Director	<ul style="list-style-type: none"> ● Overall strategic planning and corporate policies formulation of our Group ● Sales and marketing strategies 	June 1986	April 2014
Mr. Ko Jack Lum (高澤霖先生)	79	chief executive officer, executive Director	<p>Project management including:</p> <ul style="list-style-type: none"> ● Monitoring the operation of projects, tendering submissions; and ● Reviewing project costs and budget 	June 1986	June 2014
Mr. Ng Kai On (伍介安先生)	54	executive Director	Overseeing and monitoring the accounting and financial control functions of our Group	August 1987	June 2014
Dato' Wong Peng Chong (王炳忠拿督)	71	non-executive Director	Participating in the meetings of the Board to bring another perspective to issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required	November 2009	June 2014
Mr. Kong Muk Yin (江木賢先生)	49	non-executive Director		November 2009	June 2014

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Dr. Chui Hong Sheung, JP (崔康常博士)	66	independent non-executive Director	<ul style="list-style-type: none"> Participating in the meetings of the Board to bring an independent judgment to issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; 	November 2015	November 2015
Mr. Cheung Chi Wai Vidy (張志偉先生)	56	independent non-executive Director	<ul style="list-style-type: none"> Taking the lead where potential conflicts of interest arise and serving on the Audit Committee, Remuneration Committee and the Nomination Committee 	November 2015	November 2015
Mr. Yue Kwai Wa Ken (余季華先生)	50	independent non-executive Director		November 2015	November 2015

EXECUTIVE DIRECTORS

Mr. Yuen Shu Wah (原樹華先生), aged 65, one of the co-founders of our Group, is the chairman and an executive Director. He was appointed as Director of our Company in April 2014 and redesignated as an executive Director in June 2014. Mr. Yuen is responsible for the overall strategic planning and corporate policies formulation of our Group. He is also responsible for sales and market strategies. He is the co-founder and director of Manfield Coatings since its incorporation in June 1986. He is also the chief executive officer of CMW.

Mr. Yuen was awarded a first class honours bachelor degree in science general from The University of Hong Kong in November 1972. He was awarded a master degree in chemical engineering from the University of Wales, the United Kingdom in December 1976.

Mr. Yuen has been engaged in the industrial coating industry since February 1976. During the period from 1976 to 1981, and the period from 1981 to 1986, Mr. Yuen was employed as a technical sale executive of The International Paint Company Limited, and an executive manager of Far East of Mander-Domolac Ltd. respectively. Both companies were industrial coatings manufacturers, and Mr. Yuen focused on the provision of technical services and marketing and the sales of various types of industrial coatings.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yuen is the chairman of the Gratia Foundation Limited. He is also the approved first supervisor of the Gratia College in Hong Kong in July 2013. Mr. Yuen has been a member of the Board of Governors of Gratia Christian College since July 2015. Mr. Yuen has served as a trustee of the Incorporated Trustees of Peace Evangelical Centre since 1995. He was awarded Honorary Citizen of Guangzhou* (廣州市榮譽市民) in November 2012.

Mr. Yuen was an executive director of Greenfield Chemical Holdings Limited (now known as: Landing International Development Limited) (stock code: 582) (“Greenfield”) between October 2001 to October 2007. For details of Greenfield, please refer to the section headed “History, reorganisation and group structure” of this prospectus.

Mr. Yuen has been a director of Springfield Coatings Company Limited (“Springfield Coatings”), an investment holding company incorporated in Hong Kong, since 26 March 1991. In December 1994, due to disagreement with Mr. Yuen regarding the operation and management of Springfield Coatings, Mr. Chen An Di, a shareholder and a director of Springfield Coatings at the relevant time, petitioned to the High Court of Hong Kong (the “High Court”) to wind up Springfield Coatings on just and equitable grounds. No amount was involved in the winding-up petition. By an order dated 23 January 1995, the winding-up petition was dismissed by the High Court.

Save as disclosed in this prospectus, Mr. Yuen has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an executive Director.

Mr. Ko Jack Lum (高澤霖先生), aged 79, is the chief executive officer and an executive Director. He was appointed as an executive Director in June 2014. He is responsible for project management, including monitoring the operation of company projects, tendering submissions and reviewing project costs and budget. He is also responsible for the production and technical aspects of our products. Mr. Ko was awarded a bachelor degree in chemical engineering from the Cheng Kung University of Taiwan Province (臺灣省立成功大學, now known as the National Cheng Kung University (國立成功大學)) of Taiwan in July 1958.

Mr. Ko is the co-founder, director and general manager of Manfield Coatings since its incorporation in June 1986. Prior to the founding of Manfield Coatings, Mr. Ko was employed by Swire Duro Limited, a coatings manufacturer, during the period from July 1960 to August 1985 for provision of technical services and promoting sales of various types of coatings, and his last position was technical manager. Mr. Ko possesses over 50 years of experience in the coating industry.

Mr. Ko was an executive director of Greenfield between October 2001 to October 2007. For details of Greenfield, please refer to the section headed “History, reorganisation and group structure” of this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ko has been a director of Springfield Coatings, an investment holding company incorporated in Hong Kong, since 20 January 1995. In December 1994, due to disagreement with Mr. Yuen regarding the operation and management of Springfield Coatings, Mr. Chen An Di, a shareholder and a director of Springfield Coatings at the relevant time, petitioned to the High Court of Hong Kong to wind up Springfield Coatings on just and equitable grounds. No amount was involved in the winding-up petition. By an order dated 23 January 1995, the winding-up petition was dismissed by the High Court.

Save as disclosed in this prospectus, Mr. Ko has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an executive Director.

Mr. Ng Kai On (伍介安先生), aged 54, was appointed as an executive Director in June 2014. He is responsible for accounting and financial control of our Group. He joined Manfield Coatings in August 1987. Mr. Ng was appointed as a director of Manfield Coatings in November 1992. He was awarded a bachelor degree in business administration from the Open University of Hong Kong in June 2004 and was awarded a master degree of business administration from the Open University of Hong Kong in December 2006, both by way of distant learning. Mr. Ng possesses over 20 years of experience in financial and managerial matters.

Mr. Ng was an executive director of Greenfield between October 2001 to November 2007. For details of Greenfield, please refer to the section headed “History, reorganisation and group structure” of this prospectus.

Save as disclosed in this prospectus, Mr. Ng has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an executive Director.

NON-EXECUTIVE DIRECTORS

Dato' Wong Peng Chong (王炳忠拿督), aged 71, was appointed as a non-executive Director in June 2014. He is primarily responsible for participating in the meetings of the Board to bring another perspective to issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required. He is also a director of our Group's subsidiary companies, Rookwood and Manfield Coatings. Mr. Wong obtained a bachelor of arts (honours) from the University of Malaya in 1967. He joined the Malaysian Civil Services in 1967 and was assigned to the Ministry of Foreign Affairs of Malaysia (Malaysia Foreign Service). He was also the Commissioner for Malaysia in Hong Kong in the Office of the Commissioner for Malaysia during the period from 1981 to 1985.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Dato' Wong possesses a great amount of management experience. In the past 15 years, he has served as a director in a number of listed companies in Hong Kong and overseas, one of which being Greenfield, for whom he served as a non-executive director and executive director between October 2001 and December 2003 and October 2009 and January 2010 respectively. For details of Greenfield, please refer to the section headed "History, reorganisation and group structure" of this prospectus.

Dato' Wong is serving as a director of the following listed companies:

Company name	Position	Duration	Place of listing (Stock code)
COL Capital Limited	executive director	March 2002 to present	HKSE (383)
Mabuhay Holdings Corporation	director	June 2009 to present	Philippine Stock Exchange, Inc. (MHC)
IRC Properties, Inc.	director	November 2009 to present	Philippine Stock Exchange, Inc. (IRC)
Asia Development Capital Co., Ltd. (formerly known as Asia Alliance Holdings Co., Ltd)	director	June 2015 to present	Tokyo Stock Exchange (9318)

Save as disclosed in this prospectus, Mr. Wong has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as a non-executive Director.

Mr. Kong Muk Yin (江木賢先生), aged 49, was appointed as a non-executive Director and company secretary of our Company in June 2014. He is primarily responsible for participating in the meetings of the Board to bring another perspective to issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required. He is also a director of our Group's subsidiary company, Rookwood. Mr. Kong was awarded a bachelor of arts degree in Business Studies from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) in November 1989. Mr. Kong was admitted as a non-practising member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) in April 1996, a fellow member of The Association of Chartered Certified Accountants in January 2001 and a Chartered Financial Analyst from the Association for Investment Management and Research (now known as the CFA Institute) in September 2001.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Kong has more than 20 years of experience in financial management, accounting and auditing including the following:

Period of time	Name of employer/entity	Last office held	Principal functions
November 1995 to July 1999	Grand Orient Holdings Ltd. (now known as Landsea Green Properties Co., Ltd.) (HKSE: 106) (property development and investment, securities trading and investment and provision of financial services)	chief accountant and company secretary	managing the accounting, finance and corporate secretarial functions; compliance with the regulatory authorities
July 1999 to August 2002	China Sci-Tech Holdings Limited (now known as CST Mining Group Limited) (HKSE: 985) (production and mining of copper)	financial controller and company secretary	managing the finance and account department and the company secretarial department
December 1999 to May 2002	China Online (Bermuda) Limited (now known as COL Capital Limited) (HKSE: 383) (property development and investment, securities trading and investment, provision of financial services, and investment and operation of healthcare and hospital business)	financial controller	managing the accounting, finance and corporate secretarial functions; compliance with the regulatory authorities

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Kong is serving/has served as a director of the following listed companies:

Company name	Position	Duration	Place of listing (Stock code)
COL Capital Limited	executive director	May 2002 to present	HKSE (383)
APAC Resources Limited	executive director	November 2009 to present	HKSE (1104)
Mabuhay Holdings Corporation	director	September 2010 to September 2015	Philippine Stock Exchange, Inc. (MHC)
IRC Properties, Inc.	director	September 2010 to September 2015	Philippine Stock Exchange, Inc. (IRC)
ChinaVision Media Group Limited (now known as Alibaba Pictures Group Limited) ("Alibaba Pictures")	non-executive director	December 2010 to June 2014	HKSE (1060)

Mr. Kong was an executive director of Greenfield between October 2009 and January 2010. For details of Greenfield, please refer to the section headed "History, reorganisation and group structure" of this prospectus.

According to announcements of Alibaba Pictures dated 14 August 2014, 14 November 2014 and 9 December 2014, certain non-compliance incidents relating to accounting treatments occurred during the period which Mr. Kong was a non-executive director. Such non-compliance incidents refer to misstatements of financial information due to misapplication of tax deduction in PRC before obtaining all requisite official tax invoices, and application of inappropriate VAT rates when estimating tax position. The announcement also revealed (i) misstatements of financial information due to incorrect assessment of fair value of convertible bonds based on a valuation report; (ii) different view from the incumbent board of directors of Alibaba Pictures on (a) application of accounting policy on government grant, and (b) provisions on asset impairment which led to an expected loss on fair value change on warrants. Having reviewed the announcements of Alibaba Pictures and discussed the misstatements highlighted therein with Mr. Kong, given (i) the misstatements relating to tax invoices and application of VAT rates were mistakes related to Alibaba Pictures' daily operations (which were principally located in the PRC) which did not involve non-executive directors; (ii) the fair value of convertible bonds was based on a valuation report and the boards of directors of listed companies are entitled to rely on independent professionals' valuations; (iii) Mr. Kong was not on the audit committee of Alibaba Pictures during the relevant period; and (iv) there were no indication of any fraud involved, the Sponsor is satisfied that the incidents of non-compliance exhibited by Alibaba Pictures do not cast any doubt on the suitability of Mr. Kong to serve as non-executive Director.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed in this prospectus, Mr. Kong has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as a non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chui Hong Sheung, JP (崔康常博士), aged 66, was appointed as an independent non-executive Director in November 2015. Dr. Chui is the president of Gratia Christian College, a degree awarding institute registered under the Post Secondary Colleges Ordinance (Chapter 320 of the Laws of Hong Kong) since July 2015. Dr. Chui was awarded a bachelor degree in science general from The University of Hong Kong in November 1972. Dr. Chui was awarded a master degree in arts (education) from the Chinese University of Hong Kong in October 1988. Dr. Chui was awarded a doctor of philosophy degree from the University of New South Wales in October 1996.

Dr. Chui is experienced in management and his work experience includes the following:

Period of time	Name of employer/entity	Office	Principal functions
September 1972 to May 1979	The Church of Christ in China Ming Yin College	teacher	conducting lessons; and supporting, observing and recording the progress of the classes
May 1979 to December 1996	Shun Tak Fraternal Association Lee Shau Kee College	principal	managing the policies, regulations, and procedures
December 1996 to December 2012	Hang Seng School of Commerce	president	managing the policies, regulations, and procedures
September 2010 to December 2012	Hang Seng Management College	president	managing the policies, regulations, and procedures
December 2012 to June 2013	Hang Seng Management College	president emeritus	advising on the policies, regulations, and procedures
July 2013 to July 2015	Gratia College (<i>Note</i>)	president	managing the policies, regulations, and procedures

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Period of time	Name of employer/entity	Office	Principal functions
May 2014 to present	Gratia Christian College	president	managing the policies, regulations, and procedures

Note: Registered under Education Ordinance (Chapter 279) in July 2013 and such registration was cancelled in July 2015.

For the past 20 years, Dr. Chui has taken up various roles in different organisations such as Standing Committee of Disciplined Services Salaries and Conditions of Service and the HKSAR Buildings Appeal Tribunal Panel. Dr. Chui received the Badge of Honour conferred by the government of Hong Kong in January 1991. Dr. Chui is a Justice of Peace since July 2007.

Dr. Chui was an independent non-executive director of Greenfield between August 2004 to September 2010. For details of Greenfield, please refer to the section headed “History, reorganisation and group structure” of this prospectus.

Save as disclosed in this prospectus, Dr. Chui has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an independent non-executive Director.

Mr. Cheung Chi Wai Vidy (張志偉先生), aged 56, was appointed as an independent non-executive Director in November 2015. Mr. Cheung was awarded a bachelor degree of laws from Ealing College of Higher Education (now known as University of West London) in July 1982. Mr. Cheung was admitted as a Barrister-at-law of England in November 1984 and as a Barrister-at-law of Hong Kong in May 1986. Mr. Cheung worked in the then Legal Department and the Department of Justice of the government of Hong Kong as a crown counsel, senior crown counsel and senior government counsel respectively for the period from November 1985 to September 2009.

Mr. Cheung was an independent non-executive director of Manta Holdings Company Limited (now known as Eagle Legend Asia Limited) (HKSE: 936) between June 2010 and April 2012.

Save as disclosed in this prospectus, Mr. Cheung has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an independent non-executive Director.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yue Kwai Wa Ken (余季華先生), aged 50, was appointed as an independent non-executive Director in November 2015. He was awarded a diploma of technology in financial management accounting option from the British Columbia Institute of Technology in Canada in June 1989 and also obtained a bachelor degree of science from Upper Iowa University of the United States by attending classes in Hong Kong conducted at its Hong Kong campus in March 2005. Mr. Yue was admitted as a member of the American Institute of Certificate Public Accountants in October 2005 and a fellow member of the Colorado State Society of Certified Public Accountants in September 2005. He was also admitted as an ordinary member of the Hong Kong Securities Institute in December 2004.

Mr. Yue has over 20 years of experience in accounting, auditing, corporate finance, business development, financial management, corporate advisory and valuation. Between 1998 and 2002, he had been the manager of the finance department, the manager of the compliance and control department, and the marketing executive (institution) of Dao Heng Securities Limited (now known as Guoco Capital Limited (HKSE: 53)).

Mr. Yue served/is serving as a director of the following listed companies:

Company name	Position	Duration	Place of listing (Stock code)
Loulan Holdings Limited	independent non-executive director	August 2004 to January 2006	HKSE (8039) (De-listed)
China Starch Holdings Limited	independent non-executive director	September 2007 to present	HKSE (3838)
Roma Group Limited	executive director ⁽¹⁾	March 2011 to present	HKSE (8072)
Major Holdings Limited	independent non-executive director	December 2013 to present	HKSE (1389)
Legend Strategy International Holdings Group Company Ltd	executive director	July 2014 to November 2014	HKSE (1355)

Note:

1. Mr. Yue has also been the Company Secretary of Roma Group Limited since September 2011.

Save as disclosed in this prospectus, Mr. Yue has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an independent non-executive Director.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information concerning our senior management.

Name	Age	Position	Roles and responsibilities	Year of joining our Group
Mr. Kong De You (孔德友先生)	41	superintendent of the business unit in the PRC	Overseeing sales and technical services management of our Group's business operations in the PRC	1994
Ms. Zhang Hui Ling (張慧玲女士)	46	superintendent of the operation units in Pinefield	Overseeing production and operation management of our Group's presence in Shenzhen	1987
Ms. Luo Xiu Yun (羅秀雲女士)	52	superintendent of the operation units in Springfield	Overseeing and monitoring production management and administration functions of the operation units in Springfield	1999 ⁽¹⁾
Mr. Gao Bin (高斌先生)	44	quality management manager	Overseeing quality control, production safety and operational support affairs of our Group	1999

Note:

1. Ms. Luo joined our Group in 1999. She left our Group in 2008 and re-joined our Group in 2011.

Mr. Kong De You (孔德友先生), aged 41, is the superintendent of the business unit of our Group in the PRC. He is primarily responsible for the overall sales and technical services management of our Group's business operations in the PRC.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Kong joined Pinefield as a technical assistant of the technical department in 1994. During the period of his office with our Group, Mr. Kong assumed the following offices and was then in charge of the functions mentioned below:

Period of time	Office	Principal functions
1994 to 2012	technical assistant of the technical department of Pinefield	providing technical services to clients
2012 to 2013	deputy general manager of Pinefield	overseeing and monitoring the operation of Pinefield
2013 to present	superintendent of the business unit of our Group in the PRC	overseeing sales and technical services management of our Group's business operation in the PRC

Mr. Kong has over 20 years of experience in the coating industry, and is experienced in project sales management.

Ms. Zhang Hui Ling (張慧玲女士), aged 46, is the superintendent of the operation units in Pinefield. She is primarily responsible for overseeing production and operation management of Pinefield.

Ms. Zhang joined our Group in 1987 and has over 20 years of experience in the industry. During the period of her office with our Group, she worked in various departments within our Group, including the production department, production planning department, inventory management department, purchase department and human resources department.

Ms. Luo Xiu Yun (羅秀雲女士), aged 52, is the superintendent of the operation unit in Springfield. Ms. Luo is primarily responsible for production management and overall operational support. Ms. Luo holds a diploma for a programme in economic management in the Changsha Railway University (長沙鐵道學院) issued in December 1987. She was admitted as a member of the Chinese Institute of Certified Public Accountants in May 1997.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Luo joined our Group as finance manager in March 1999. Ms. Luo left our Group in September 2008, and re-joined our Group as the superintendent of the operation units in Springfield in October 2011. During the period of her office with our Group, Ms. Luo assumed the following offices and was in charge of the functions mentioned below:

Period of time	Office	Principal functions
March 1999 to September 2008	finance manager of Pinefield and Champion	overseeing and monitoring the accounting functions of Pinefield and Champion
October 2011 to present	superintendent of the operation units in Springfield	overseeing and monitoring production management and administration functions of the operation units in Springfield

Between October 2008 and October 2011, she worked as the financial controller of Baolilai Investment Co., Ltd Guangdong* (廣東寶利來投資股份有限公司) and was responsible for managing the accounting, finance and corporate secretarial functions.

Ms. Luo has over 20 years of financial management experience.

Mr. Gao Bin (高斌先生), aged 44, is our quality management manager. He is primarily responsible for overseeing quality control, production safety and operational support affairs of our Group, as well as overseeing our Group's compliance with, and update of, the relevant rules and regulations in respect of licences and permits. Mr. Gao joined our Group as quality management manager in July 1999 and was then in charge of the quality assurance function of our Group.

Mr. Gao was awarded a bachelor degree of engineering from the Huazhong University of Science and Technology Hankou Branch* (華中理工大學漢口分校) (now known as Huazhong University of Science and Technology (華中科技大學)) in July 1993; a part-time bachelor degree of computer science and applications from the China University of Geosciences (中國地質大學) in July 1997; and a master degree of business administration (part-time) from Huazhong University of Science and Technology in December 2001.

Before Mr. Gao joined our Group, he worked as an engineer in the technical department of Wuhan Auto Parts Investment Co., Ltd.* (武漢汽車零部件股份有限公司) between August 1993 and June 1999, primarily responsible for providing support in technical matters.

Mr. Gao was the lead assessor of the Shenzhen Performance Excellence Programme* (深圳市卓越績效促進會) in January 2013 and was awarded the Shenzhen Mayor Quality Award for Outstanding Assessors* (市長質量獎優秀評審員) in January 2013.

COMPANY SECRETARY

Mr. Kong Muk Yin was appointed as the company secretary of our Company in June 2014. Please refer to paragraph headed "Non-executive Directors" of this section for details of Mr. Kong's qualifications and experience.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

AUTHORISED REPRESENTATIVES

Mr. Ng Kai On and Mr. Kong Muk Yin were appointed as the authorised representatives pursuant to Rule 3.05 of the Listing Rules. Please refer to paragraphs headed “Executive Directors” and “Non-executive Directors” of this section for details of their respective qualifications and experience.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee of our Company were approved to be established by resolutions passed by our Board on 6 November 2015. The membership of such committees is set out below:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Yuen	—	Member	Chairman
Mr. Ko	—	Member	Member
Mr. Ng Kai On	—	—	—
Non-executive Directors			
Dato' Wong Peng Chong	—	—	—
Mr. Kong Muk Yin	—	—	—
Independent non-executive Directors			
Dr. Chui Hong Sheung, JP	Member	Member	Member
Mr. Cheung Chi Wai Vidy	Member	Chairman	Member
Mr. Yue Kwai Wa Ken	Chairman	Member	Member

Each of the above three committees has written terms of reference. The functions of the above three committees are summarised as follows:

Audit Committee

Our Audit Committee was established by our Board on 6 November 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and approve our Group’s financial reporting process and internal control system.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Audit Committee is also to (i) seek information from any employee, member of the management, Director, agent, consultant or advisor, external auditor, counterparties and all such persons will be directed to co-operate with any request made by the Audit Committee; (ii) consult any external legal, accounting or other independent professional body and to invite the attendance of outsiders with relevant experience and expertise without reference to management; (iii) delegate appropriate authority to the management for execution of instructions when considered appropriate; and (iv) ensure compliance by our Group of all relevant laws, rules, guidelines and regulations applicable to our Group from time to time.

Any incident of non-compliance will be reported to our Audit Committee. Meetings shall be held at least twice per year and additional meetings shall be held as the work of the Audit Committee demands. The chairman of the Audit Committee may convene additional meetings at his discretion. The Audit Committee may, from time to time, invite independent advisors to the meeting, including but not limited to external advisors or consultants, to advise its members. Proceedings of meetings of the Audit Committee shall be governed by the provisions of the Articles of Association of our Group.

The Audit Committee has three members comprising Dr. Chui Hong Sheung, JP, Mr. Cheung Chi Wai Vidy and Mr. Yue Kwai Wa Ken. The chairman of the Audit Committee is Mr. Yue Kwai Wa Ken.

Remuneration Committee

Our Remuneration Committee was established by our Board on 6 November 2015 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors. Remuneration of senior management members of our Group will, however, be determined by our executive Directors due to their expertise in the coating industry.

The Remuneration Committee has five members comprising Mr. Yuen, Mr. Ko, Dr. Chui Hong Sheung, JP, Mr. Cheung Chi Wai Vidy and Mr. Yue Kwai Wa Ken. The chairman of the Remuneration Committee is Mr. Cheung Chi Wai Vidy.

Nomination Committee

Our Nomination Committee was established by our Board on 6 November 2015 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

The primary duties of the Nomination Committee are to make recommendations to our Board regarding the candidates for directorship, either to fill vacancies on or appoint additional Directors.

The Nomination Committee has five members comprising Mr. Yuen, Mr. Ko, Dr. Chui Hong Sheung, JP, Mr. Cheung Chi Wai Vidy and Mr. Yue Kwai Wa Ken. The chairman of the Nomination Committee is Mr. Yuen.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

For the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015, emoluments (comprising salaries and allowances, discretionary bonus and retirement scheme contributions) or benefits in kind of approximately HK\$6.0 million, HK\$7.2 million, HK\$4.6 million, HK\$2.1 million and HK\$2.0 million were respectively paid to our executive Directors during the Track Record Period. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in respect of our Group's operations.

The five highest paid individuals included the three executive Directors whose emoluments are set out above. The emoluments of the remaining two individuals for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015 were approximately HK\$1.5 million, HK\$1.6 million, HK\$1.7 million, HK\$0.8 million and HK\$0.8 million respectively.

During the Track Record Period, no emoluments were paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Upon the Listing, in determining the amount of remuneration of our Directors, the Remuneration Committee will consider the compensation levels adopted by companies of similar size engaging in similar business. Our executive Directors, in aggregate, will also be entitled to a bonus on a discretionary basis. This remuneration structure will continue to be adopted after the Listing.

Under the arrangements currently in force, upon the Listing, it is estimated that emoluments equivalent to approximately HK\$4.3 million in aggregate will be paid to our Directors by us for the year ending 31 December 2015.

In respect of the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors has waived any emoluments.

INTERNAL CONTROLS

Under the Articles, our Board has the authority to determine our internal management organisation and corporate governance. Our Group has clearly defined the responsibility and authority of our Board and our senior management personnel through the Articles of Association and internal policies.

We have adopted certain internal control policies to manage and minimise financial and other risks to ensure timely and accurate preparation and reporting of financial information and to monitor compliance with laws by the senior management personnel of our Group in the performance of their duties.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We have also established internal control policies to ensure compliance with the applicable laws, rules and regulations (including the Listing Rules), including but not limited to, the duties of our Directors, continuing disclosure obligations, guidelines on disclosure of related party transactions and code for securities transactions by our Directors. Our Board and our company secretary will be chiefly responsible for such matters. We have retained our PRC Legal Adviser to review all necessary licences and permits, and provide training to our Directors and senior management on laws and regulations relevant to our Group's operation.

We have also established the Audit Committee responsible for reviewing and approving our Group's financial reporting process and internal control system.

With respect to potential conflict of interests, our internal control policies require our Directors to notify our Board should such situation arise and the matter must be considered in the presence of at least one independent non-executive Director who, and whose associates, have no material interest in the transaction concerned. Our Director(s) to whom the potential conflict of interest is related must abstain from voting on our Board's decision.

However, certain control procedures, which are new and were introduced after the Reorganisation, may need further adjustment and development to operate effectively. Our Directors will, if required, establish additional policies and procedures.

CORPORATE GOVERNANCE MEASURES

We are aware that, upon Listing, we will be required to comply with stringent requirements concerning internal controls and corporate governance stipulated under the Listing Rules. In this regard, our Company will undertake the following steps to improve the protection of minority Shareholders, to ensure that the management of our Company will adhere to the applicable laws, rules and regulations (including the Listing Rules) for a company listed on the Stock Exchange, and to enhance internal controls:

- (a) our executive Directors have undertaken with our Company to defer or pass to our independent non-executive Directors all matters to which our Group has or may have a conflict of interest for consideration and decision (such matters include, but are not limited to, (i) the exercise of option(s) (if any) which relate(s) to any Connected Persons; and (ii) any transactions between our Company and the Connected Persons); and provide all information necessary for our Company and our independent non-executive Directors to enforce the Deed of Non-competition or to assess whether or not there is a breach of such non-competition undertakings;
- (b) prior to the issue of this prospectus, our legal advisers as to Hong Kong law have provided appropriate training to all Directors concerning the requirements of, amongst others, the Listing Rules. Further training programs will be provided on an annual basis to update our Directors on the relevant Hong Kong laws and regulations including the Companies Ordinance, Listing Rules and Takeover Codes, which are relevant to the compliance of our Company. Our company secretary, who is familiar with the Companies Ordinance, Listing Rules and Takeover Codes and related compliance matters will advise our Directors on matters relating to our Company's and our Directors' obligations;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (c) by the resolutions of our Directors passed on 6 November 2015, our Company appointed three independent non-executive Directors. Our Directors expect they will make autonomous determinations on matters which may affect the minority Shareholders' interests. Any conflicts in the interests of minority and majority Shareholders will be reported in both Board and Shareholders meetings, thus preventing our Controlling Shareholders from adversely affecting the legal rights of other Shareholders in voting; and
- (d) our Group has appointed the Sponsor as our compliance adviser, particulars of the terms of appointment are set forth under the paragraph headed "Compliance adviser" of this section.

EMPLOYEES

The table below sets out the breakdown of our Group's employees by department and geographical location during the Track Record Period.

	HK and Taiwan					PRC				
	As at 31 December			As at 30		As at 31 December			As at 30	
	2012	2013	2014	June	2015	2012	2013	2014	June	2015
Accounting and finance	4	4	4	4	13	13	15	15	15	
Management and administration	20	19	22	24	91	77	85	70		
Manufacturing	—	—	—	—	394	367	360	384		
Marketing	10	10	15	17	28	31	37	40		
Quality control	—	—	—	—	39	29	37	47		
Technical services	—	—	—	—	104	104	145	134		
 Total	 34	 33	 41	 45	 669	 621	 679	 690		

As at 31 December 2012, 2013 and 2014 and as at 30 June 2015, we had 703, 654, 720 and 735 employees, respectively. The number of staff decreased by approximately 7.0% during the year ended 31 December 2013 due to our Group streamlining its operations, employing methods such as reducing the head count and reorganising the workflow within the production facilities. The number of staff increased as at 31 December 2014 in particular, for quality control and technical services, due mainly to the commencement of operation of Springfield during the year. This had also led to the slight increase of the number of staff as at 30 June 2015 for manufacturing function.

We believe that the successful implementation of our growth and business strategies relies on a team of experienced and well trained employees at all levels. We recruit our employees based on a numbers of factors such as their work experience, educational background and vacancy needs.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We generally formulate our employees' remuneration package to include a salary, bonus and various allowances, based on their position. Performance appraisals are conducted regularly to ensure that our employees receive feedback on their performance. In Hong Kong, we have participated in a mandatory provident fund scheme for our employees in accordance with the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

applicable Hong Kong laws and regulations. Meanwhile, in accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance and housing funds for our employees. For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our total staff costs (excluding directors' emoluments) were approximately HK\$78.0 million, HK\$77.9 million, HK\$89.2 million, HK\$44.8 million and HK\$51.9 million respectively. According to our PRC Legal Adviser, each of our PRC subsidiaries had not been subject to any penalty due to the breach of the relevant laws and regulations on social insurance.

We have designed various training programs for employees based on department and rank. We provide in-house training to our production personnel to enhance their knowledge of our products, production methods, production and workplace safety. We provide internal trainings for our sales representatives to enhance their marketing skills. Our management team will also undergo various trainings relevant to their area of work. Additionally, our Group continuously grooms our employees to assume management roles over the long term.

During the Track Record Period, we did not experience any difficulty in recruiting suitable staff for our operations nor did we experience any strikes, labour disputes or industrial actions which may have a material adverse effect on our business, financial condition and results of operations.

COMPLIANCE ADVISER

We have appointed Altus as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

1. before the publication of any regulatory announcement, circular or financial report;
2. where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated including share issues and share repurchases;
3. where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
4. where the Stock Exchange makes an inquiry under Rule 13.10 of the Listing Rules.

The material terms of the compliance adviser agreement to be entered into between our Company and the compliance adviser are as follows:

1. to ensure our Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
2. to accompany our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

3. to advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser in relation to an application by our Company for a waiver from any requirements in Chapter 14 and Chapter 14A of the Listing Rules; and
4. to assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

Term

The term of the appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full year commencing after the Listing Date.

Duties of our Company

Our Company shall fully comply with and take all necessary steps to ensure full compliance with and discharge our responsibilities under the Listing Rules and other applicable laws, regulations and codes relating to securities and corporate governance that are applicable to our Company.

During the term of the appointment of the compliance adviser, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the circumstances as required under Rule 3A.23 of the Listing Rules.

Termination

The compliance adviser agreement can be terminated by either party upon giving the other party not less than 14 days' prior written notice on circumstances stipulated in the compliance adviser agreement, for example, in case there is a material breach committed by the other party.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue, the following persons are expected to have interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/nature of interest	Number of Shares	Percentage of shareholding
Mr. Lee Seng Hui	Interest in controlled corporation ⁽¹⁾	450,000,000	75%
Ms. Chew Wai Ling	Family interest ⁽²⁾	450,000,000	75%
Mezzo	Interest in controlled corporation ⁽³⁾	450,000,000	75%
Guang Ming	Beneficial owner	450,000,000	75%

Notes:

1. *The entire issued share capital of Mezzo is beneficially owned by Mr. Lee Seng Hui. Mezzo owns 51% of the issued share capital of Guang Ming. Therefore, Mr. Lee Seng Hui is deemed to be interested in all the Shares held by Guang Ming.*
2. *Ms. Chew Wai Ling is the spouse of Mr. Lee Seng Hui and is therefore deemed to be interested in all the Shares held/owned by Mr. Lee Seng Hui (by himself and/or through Mezzo or Guang Ming) by virtue of the SFO.*
3. *Mezzo owns 51% of the issued share capital of Guang Ming. Therefore, Mezzo is deemed to be interested in all the Shares held by Guang Ming.*

Save as disclosed in this prospectus, we are not aware of any other person who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any of our subsidiaries. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

Prior to Listing, our Group has entered into certain transactions with our connected persons during the Track Record Period. Amongst these transactions, three transactions have been completed and one will be completed shortly after Listing. Four other transactions will continue after Listing and constitute continuing connected transactions (as defined under the Listing Rules) of our Group. Details of these transactions are as follows:

CONNECTED PERSONS

Zengcheng Ltd. is a company established in the PRC and wholly-owned by Springfield (China) Company Limited, a company incorporated in Hong Kong and owned by Mr. Yuen, our Director, as to 95% and by Ms. Wong Siu Lan, the spouse of Mr. Yuen, as to 5%. Mr. Yuen is deemed to be interested in the entire interest in Springfield (China) Company Limited. Therefore, Zengcheng Ltd. is a connected person of our Company. Zengcheng Ltd. carries on the business of fruit growing and aquatic products breeding.

Ants Logistics is a company established in the PRC, the registered capital of which is owned by Mr. Tang Shidao as to 70% and Mr. Wang Bingwu as to 30%. Mr. Tang Shidao, pursuant to an agreement dated 21 May 2013, holds his 70% interest in Ants Logistics for and on behalf of Yuanshi Springfield Technology Development (Shenzhen) Company Limited (原氏源輝科技發展(深圳)有限公司), which is wholly-owned by Springfield (China) Company Limited, details of which are set out above. Ants Logistics is therefore a company beneficially owned by Mr. Yuen, our Director, as to 70%, and is an associate of Mr. Yuen and therefore a connected person of our Company.

Teknos is a 40% substantial shareholder of MT, our non-wholly owned subsidiary, and therefore a connected person of our Company. Teknos Coatings is a company established in the PRC and wholly-owned by Teknos, and therefore is an associate of Teknos and a connected person of our Company.

DEEMED CONNECTED TRANSACTIONS DURING THE TRACK RECORD PERIOD

Completed transactions

1. *Transfer of land use right*

On 9 July 2012, Champion, an indirect wholly-owned subsidiary of our Company, entered into an agreement with Zengcheng Ltd. (as supplemented by an agreement dated 8 August 2012) for the transfer of the user right to a parcel of land situated at Shaomaling, Guantang Village, Zhongxin Town, Zengcheng District, Guangzhou City, Guangdong Province (中國廣東省廣州市增城區中新鎮官塘村勾麻嶺) (“Property 1”) to Zengcheng Ltd. The consideration for the sale of Property 1 to Zengcheng Ltd. was approximately RMB4.6 million and was settled in cash on completion in July 2013. The reason for the disposal was because our Group decided to consolidate our Champion operations with Springfield. By a valuation report prepared by the Property Valuer opining on the market value of Property 1 as at 9 July 2012, it was opined that the fair value of Property 1 as at the date of the agreement was approximately RMB14.7 million.

CONNECTED TRANSACTIONS

2. *Disposal of Ants Logistics by Pinefield*

On 21 May 2013, Pinefield, an indirect wholly-owned subsidiary of our Company, entered into a share transfer agreement with two individuals, Mr. Tang Shidao and Mr. Wang Bingwu. Pursuant to the share transfer agreement, Pinefield agreed to transfer its entire interest in Ants Logistics to Mr. Tang Shidao as to 70% (holding for and on behalf of Yuanshi Springfield Technology Development (Shenzhen) Company Limited, details of which are set out above) and Mr. Wang Bingwu as to 30% at nil consideration. The purchasers agreed to assume a RMB1.5 million loan owed by Ants Logistics to Pinefield. Consideration of such disposal was determined on an arm's length basis between the parties taking into account the financial position of Ants Logistics, including the outstanding loan of RMB1.5 million owed to Pinefield by Ants Logistics.

In connection with the disposal, Pinefield, Mr. Tang Shidao and Mr. Wang Bingwu entered into a loan settlement agreement, pursuant to which Mr. Tang Shidao and Mr. Wang Bingwu agreed to fully repay the loan of RMB1.5 million, which was due to Pinefield by Ants Logistics, on or before 28 February 2014. Such amount had been fully settled in February 2014.

The disposal of Ants Logistics was undertaken in order to streamline our Group's business and to further focus on our manufacturing operations. The disposal was completed in May 2013. Upon completion of such disposal, Mr. Yuen beneficially owns 70% interest in Ants Logistics.

3. *Purchase of finished goods from Teknos Coatings*

During the Track Record Period, MT purchased finished goods from Teknos Coatings and then sold such finished goods to our customers. Although we do not engage in trading in our normal course of business, this arrangement was identified as being commercially sound. This purchase of finished goods from Teknos Coatings had ceased by 2013. For the year ended 31 December 2012, the price paid by our Group to Teknos Coatings relating to the purchase of finished goods amounted to approximately HK\$10.5 million. Gross profit from such arrangement amounted to approximately HK\$1.9 million or approximately 2.4% of our gross profit for the year ended 31 December 2012. The price paid by our Group to Teknos Coatings was determined on an arm's length basis between MT and Teknos Coatings on normal commercial terms. There was no purchase of finished goods from Teknos Group for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015.

Transactions to be completed after Listing

On 10 September 2012, Zengcheng Ltd. entered into an agreement with Springfield, an indirect wholly-owned subsidiary of our Company (as supplemented by two agreements dated 27 September 2013 and 30 June 2014 respectively) for the transfer of the user rights to two land parcels situated at Sanjing Village, Zhongxing Town, Zengcheng District, Guangzhou City, Guangdong Province, PRC (中國廣東省廣州市增城區中新鎮三徑村) ("Property 2"). The consideration for the sale of Property 2 to Springfield was approximately RMB3.4 million, of which approximately RMB0.7 million had been paid by Springfield to Zengcheng Ltd. in September 2012 as deposit. The balance will be settled in cash on completion. Completion is expected to take place on or about September 2016 subject to compliance with various registration and approval procedures required for the transfer of Property 2. Our Board has been informed by Mr. Yuen that all consents, licences and approvals are expected to be obtained on or before September 2016. The reason for the acquisition is because following the disposal of Property 1, our Group sought replacement land to facilitate our Group's business and growth. We believe it was in

CONNECTED TRANSACTIONS

the interest of our Group to acquire Property 2 so as to enable our Group to diversify and expand our business. Property 2 represents approximately one third of the land to be used for construction of phase two of the production facilities of Springfield, in conjunction with the land currently held by Springfield comprising two third of land for phase two development. Under the current construction plan, the facilities to be built on Property 2 include warehouses and auxiliary facilities. Our Directors are of the view that Property 2 will not affect the core portion of phase two development, as the warehouses under phase two development plan can be scaled down and the auxiliary facilities can be built at alternative locations in Springfield's land accordingly. Thus, there will be minimal impact to the intended increase in production capacity under phase two development even if the transaction of Property 2 could not be completed. By a valuation report prepared by the Property Valuer opining on the market value of Property 2 as at 10 September 2012, it was opined that the fair value of Property 2 as at the date of the agreement was RMB11.0 million.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions exempt from reporting, announcement and independent shareholders' approval requirements

1. Transportation service provided by Ants Logistics

On 29 February 2014, Ants Logistics entered into separate transportation service agreements with Springfield Changzhou and MT which were replaced by agreements dated 1 April 2015 (the "Transportation Agreements"). Pursuant to the Transportation Agreements currently in effect, Ants Logistics has agreed to provide transportation services to Springfield Changzhou and MT for a period of one year commencing from 1 April 2015 and expiring on 31 March 2016.

Ants Logistics is a specialised logistics firm in possession of the relevant licences necessary to undertake the transport of our products. It is one of a number of transportation firms our Group subcontracts product delivery to, and having regularly subcontracted to Ants Logistics in the past, our Directors believe we have attained high operational efficiency. As such, our Group wishes to have the flexibility to continue to subcontract to Ants Logistics in the future.

The fees payable to Ants Logistics were determined on an arm's length basis between Ants Logistics and our Group with reference to the prevailing market rate and Ants Logistics' pricing list, and were determined on terms no less favourable to our Group than terms available from Independent Third Parties. Going forward, before the renewal of the Transportation Agreements, which is on a yearly basis, with Ants Logistics, our Company has undertaken to consult the pricing lists of two Independent Third Party subcontractors to ensure the competitiveness of the prices quoted in Ants Logistics' pricing list.

Our Directors (including our independent non-executive Directors) have confirmed that the Transportation Agreements have been and will be conducted in the ordinary and usual course of business of our Group on normal commercial terms. As such our Directors consider that the entering into of the Transportation Agreements is fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the transportation service fees paid by our Group to Ants Logistics amounted to approximately HK\$0.4 million, HK\$0.3 million, HK\$1.1 million, HK\$0.6 million and HK\$0.4 million respectively. It is expected that the total amount payable under the Transportation Agreements by Springfield Changzhou and MT to Ants Logistics for each of the three years ending 31 December 2017 will be less than HK\$3 million per annum by reference to the above historical figures, and as such, the percentage ratios mentioned in Rule 14.07 of the Listing Rules will be less than 5%. Accordingly, the total fees payable under the Transportation Agreements fall below the *de minimis* threshold under Chapter 14A of the Listing Rules and thus are not subject to any reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. *Guarantee provided by Teknos (the "Guarantee")*

The Shanghai branch of Skandinaviska Enskilda Banken AB (publ) (the "Lender") granted a loan facility of RMB2 million to MT on 24 February 2014 (the "Loan Facility") at a floating interest rate of 10% above the 12 months RMB loan base lending rate published by the People's Bank of China at the time of drawdown or rollover. The Loan Facility shall remain effective until further notice from the Lender. The Loan Facility is guaranteed by Teknos.

Pursuant to Chapter 14A of the Listing Rules, the Guarantee provided by Teknos is exempt from reporting, announcement and independent shareholders' approval requirements as this constitutes financial assistance provided by a connected person for the benefit of our Group on normal commercial terms where no security over the assets of our Group is granted in respect of the financial assistance.

Non-exempt continuing connected transactions

On 3 January 2011, Teknos Coatings and MT entered into the Teknos Agreement (which was amended and replaced by agreements dated 27 August 2012 and 3 December 2013 and supplemented by a deed of variation dated 17 June 2014) pursuant to which MT agrees to sell liquid coatings to Teknos Coatings. The Teknos Agreement currently in operation became effective on 1 January 2014 and shall remain effective for a period of three years.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the income received by MT from the sale of liquid coatings to Teknos Coatings amounted to approximately HK\$5.9 million, HK\$22.8 million, HK\$22.2 million, HK\$8.8 million and HK\$7.6 million respectively.

The price charged by MT for the sale of liquid coatings to Teknos Coatings is calculated based on a formula set out in the Teknos Agreement, which is calculated on a cost plus basis with an agreed markup rate of 18% of the cost taking into account raw material costs, packaging costs and production wages among other things, and is determined on an arm's length basis between Teknos Coatings and MT.

The gross profit margin generated by the Teknos Agreement for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 amounted to approximately 21.9%, 15.8%, 7.2%, 9.3% and 8.0% respectively, which was below our Group's overall gross profit margin for the corresponding periods of 26.9%, 29.6%, 28.2%, 29.1% and 25.7% respectively. The reduction in such gross profit margin is due to the fact that certain fixed production costs of MT, such

CONNECTED TRANSACTIONS

as utilities costs and depreciation expenses following purchases of new equipment, had increased during the year ended 31 December 2014. In addition, in February 2015 the PRC government imposed a consumption tax on coating products. Some of these costs could not be passed on for the sale of products under the Teknos Agreement. Since (i) the amount of revenue involved is particularly large; (ii) our Directors believe it will be a stable source of income in the future; and (iii) the Teknos Agreement allows us to spread the fixed production costs of our MT production facilities, which have historically been relatively under-utilised (for further details please see the “Business” section of this prospectus), we believe the entering into of the Teknos Agreement is commercially sound. The amount received and to be received by our Group is determined on normal commercial terms, no less favourable to our Group than terms available to Independent Third Parties, subject to such Independent Third Party satisfying the three conditions set out above.

The proposed annual caps for the Teknos Agreement (the “Sale Annual Caps”) for each of the two years ending 31 December 2015 and 2016 are HK\$25.0 million and HK\$26.0 million, respectively. Our Directors confirmed that the Sale Annual Caps are determined on normal commercial terms after taking into account: (i) the terms of the current Teknos Agreement; (ii) historical transaction amounts (taking into account seasonality); and (iii) the future business needs and expected growth of Teknos Coatings ascertained through discussion with the management of Teknos.

In connection with the Teknos Agreement, during the Track Record Period, our Group also purchased an insubstantial amount of raw materials from Teknos Group. These are specific raw materials which are required for the manufacture of liquid coatings ordered by Teknos Coatings pursuant to the Teknos Agreement. We purchase such raw materials solely for the manufacture of liquid coatings for sale to Teknos Coatings under the Teknos Agreement. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015, costs of raw materials purchased by our Group from Teknos Group amounted to approximately HK\$0.2 million, HK\$0.5 million, HK\$0.6 million HK\$0.2 million and HK\$0.5 million, respectively which accounted for approximately 0.2%, 0.3%, 0.4%, 0.3% and 0.8% of our Group’s total raw material costs for the corresponding years/periods.

Since the pricing mechanism of the Teknos Agreement takes into account the cost of raw materials used in the manufacture of the goods, and, as mentioned above, the raw materials purchased by our Group from Teknos Group are solely used in the manufacture of products for Teknos Coatings pursuant to the Teknos Agreement, the cost of the raw materials is directly recovered as a component of the revenue we receive pursuant to the Teknos Agreement. Accordingly, we are not exposed to price fluctuations in such raw materials and as such, we do not source comparable quotes.

The price paid by our Group to Teknos Group for the abovementioned raw materials was determined on an arm’s length basis between MT and Teknos Group.

Our Directors (including our independent non-executive Directors) have confirmed that the Teknos Agreement and the purchase of raw materials from Teknos Group have been and will be conducted in the ordinary and usual course of business of our Group on normal commercial terms. As such our Directors consider that the entering into of the Teknos Agreement and the purchase of raw materials from Teknos Group are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

The proposed annual caps for the purchase of raw materials from Teknos Group (the “Purchase Annual Caps”) for each of the two years ending 31 December 2015 and 2016 are HK\$0.8 million and HK\$0.8 million, respectively. Our Directors confirmed that the Purchase Annual Caps are determined on normal commercial terms after taking into account: (i) historical transaction amounts; and (ii) the future business needs of Teknos Group.

Pursuant to Chapter 14A of the Listing Rules, the purchase of raw materials from the Teknos Group shall be aggregated together with the transactions contemplated under the Teknos Agreement (together with the purchase of raw materials, the “Teknos Group Transactions”) as they were and will be entered into by members of our Group with the same connected person or parties associated with each other.

Given that (i) Teknos and Teknos Coatings are connected persons at our Company’s subsidiary level; and (ii) our independent non-executive Directors have confirmed that the terms of the Teknos Group Transactions are fair and reasonable, on normal commercial terms and in the interests of our Group and our Shareholders as a whole according to Chapter 14A of the Listing Rules, the Teknos Group Transactions constitute continuing connected transactions of our Company which are subject to the requirements of reporting, annual review and announcement but exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

REASONS FOR THE WAIVER APPLICATION

Pursuant to Chapter 14A of the Listing Rules, the Stock Exchange may consider granting a waiver from the announcement requirement set out in Rule 14A.35 of the Listing Rules in relation to the Teknos Group Transactions. Since the details of the Teknos Group Transactions have been included in this prospectus, our Directors consider that strict compliance with the requirements set out in Rule 14A.35 of the Listing Rules would add additional and unnecessary costs to our Company. Therefore, our Directors consider that the waiver from the announcement requirement set out in Rule 14A.35 of the Listing Rules in connection with the Teknos Group Transactions is in the interests of our Group and our Shareholders as a whole. Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules, including the Sale Annual Caps and Purchase Annual Caps, and will comply with the relevant rules of Chapter 14A of the Listing Rules if the waiver from the Stock Exchange expires or any of the Sale Annual Caps and Purchase Annual Caps are exceeded, or when the Teknos Agreement is renewed or when there is a material change to the terms of the Teknos Agreement.

Having reviewed the terms of the Teknos Agreement, the Sponsor concurs with the view of our Directors (including our independent non-executive Directors) that the entering into of the Teknos Group Transactions is in the ordinary and usual course of business of our Group, the Teknos Group Transactions including the Sale Annual Caps and Purchase Annual Caps are on normal commercial terms, and the terms of the Teknos Agreement including the Sale Annual Caps and Purchase Annual Caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

WAIVER SOUGHT AND THE PROPOSED CONDITIONS RELATED THERETO

Pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement set out in Rule 14A.35 of the Listing Rules for the Teknos Group Transactions subject to the following conditions:

CONNECTED TRANSACTIONS

- (a) the Teknos Group Transactions are entered into:
 - (i) in the ordinary and usual course of business of our Group;
 - (ii) on normal commercial terms; and
 - (iii) in accordance with the terms of the Teknos Agreement that are fair and reasonable and in the interests of our Group and our Shareholders as a whole;
- (b) the annual amount received by our Group will not exceed the Sale Annual Caps and the annual amount paid by our Group will not exceed the Purchase Annual Caps for the years ending 31 December 2015 and 2016;
- (c) each year our independent non-executive Directors shall review the Teknos Group Transactions and confirm in the annual report and consolidated financial statements of our Company for the relevant year that the transactions have been conducted in the manner as stated in paragraph (a) above;
- (d) each year, our Company's auditors shall provide a letter to our Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of our Company's annual report) confirming that the Teknos Group Transactions:
 - (i) have received the approval of our Board;
 - (ii) have been entered into in accordance with the terms of the Teknos Agreement; and
 - (iii) have not exceeded the Sale Annual Caps and Purchase Annual Caps,where, for whatever reason, the auditors of our Company decline to accept the engagement, our Directors shall inform the Stock Exchange immediately;
- (e) details of the Teknos Group Transactions in each year shall be disclosed in accordance with Rule 14A.71 of the Listing Rules in the annual report and consolidated financial statements of our Company for the year concerned;
- (f) our Company shall promptly notify the Stock Exchange and publish an announcement if we know or have reason to believe that our independent non-executive Directors and/or our Company's auditors will be unable to confirm the matters set out in Rule 14A.55 and/or Rule 14A.56 of the Listing Rules and our Company has to comply with Rules 14A.35, 14A.49 and 14A.71 of the Listing Rules respectively and any other conditions the Stock Exchange considers appropriate; and
- (g) our Company shall undertake to the Stock Exchange that, for so long as our Shares are listed on the Stock Exchange, we will provide the auditors of our Company with sufficient access to the relevant records for the purpose of reporting on the Teknos Group Transactions.

CONNECTED TRANSACTIONS

CONFIRMATION FROM OUR DIRECTORS

Our Directors consider that it is in the interests of our Group to continue with these continuing connected transactions after Listing. They also consider that all the continuing connected transactions as set out above are in the interests of our Group and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors are also of the view that all of the continuing connected transactions above were and will be entered into on normal commercial terms and the Sale Annual Caps and Purchase Annual Caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Save as disclosed in this section, our Directors currently do not expect that immediately following the Listing, there will be any other transaction which will constitute a continuing connected transaction of our Company under the Listing Rules.

CONFIRMATION FROM THE SPONSOR

After review of the relevant documentation and historical figures provided by us, the Sponsor is of the opinion that the non-exempt continuing connected transactions referred to above were and will be entered into in the ordinary and usual course of business of our Company and on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Furthermore, the Sponsor is of the opinion that the proposed Sale Annual Caps and Purchase Annual Caps are fair and reasonable and in the interests of our Shareholders as a whole.

SHARE CAPITAL

The following tables set forth information with respect to the share capital of our Company after completion of the Share Offer and Capitalisation Issue. All the Shareholders have the same voting right per Share.

			<i>HK\$</i>
<i>Authorised capital:</i>			
10,000,000,000 Shares of HK\$0.01 each			<u>100,000,000</u>
<i>Shares issued and to be issued, fully paid or credited as fully paid:</i>			
Number of Shares	Description of Shares		Aggregate nominal value of Shares <i>HK\$</i>
100	Shares in issue as at the date of this prospectus		1
449,999,900	Shares to be issued under the Capitalisation Issue		4,499,999
135,000,000	Shares to be issued under the Placing		1,350,000
<u>15,000,000</u>	Shares to be issued under the Public Offer		<u>150,000</u>
<u>600,000,000</u>	Total		<u>6,000,000</u>

According to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25.0% of our Company’s issued share capital in the hands of the public.

Assumptions

The above table assumes that the Share Offer and the Capitalisation Issue will become unconditional. These tables take no account of Shares which may be allotted and issued upon the exercise of any options which may be granted or of any Shares which may be allotted and issued or bought back by our Company pursuant to the General Mandate and Buy-back Mandate as described below.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue as mentioned in this prospectus, and will qualify for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer” of this prospectus, our Directors have been granted a general mandate to allot, issue and deal with the Shares with an aggregate nominal value not exceeding the sum of:

1. 20% of the total nominal amount of the share capital of our Company in issue, immediately following completion of the Share Offer and Capitalisation Issue; and
2. the total amount of the share capital of our Company repurchased by us (if any) pursuant to the authority referred to in the paragraph headed “General Mandate to Buy-back Shares” below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Share pursuant to a right issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements.

This general mandate will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold the next annual general meeting; or
- (iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of this general mandate, please see the section headed “Written resolutions of the sole Shareholder passed on 6 November 2015” in Appendix V to this prospectus.

GENERAL MANDATE TO BUY-BACK SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer” of this prospectus, our Directors have been granted a general mandate to exercise all the powers of our Company to buy-back Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of our Company immediately following the completion of the Share Offer.

This mandate relates only to buy-back made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Buy-back by our Company of our own securities” in Appendix V to this prospectus.

SHARE CAPITAL

This general mandate will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold the next annual general meeting; or
- (iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of this general mandate, please see the section headed “Written resolutions of the sole Shareholder passed on 6 November 2015” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk factors" of this prospectus.

OVERVIEW

We are an industrial coatings manufacturer engaged in the manufacture of customised liquid and powder coatings. We principally provide customers from the toy industry and the consumer electronics industry with customised coatings for their products. Our customers are located in the PRC, Hong Kong and other jurisdictions (such as Indonesia and Malaysia). We currently undertake coating manufacture from two production facilities, operated by wholly-owned subsidiaries located in Shenzhen and Guangzhou, and another production facility operated by a non-wholly owned subsidiary, located in Changzhou.

Our Group manufactures a range of industrial coatings including liquid coatings (encompassing a variety of products both water-based and solvent-based, such as stoving enamels, plastic coatings, inks, etc.) and powder coatings. We were founded in 1986 and have gained proficient expertise in the coating industry since then. During the Track Record Period, our revenue was mainly derived from (i) the sale of liquid and powder coatings; and (ii) two arrangements with our associate, CMW as further described in the paragraphs headed "5.2.6 Pinefield Toll Manufacturing Agreement" and "6.3.2 Revenue received and gross profit generated from the resale of raw materials" of the section headed "Business" of this prospectus.

BASIS OF PREPARATION

The financial information has been prepared by our Directors based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising our Group in accordance with the HKFRSs issued by the HKICPA, on the basis set out in Section A of the Accountants' Report set out in Appendix I to this prospectus.

The financial information has been prepared on the basis as if we had always been the holding company of our Group. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statement of cash flows of our Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position as at 31 December

FINANCIAL INFORMATION

2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 have been prepared to present the assets and liabilities of the entities comprising our Group as if the current group structure had been in existence at the end of each reporting periods taking into account the incorporation and establishment of subsidiaries during the Track Record Period and the changes in equity interest in several subsidiaries which were accounted for as explained below.

CRITICAL ACCOUNTING POLICIES

The preparation of financial information in conformity with the HKFRS requires our management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

We have identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial condition and results of operations and are set forth in note 3 "Significant accounting policies" of the Accountants' Report set out in Appendix I to this prospectus. The following paragraphs discuss certain of these significant accounting policies applied in preparing our Group's financial information:

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and sales related tax.

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

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Royalty fee income is derived from agreements signed with counterparties which manufacture products using the proprietary know-how of our Group. Royalty fee income is recognised when the counterparties make the related sales and determined as a percentage to the related sales amount.

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

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

Property, plant and equipment

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

Construction in progress represents property, plant and equipment in the course of construction for production and administrative purposes. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

The property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease and 50 years
Leasehold improvements	4.5%–20.0%
Furniture, fixtures and office equipment	18.0%–20.0%
Motor vehicles	18.0%–25.0%
Plant, machinery and equipment	4.0%–18.0%

Investments in associates

The results and assets and liabilities of associates are incorporated in the financial information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of our Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the combined statement of financial position at cost and

FINANCIAL INFORMATION

adjusted thereafter to recognise our Group's share of the profit or loss and other comprehensive income of the associates. When our Group's share of losses of an associate exceeds our Group's interest in that associate (which includes any long-term interests that, in substance, form part of our Group's net investment in the associate), our Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that our Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Impairment loss on tangible assets

At the end of the reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statement of financial position when our Group becomes a party to the contractual provisions of the instrument.

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

Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL when it is a derivative that is not designated and effective as hedging instruments; or it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in the profit or loss includes any interest earned on the financial assets and is included in "other gains and losses" line item.

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Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash and amount due from a related company) are measured at amortised cost using the effective interest method, less any identified impairment. Details of the accounting policy on impairment of financial assets are explained in Accountants' Report in Appendix I to this prospectus.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition. A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL (including derivative financial instruments) are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss included any interest paid on the financial liabilities and is included in the "other gains and losses" line item.

Other financial liabilities

Our Group's financial liabilities (other than derivative financial liabilities) including trade and other payables, bank borrowing, amount due to immediate holding company and amount due to a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

FINANCIAL INFORMATION

SIGNIFICANT FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our operating results are significantly affected by the following factors:

(i) Our profit margin is affected by the market price of coatings

During the Track Record Period, we recorded a gross profit margin of 26.9%, 29.6%, 28.2%, 29.1% and 25.7% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The average selling price per tonne (calculated by dividing the relevant revenue by the corresponding sales volume) of our products during the Track Record Period (excluding products sold to CMW under the two arrangements as further described in the paragraph headed “6.3 Revenue and gross profit from CMW” in the section headed “Business”) is set out below:

Average selling price per tonne	For the year ended 31 December					For the six months ended 30 June	
	2012	2013	2014	2014	2015		
	HK\$	HK\$	HK\$	HK\$	HK\$		
Solvent-based coating products (excluding sales to CMW)	37,100	36,000	37,000	38,100	39,100		
Water-based coating products	87,900	81,600	84,200	84,700	84,600		
Powder coating products	29,200	29,500	28,500	28,600	27,100		

Since the coating industry is highly competitive, our selling prices are closely related to the prevailing market prices, which are affected by the demand for and the supply of industrial coatings in the regions where we operate.

(ii) Our profit is affected by the share of profits from CMW

During the Track Record Period, we recorded share of profits from CMW of approximately HK\$22.0 million, HK\$29.9 million, HK\$29.1 million, HK\$18.3 million and HK\$13.7 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, representing approximately 57.8%, 39.7%, 59.5%, 80.5% and 73.7% of our profit before taxation respectively. If there is any significant change in CMW that affects its business, profitability or financial performance, our share of profits from CMW and hence our profits may also be affected significantly. However, were our Group to terminate our involvement in CMW, we would be free to use the technology we currently license to CMW (for further details please refer to the paragraph headed “5.2.5 Technology Licensing” in the section headed “Business” of this prospectus) and could therefore take up the revenue and corresponding profit we currently derive from CMW’s operations.

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(iii) Our cost of sales and services is affected by market price of raw materials and labour costs

During the Track Record Period, raw materials and labour cost contributed a significant part of our cost of sales and services. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, raw materials represented approximately 66.1%, 66.7%, 64.6%, 65.2% and 59.3% of our cost of sales and services respectively. Apart from those raw materials provided by Teknos and CMW (for further details, please refer to the paragraphs headed “9.3 Purchases from CMW” and “9.4 Purchase from Teknos Group” under the section headed “Business” of this prospectus), we use Independent Third Party suppliers for supply of raw materials including solvent, resin, pigment and additives for our coating production process. Labour cost is another significant cost of sales and services which represented approximately 18.3%, 18.4%, 21.2%, 22.0% and 25.2% of our cost of sales and services for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The increase in the proportion of labour cost recorded for the year ended 31 December 2014 and for the six months ended 30 June 2015 is mainly attributable to the commencement of the production facilities of Springfield in 2014. Our Group’s labour cost is also affected by the minimum wage which is regulated by the PRC government. With the labour regulations in the PRC, labour cost in the PRC has been increasing. If we are unable to pass on part or all of increased costs by increasing our selling price to our customers, any significant increase in the prices of raw materials and labour cost may have significant impact on our costs of sales.

(iv) Growth of the coating industry in the PRC and Hong Kong

During the Track Record Period, our revenue was mainly derived from the sale of powder coatings and liquid coatings, and the provision of toll manufacturing services to CMW in the PRC and Hong Kong. Economic and market conditions in these regions significantly impact the demand for and pricing of our products. Furthermore, the availability and costs of raw materials, costs of energy supply, labour costs and other operating expenses are also affected by market conditions.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our combined statements of profit or loss and other comprehensive income for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015.

Combined statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the six months ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Revenue	288,802	314,442	328,047	153,559	148,696
Cost of sales and services	(211,218)	(221,225)	(235,678)	(108,867)	(110,505)
 Gross profit	77,584	93,217	92,369	44,692	38,191
Other income	16,601	18,032	19,388	8,212	7,713
Other gains and losses	(1,696)	14,113	1,344	1,413	1,731
Distribution and selling expenses	(29,446)	(30,008)	(31,661)	(15,293)	(16,384)
Administrative expenses	(45,524)	(48,623)	(47,736)	(26,543)	(23,547)
Other expenses	(1,469)	(1,340)	(13,802)	(7,997)	(2,807)
Finance costs — bank borrowing wholly repayable within two years	—	—	(131)	(55)	(18)
Share of profits of an associate	21,994	29,865	29,051	18,292	13,692
 Profit before taxation	38,044	75,256	48,822	22,721	18,571
Taxation	(4,674)	(11,976)	(6,807)	(3,415)	(2,231)
 Profit for the year/period	33,370	63,280	42,015	19,306	16,340
Other comprehensive income/(expense) which may be subsequently reclassified to profit or loss:					
Share of exchange differences of an associate	18	3,983	(480)	(1,752)	(41)
Exchange difference arising on translation of foreign operations	9	8,063	(942)	(3,154)	(613)
 Other comprehensive income/(expense) for the year/period	27	12,046	(1,422)	(4,906)	(654)
 Total comprehensive income for the year/period	<u>33,397</u>	<u>75,326</u>	<u>40,593</u>	<u>14,400</u>	<u>15,686</u>
 Profit for the year/period attributable to:					
Owners of our Company	34,202	62,872	41,431	19,111	16,901
Non-controlling interests	(832)	408	584	195	(561)
 33,370	<u>63,280</u>	<u>42,015</u>	<u>19,306</u>	<u>16,340</u>	
 Total comprehensive income attributable to:					
Owners of our Company	34,230	74,741	40,041	14,351	16,260
Non-controlling interests	(833)	585	552	49	(574)
 33,397	<u>75,326</u>	<u>40,593</u>	<u>14,400</u>	<u>15,686</u>	

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During the Track Record Period, our Group recorded revenue of approximately HK\$288.8 million, HK\$314.4 million, HK\$328.0 million, HK\$153.6 million and HK\$148.7 million and profit for the year/period attributable to owners of our Company of approximately HK\$34.2 million, HK\$62.9 million, HK\$41.4 million, HK\$19.1 million and HK\$16.9 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

Revenue

During the Track Record Period, we derived our revenue from sale of liquid coatings and powder coatings, as well as two arrangements with our associate, CMW, namely the resale of raw materials and the Pinefield Toll Manufacturing Agreement. Details of the Pinefield Toll Manufacturing Agreement are set out in the paragraph headed “5.2.6 Pinefield Toll Manufacturing Agreement” under the section headed “Business” of this prospectus. Geographical locations of our revenue are categorised as Hong Kong and others, and the PRC.

Set out below is the table that shows the breakdown of revenue by products/operation and by geographical location of customers of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015.

	For the year ended 31 December						For the six months ended 30 June					
	2012		2013		2014		2014		2015			
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Revenue derived from:												
Liquid coatings												
Solvent-based	224,141	77.6%	239,275	76.1%	245,205	74.7%	113,313	73.8%	115,748	77.8%		
Water-based	18	0.0%	1,277	0.4%	6,131	1.9%	2,628	1.7%	1,419	1.0%		
Liquid coatings sub-total	224,159	77.6%	240,552	76.5%	251,336	76.6%	115,941	75.5%	117,167	78.8%		
Powder coatings	31,730	11.0%	37,935	12.1%	35,606	10.9%	16,388	10.7%	13,750	9.2%		
Liquid and powder coatings sub-total	255,889	88.6%	278,487	88.6%	286,942	87.5%	132,329	86.2%	130,917	88.0%		
CMW												
Pinefield Toll Manufacturing Agreement	20,190	7.0%	23,535	7.5%	31,826	9.7%	16,965	11.0%	13,461	9.1%		
Raw materials resale ⁽¹⁾	12,723	4.4%	12,420	3.9%	9,279	2.8%	4,265	2.8%	4,318	2.9%		
Total	288,802	100.0%	314,442	100.0%	328,047	100.0%	153,559	100.0%	148,696	100.0%		

Note:

1. This refers to the item “Sales to subsidiaries of an associate” in Note 5 of the Accountants’ Report set out in Appendix I to this prospectus.

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	For the year ended 31 December						For the six months ended 30 June					
	2012		2013		2014		2014		2015			
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
By geographical location of customers												
Hong Kong and others	90,956	31.5%	87,658	27.9%	81,027	24.7%	41,444	27.0%	38,292	25.8%		
PRC	197,846	68.5%	226,784	72.1%	247,020	75.3%	112,115	73.0%	110,404	74.2%		
Total	288,802	100.0%	314,442	100.0%	328,047	100.0%	153,559	100.0%	148,696	100.0%		
<i>(unaudited)</i>												

As discussed in “5.2.6 Pinefield Toll Manufacturing Agreement” and “6.3.2 Revenue received and gross profit generated from the resale of raw materials” under the section headed “Business” of this prospectus, our Group has entered into the Pinefield Toll Manufacturing Agreement with CMW, pursuant to which our Group undertakes manufacture of liquid coatings on behalf of CMW in exchange for a fee periodically agreed between us and CMW taking into account manufacturing costs, such as depreciation of equipment, labour and utilities on a cost recovery basis. We also resell raw materials on an ad-hoc basis to CMW at the price we purchased them, making no gross profit margin. The amount of revenue generated from the Pinefield Toll Manufacturing Agreement and resale of raw materials to CMW was approximately HK\$32.9 million, HK\$36.0 million, HK\$41.1 million, HK\$21.2 million and HK\$17.8 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

Year ended 31 December 2013 compared to year ended 31 December 2012

Our revenue increased by approximately 8.9% from approximately HK\$288.8 million for the year ended 31 December 2012 to approximately HK\$314.4 million for the year ended 31 December 2013. Revenue for both liquid coatings and powder coatings increased. The increase in revenue for liquid coatings was mainly due to the increase in sales volume of liquid coatings (excluding sales to CMW) by approximately 10.3% from approximately 6,043 tonnes for the year ended 31 December 2012 to approximately 6,666 tonnes for the year ended 31 December 2013. Moreover, the sales volume of powder coatings increased by approximately 18.4% from approximately 1,087 tonnes for the year ended 31 December 2012 to approximately 1,287 tonnes for the year ended 31 December 2013. Average unit selling price of both liquid coatings and powder coatings remained stable for the years ended 31 December 2012 and 2013.

In respect of geographical location, our Group continued to observe a decrease in revenue from customers located in Hong Kong and other locations (save for the PRC) by approximately 3.6% from approximately HK\$91.0 million for the year ended 31 December 2012 to approximately HK\$87.7 million for the year ended 31 December 2013. Based on our Director’s understanding, decrease in revenue from customers located in Hong Kong and elsewhere was mainly due to the fact that certain of our customers had shifted their operations to the PRC and thereafter purchased from our PRC’s subsidiaries directly. Consequently, the decline was offset by an increase in revenue in the PRC. Operations of our Group in the PRC recorded an increase in revenue of approximately 14.6% from approximately HK\$197.8 million for the year ended 31 December 2012 to approximately HK\$226.8 million for the year ended 31 December 2013.

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Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue increased by approximately 4.3% from approximately HK\$314.4 million for the year ended 31 December 2013 to approximately HK\$328.0 million for the year ended 31 December 2014. This increase in revenue was driven primarily by increases in revenue from liquid coatings and the Pinefield Toll Manufacturing Agreement. For the year ended 31 December 2014, the unit price of our solvent-based liquid coatings and water-based liquid coatings recorded an increase on the previous year of approximately 2.9% and 3.1% respectively, whilst the sales volume of water-based liquid coatings increased significantly from approximately 15.6 tonnes to 72.9 tonnes for the year ended 31 December 2013 and 2014 respectively. These trends, coupled together with the increase of approximately HK\$8.3 million in revenue derived from the Pinefield Toll Manufacturing Agreement, offset the slight decreases in revenue derived from powder coatings and resale of raw materials to CMW.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Revenue decreased slightly by approximately 3.2% from approximately HK\$153.6 million for the six months ended 30 June 2014 to approximately HK\$148.7 million for the six months ended 30 June 2015. This decrease in revenue was mainly driven by the decrease in the sales volume under Pinefield Toll Manufacturing by approximately 28.8% which, as our Directors understand, was attributable to the slowdown in the sales of CMW during the six months ended 30 June 2015 as described in the paragraph headed “CMW’s revenue” of the section headed “Financial information” of this prospectus. The sales volume and unit price for solvent-based liquid coatings, water-based liquid coatings and powder coatings for the six months ended 30 June 2015, remained at similar level, as compared with that of the corresponding period of the previous year.

In respect of geographical location, the proportion of revenue attributable to (1) customers located in PRC; and (2) customers located in Hong Kong and other locations, remained stable for the six months ended 30 June 2015, as compared to that recorded for the year ended 31 December 2014.

Cost of sales and services

The following sets out our cost of sales and services breakdown during the Track Record Period.

	For the year ended 31 December				For the six months ended 30 June			
	2012		2013		2014		2014	
	% of total		% of total		% of total		% of total	
	cost of	sales and	cost of	sales and	cost of	sales and	cost of	sales and
	HK\$'000	services	HK\$'000	services	HK\$'000	services	HK\$'000	services
Raw materials ⁽¹⁾	139,576 ⁽²⁾	66.1%	147,523	66.7%	152,168	64.6%	70,933	65.2%
Labour	38,691	18.3%	40,712	18.4%	49,862	21.2%	23,971	22.0%
Depreciation	5,342	2.5%	4,525	2.0%	6,586	2.8%	2,388	2.2%
Electricity and water	3,721	1.8%	3,648	1.6%	4,877	2.1%	2,057	1.9%
Consumables	9,571	4.5%	11,231	5.1%	10,713	4.5%	5,416	5.0%
Other overheads	14,317	6.8%	13,586	6.1%	11,472	4.9%	4,102	3.7%
								(unaudited)
Total cost of sales and services	211,218	100.0%	221,225	100.0%	235,678	100.0%	108,867	100.0%
								110,505 100.0%

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Notes:

1. Raw materials cost included packaging cost and raw materials purchased from CMW under the resale of raw materials arrangement.
2. Costs of the purchase of Teknos Coatings' finished goods amounting to approximately HK\$10.5 million were included in our Group's raw materials cost for the year ended 31 December 2012. For details, please refer to the paragraph headed "9.4 Purchases from Teknos Group" under the section headed "Business" of this prospectus.

The cost of sales and services amounted to approximately HK\$211.2 million, HK\$221.2 million, HK\$235.7 million, HK\$108.9 million and HK\$110.5 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. Our cost of sales and services mainly includes the cost of raw materials for the manufacture of coatings, the labour cost, the cost of depreciation, electricity and water, consumables and other overheads.

Raw materials

Our raw materials comprise mainly resin, solvent, pigment and additives. The following sets out our raw material cost breakdown during the Track Record Period.

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	% of total raw material	HK\$'000	% of total raw material	HK\$'000	% of total raw material	HK\$'000	% of total raw material	HK\$'000	% of total raw material	HK\$'000
Resin	49,420	35.4%	61,539	41.7%	55,921	36.7%	27,421	38.7%	25,734	39.2%
Solvent	42,191	30.2%	44,186	30.0%	45,440	29.9%	20,498	28.9%	17,565	26.8%
Pigment	22,418	16.1%	26,110	17.7%	28,629	18.8%	12,899	18.2%	11,820	18.0%
Additives	7,125	5.1%	7,841	5.3%	12,600	8.3%	5,826	8.2%	6,141	9.4%
Finished goods purchased from Teknos Group ⁽¹⁾	10,518	7.5%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Packaging material	7,904	5.7%	7,847	5.3%	9,578	6.3%	4,289	6.0%	4,314	6.6%
Total	139,576	100.0%	147,523	100.0%	152,168	100.0%	70,933	100.0%	65,574	100.0%

Note:

1. Please refer to the paragraph headed "9.4 Purchases from Teknos Group" of the section headed "Business" of this prospectus for details of finished goods purchased from Teknos Group.

Our cost of raw materials remained relatively stable as a percentage of our cost of sales and services during the Track Record Period, representing approximately 66.1%, 66.7%, 64.6% and of our cost of sales and services for the years ended 31 December 2012, 2013 and 2014 respectively. The cost of raw materials as a percentage of our cost of sales and services decreased for the six months ended 30 June 2015 compared to the corresponding previous period, which was partly attributable to the increase in proportion of labour cost as further described in the paragraph headed “Labour costs” below. The changes in cost of raw materials were positively related to the changes in market price of resin, solvent, pigment and additives and the overall movement of the cost of raw materials was generally in line with

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our movement of revenue during the Track Record Period. Cost of additives as a proportion of total raw material cost ranged between approximately 5.1% to 9.4% during the Track Record Period. It is partially attributable to the fact that additives indeed encompass a wide range of different substances with different market values, as described under the paragraph headed “8.2 Average price of raw materials” of the section headed “Business” of this prospectus. For the year ended 31 December 2014 and the six months ended 30 June 2015, the cost structure and the costs of the individual raw materials remained relatively stable compared with the previous years/periods.

For illustration purpose, a sensitivity analysis on fluctuations of our raw material cost during the Track Record Period is set out as follows, which shows the effect on the increase and decrease in our cost of sales and services for the year ended 31 December 2014 with 15% increase and decrease, being the approximate fluctuation of our raw materials cost during the Track Record Period, in the cost of resin, solvent, pigment and additives respectively (holding other parameters constant):

	% change in cost	Increase or decrease in cost of sales and services HK\$'000
Resin	+/- 15%	+/- 8,388
Solvent	+/- 15%	+/- 6,816
Pigment	+/- 15%	+/- 4,294
Additives	+/- 15%	+/- 1,890

Labour costs

Furthermore, labour costs represented approximately 18.3%, 18.4%, 21.2%, 22.0% and 25.2% of our cost of sales and services for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The increase in labour cost was partly due to the increase in our Group’s salaries level in view of the increase in minimum wage in the PRC. In addition to this, the commencement of Springfield’s operation in early 2014 also attributed to the significant increase in labour cost from approximately HK\$40.7 million to HK\$49.9 million for the years ended 31 December 2013 and 2014 respectively since the number of staff employed in the PRC of our Group increased. For the six months ended 30 June 2015, the labour cost as a percentage of our cost of sales and services increased due to the gradual increase in the number of manufacturing staff since the commencement of operations at the Springfield production facility in 2014.

Other overheads

Other overheads include mainly costs of product testing, repair and maintenance, costs of sample making etc. We have closely monitored our expenses on other overheads and such expenses remained relatively stable at approximately HK\$14.3 million and HK\$13.6 million for the years ended 31 December 2012 and 2013 respectively. The other overheads decreased from approximately HK\$13.6 million to HK\$11.5 million for the years ended 31 December 2013 and 2014 respectively mainly due to the cessation of Champion’s operations during 2013.

The other overheads increased from approximately HK\$4.1 million for the six months ended in 30 June 2014, to approximately HK\$6.3 million for the six months ended in 30 June 2015. This is partly attributable to the consumption tax on coating products effective from February 2015.

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Gross profit and gross profit margin

Our gross profit amounted to approximately HK\$77.6 million, HK\$93.2 million, HK\$92.4 million, HK\$44.7 million and HK\$38.2 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, representing gross profit margins of approximately 26.9%, 29.6%, 28.2%, 29.1% and 25.7%, respectively.

Gross profit margin increased to approximately 29.6% for the year ended 31 December 2013, as cost of goods sold had increased at a slower rate compared to revenue growth. Costs of labour and raw materials only showed a moderate growth of approximately 5.2% and 5.7% respectively while costs of other overheads decreased by approximately 5.1% compared to the revenue growth of approximately 8.9% as a result of our Group's cost control measures including (i) reduction of electricity cost by using electricity during the non-peak period (i.e. 11 p.m. to 7 a.m.) during which time staff were not required and a lower electricity charge rate was incurred; (ii) reduction of operation cost by enhancing operation efficiency of production facilities; and (iii) reduction of number of staff from 703 as at December 2012 to 654 employees as at 31 December 2013.

Gross profit margin was approximately 28.2% for the year ended 31 December 2014. This minor decrease in gross profit margin occurred predominantly due to the increased costs of sales caused by the increased labour costs incurred by our Group. This was brought about by the increase in the number of staff required by the commencement of operations of the Springfield production facilities. Gross profit margin was approximately 25.7% for the six months ended 30 June 2015, which is lower than the range of gross profit margin from approximately 26.9% to 29.6% recorded for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014. The decrease in gross profit margin is mainly attributable to the increase in labour costs necessitated since the commencement of production facilities of Springfield in 2014, and the imposition of consumption tax on coating products effective from February 2015.

Our Group's level of gross profit generally followed the movement in the gross profit margin for the reasons set out above.

During the Track Record Period, our Group's arrangements with CMW were both conducted on a cost recovery basis. Consequently, only nominal gross profit was derived from such services and our gross profit margin was understated after taking into account the above. Details of these arrangements can be found in the paragraph headed "5.2 Associate" of the section headed "Business" of this prospectus.

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The following sets out our revenue and gross profit by excluding the revenue and gross profit or gross loss generated from the two arrangements with CMW, the adjusted gross profit and adjusted gross profit margin.

	For the six months				
	For the year ended 31 December			ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Revenue (excluding revenue generated from CMW)	255,889	278,487	286,942	132,329	130,917
Cost of sales and services (excluding costs related to CMW)	<u>(178,550)</u>	<u>(185,495)</u>	<u>(194,829)</u>	<u>(87,450)</u>	<u>(92,404)</u>
Adjusted gross profit	77,339	92,992	92,113	44,879	38,513
Adjusted gross profit margin (in %)	30.2	33.4	32.1	33.9	29.4

Our adjusted gross profit margin was higher after the aforesaid exclusion and had remained stable during the Track Record Period.

Other income

The following sets out our other income breakdown during the Track Record Period.

	For the six months				
	For the year ended 31 December			ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Other income					
Royalty fee income from CMW	5,632	5,400	6,264	3,119	2,686
Management fee income from CMW	6,472	6,981	7,659	2,749	2,542
Rental income from CMW	1,482	1,615	1,766	545	818
Transportation fee income from CMW	1,357	2,616	2,420	1,229	1,088
Government subsidies	1,138	113	—	—	—
Rental income	39	813	777	387	401
Interest income	<u>481</u>	<u>494</u>	<u>502</u>	<u>183</u>	<u>178</u>
Total	<u>16,601</u>	<u>18,032</u>	<u>19,388</u>	<u>8,212</u>	<u>7,713</u>

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During the Track Record Period, our other income included principally royalty fee income, management fee income, rental income, transportation fee income and government subsidies. Our other income increased from approximately HK\$16.6 million for the year ended 31 December 2012 to approximately HK\$18.0 million for the year ended 31 December 2013 and increased to approximately HK\$19.4 million for the year ended 31 December 2014. For the six months ended 30 June 2015, our other income amounted to approximately HK\$7.7 million, representing a decrease of approximately 6.1% from the other income of approximately HK\$8.2 million recorded for the corresponding period in the previous year.

Royalty fee income refers to the royalty fee paid by CMW to our Group for using our Group's technology. Royalty fee income amounted to approximately HK\$5.6 million, HK\$5.4 million, HK\$6.3 million, HK\$3.1 million and HK\$2.7 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. Royalty fee was calculated according to a fixed formula determined through arm's length negotiation between our Group and CMW (for details, please refer to paragraph "5.2.5 Technology licensing" of the section headed "Business" of this prospectus). The fluctuation in royalty fee income was mainly due to the fluctuation in market demand for CMW's products that require our Group's technology.

Management fee income refers to the income from management services provided by our Group to CMW, including general administration, human resources and sharing of office premises. The management fee income is determined based on cost recovery basis by taking into account costs for personnel, rent and utilities. During the Track Record Period, management fee income gradually increased, amounting to approximately HK\$6.5 million, HK\$7.0 million, HK\$7.7 million for the years ended 31 December 2012, 2013 and 2014 respectively, while it remained relatively stable at approximately HK\$2.7 million and HK\$2.5 million for the six months ended 30 June 2014 and 2015 respectively.

Transportation fee income refers to fees received for transportation services provided by our Group to CMW. During the Track Record Period, transportation fee income amounted to approximately HK\$1.4 million, HK\$2.6 million, HK\$2.4 million, HK\$1.2 million and HK\$1.1 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. Transportation fee income was generally in line with the business activities of CMW.

In addition, our other income was also affected by government subsidies. The government subsidies were received from the PRC government authorities as financial support to encourage the development of industrial coating industry. Such subsidies amounted to approximately HK\$1.1 million and HK\$0.1 million for the years ended 31 December 2012 and 2013 respectively. Our Group did not receive government subsidies for the year ended 31 December 2014 and for the six months ended 30 June 2015.

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During the Track Record Period, rental income was generated due to our Group's leasing certain office, laboratory and dormitory space to CMW. If we had not leased to CMW's subsidiaries, our Group could have utilised the facilities ourselves or leased to other parties to generate rental income. For illustration purpose only, the table below shows the summary of the adjusted profit after excluding (i) share of profit of CMW; (ii) listing expenses; and (iii) net rental income (net of relevant cost and tax expense) from CMW during the Track Record Period:

Profit excluding share of profit of CMW and net rental income from CMW	For the year ended 31 December			For the six months ended 30 June		
	2012	2013	2014	2014	2015	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
(unaudited)						
Profit for the year attributable to owners of our Company less share of profit of CMW	12,208	33,007	12,380	819	3,209	
Add: Listing expenses	—	200	12,400	7,339	1,943	
Less: Net rental income from CMW (net of relevant cost and tax expense)	174	182	169	62	54	
Adjusted profit (excluding share of profit of CMW, listing expenses and net rental income from CMW)	12,034	33,025	24,611	8,096	5,098	

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Royalty fee income was generated due to our agreement with CMW that certain business was to be carried out by CMW with the use of our Group's technology. If we had not licensed such technology to CMW for royalty fee income, our Group could have been engaged in such business ourselves and thereby generated revenue. For illustration purpose only, the table below shows the summary of the adjusted profit after excluding (i) share of profit of CMW; (ii) listing expenses; and (iii) net royalty fee income (net of relevant tax expense) during the Track Record Period:

Profit excluding share of profit of CMW and net royalty fee income	For the year ended			For the six months ended 30 June	
	31 December		2014	2014	
	2012	2013	HK\$'000	2015	HK\$'000
(unaudited)					
Profit for the year attributable to owners of our Company less share of profit of CMW	12,208	33,007	12,380	819	3,209
Add: Listing expenses	—	200	12,400	7,339	1,943
Less: Net royalty fee income (net of relevant tax expense)	4,703	4,509	5,230	2,604	2,243
Adjusted profit (excluding share of profit of CMW, listing expenses and net royalty fee income)	7,505	28,698	19,550	5,554	2,909

Other gains and losses

The following sets out our other gains and losses breakdown during the Track Record Period.

Other gains and losses	For the year ended			For the six months ended 30 June	
	31 December		2014	2014	
	2012	2013	HK\$'000	2015	HK\$'000
(unaudited)					
(Impairment losses) reversal of impairment losses recognised on trade receivables	(3,180)	(419)	(202)	—	32
Bad debt recovered	—	—	—	—	680
Gain (loss) on disposal of property, plant and equipment and prepaid lease payment, net	(174)	13,896	(338)	14	(53)
Exchange (loss)/gain, net	(193)	(733)	182	(6)	792
Change in fair value of derivative financial instruments	—	—	1,067	346	148
Others	<u>1,851</u>	<u>1,369</u>	<u>635</u>	<u>1,059</u>	<u>132</u>
Total	<u>(1,696)</u>	<u>14,113</u>	<u>1,344</u>	<u>1,413</u>	<u>1,731</u>

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Impairment losses on trade receivables for the years ended 31 December 2012, 2013 and 2014 were approximately HK\$3.2 million, HK\$0.4 million and HK\$0.2 million respectively. For the six months ended 30 June 2015, our Group recorded a reversal of impairment loss recognised on trade receivables of approximately HK\$32,000, while for the six months ended 30 June 2014, no impairment loss nor reversal of impairments loss on trade receivables was recognized. The balance of impairment losses on trade receivables as at 31 December 2012, 2013 and 2014 and 30 June 2015 was stable, amounting to approximately HK\$4.9 million, HK\$5.0 million, HK\$5.0 million and HK\$4.9 million respectively. Our impairment policy on trade receivables is set out in the paragraph headed "Trade and other receivables" of this section.

Distribution and selling expenses

The table below sets forth the major components of our distribution and selling expenses during the Track Record Period.

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
(unaudited)										
Staff cost and benefits	15,243	5.3%	15,526	4.9%	16,582	5.1%	8,481	5.5%	9,489	6.4%
Vehicle and general expenses	2,849	1.0%	3,011	1.0%	1,385	0.4%	657	0.4%	589	0.4%
Transportation and travelling expenses	3,914	1.3%	7,366	2.3%	9,781	3.0%	4,490	2.9%	4,470	3.0%
Entertainment and commission	5,942	2.1%	2,611	0.8%	2,602	0.8%	975	0.6%	1,219	0.8%
Others	1,498	0.5%	1,494	0.5%	1,311	0.4%	690	0.4%	617	0.4%
Total	29,446	10.2%	30,008	9.5%	31,661	9.7%	15,293	10.0%	16,384	11.0%

Our distribution and selling expenses primarily consist of staff costs and benefits, vehicle and general expenses, transportation and travelling expenses, entertainment and commission and others. Our distribution and selling expenses were approximately HK\$29.4 million, HK\$30.0 million, HK\$31.7 million, HK\$15.3 million and HK\$16.4 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, representing approximately 10.2%, 9.5%, 9.7%, 10.0% and 11.0% of our revenue for the corresponding years/periods.

Our distribution and selling expenses, generally remained stable during the Track Record Period. The increase in staff cost and benefits expenses for distribution and selling from approximately HK\$15.5 million to HK\$16.6 million for the years ended 31 December 2013 and 2014 respectively, and the increase from approximately HK\$8.5 million to HK\$9.5 million for the six months ended 30 June 2014 and 2015 respectively, was mainly due to the increase in number of marketing staff and the increase in minimum wage in the PRC as previously discussed in this section.

During the Track Record Period, vehicle and general expenses amounted to approximately HK\$2.8 million, HK\$3.0 million, HK\$1.4 million, HK\$0.7 million and HK\$0.6 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The decrease in vehicle and general expenses from approximately HK\$3.0 million to HK\$1.4 million for the years ended 31 December 2013 and 2014 respectively was mainly due to the disposal of Ants Logistics

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in May 2013 as discussed in the section headed “Connected transactions” of this prospectus. For the six months ended 30 June 2015, the vehicle and general expenses remained at a similar level as that of the six months ended 30 June 2014.

Transportation and travelling expenses amounted to approximately HK\$3.9 million, HK\$7.4 million, HK\$9.8 million, HK\$4.5 million and HK\$4.5 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The increase in such expenses during the Track Record Period was mainly due to the need for logistics in relation to Springfield's operation. Also, Ants Logistics is classified as a third party transport firm since its disposal in May 2013 and the subcontracting costs of using Ants Logistics are booked under the transportation and travelling expenses instead of the vehicle and general expenses since then.

Entertainment and commission expenses include commission paid to third parties who are not our employees for introducing customers to our Group. The amount of commission paid to third parties was determined on a case-by-case basis with the parties who introduce customers to our Group. Such expenses decreased for the years ended 31 December 2013 and 2014 since our Group relied less on such third parties in the context of the improving economic environment. The entertainment and commission expenses of approximately HK\$1.2 million for the six months ended 30 June 2015 remained at a similar level, as compared to approximately HK\$1.0 million recorded during the six months ended 30 June 2014.

Administrative expenses

The table below sets forth the major components of our administrative expenses during the Track Record Period.

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
(unaudited)										
Depreciation and amortisation	4,193	1.5%	4,098	1.3%	5,935	1.8%	3,527	2.3%	2,892	1.9%
Directors' emoluments	6,039	2.1%	7,172	2.3%	4,559	1.4%	2,069	1.4%	2,042	1.4%
Staff costs and benefits	24,028	8.3%	21,646	6.9%	22,056	6.7%	12,386	8.1%	12,428	8.4%
Repair and maintenance	1,736	0.6%	2,003	0.6%	1,431	0.5%	1,089	0.7%	448	0.3%
General administrative expenses	3,428	1.2%	5,103	1.7%	4,372	1.3%	2,185	1.4%	2,062	1.4%
Office expenses	1,056	0.4%	2,016	0.6%	1,129	0.3%	1,097	0.7%	1,234	0.8%
Legal and consultancy fee	1,156	0.4%	1,385	0.4%	2,770	0.9%	1,351	0.9%	501	0.3%
Tax & levy	1,273	0.4%	1,418	0.5%	1,749	0.5%	523	0.3%	495	0.3%
Others	2,615	0.9%	3,782	1.2%	3,735	1.2%	2,316	1.5%	1,445	1.0%
Total	45,524	15.8%	48,623	15.5%	47,736	14.6%	26,543	17.3%	23,547	15.8%

Our administrative expenses primarily consist of expenses for depreciation and amortisation, directors' emoluments, staff costs and benefits, and general administrative expenses. Our administrative expenses were approximately HK\$45.5 million, HK\$48.6 million, HK\$47.7 million, HK\$26.5 million and HK\$23.5 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, representing approximately 15.8%, 15.5%, 14.6%, 17.3% and

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15.8% of our revenue during the respective years/periods. Such expenses had generally remained stable during the Track Record Period. Directors' emoluments had fluctuated due to the change in discretionary bonus which was determined by the management of our Group.

For the year ended 31 December 2013, the minimum wage in the PRC continued to increase. However, our staff costs and benefits expenses for administrative purposes were offset by the decrease in the number of administrative staff during the year, and hence such expenses decreased by approximately 9.9% to approximately HK\$21.6 million. Our administrative staff cost and benefits expenses remained relatively stable at approximately HK\$22.1 million for the year ended 31 December 2014, and at approximately HK\$12.4 million and HK\$12.4 million for the six months ended 30 June 2014 and 2015 respectively.

Repair and maintenance expenses remained stable at approximately 0.6%, 0.6%, 0.5% and 0.7% of our Group's revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 before decreasing to approximately 0.3% for the six months ended 30 June 2015. Depreciation and amortisation increased for the year ended 31 December 2014 due to the building up of production capacity at Springfield's production facilities. For the six months ended 30 June 2015, our Group recorded a decrease in depreciation and amortisation cost, as compared to that for corresponding period of the previous year. This is mainly attributable to the commencement of operation of production facilities in Springfield in 2014 which entailed the relevant cost be recorded as cost of sales and services, whereas similar expenses incurred prior to the commencement of operation of such production facilities was recorded as administrative expenses in the corresponding period in the previous year.

Legal and consultancy fee expenses amounted to approximately 0.4%, 0.4%, 0.9%, 0.9% and 0.3% of our Group's revenue during the Track Record Period. For the year ended 31 December 2014, our Group incurred consultancy fees paid to one of the other CMW Partners of approximately HK\$1.8 million for technical advice.

Other expenses

Other expenses included donation and listing expenses. Other expenses were approximately HK\$1.5 million, HK\$1.3 million, HK\$13.8 million, HK\$8.0 million and HK\$2.8 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, of which approximately nil, HK\$0.2 million, HK\$12.4 million, HK\$7.3 million and HK\$1.9 million were listing expenses incurred by our Group during the respective years/periods.

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Share of profits of associate

CMW is our only associate that is active in operation and we hold 45% equity interest in CMW. Please refer to the section headed “Business” of this prospectus for further information regarding CMW.

The table below sets forth the breakdown of financials of CMW and its subsidiaries for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015.

	For the six months				
	For the year ended 31 December			ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(unaudited)					
Revenue	525,142	551,450	644,492	309,926	279,228
Profit for the year/period	48,875	66,367	64,558	40,649	30,427
Other comprehensive income (expense) for the year/period	40	8,851	(1,068)	(3,894)	(92)
Total comprehensive income for the year/period	48,915	75,218	63,490	36,755	30,335
Our Group's share of profits for the year/period	21,994	29,865	29,051	18,292	13,692
Dividends paid to our Group	22,500	24,750	18,000	9,000	4,500

We recorded share of profits of associate of approximately HK\$22.0 million, HK\$29.9 million, HK\$29.1 million, HK\$18.3 million and HK\$13.7 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, representing approximately 57.8%, 39.7%, 59.5%, 80.5% and 73.7% of our Group's profit before taxation for the respective years/periods. Exceptionally high percentage contributions to our Group's profit before taxation were recorded for the year ended 31 December 2014 and for the six months ended 30 June 2014 and 2015, mainly due to the incurrence of listing expenses amounting to approximately HK\$12.4 million, HK\$7.3 million and HK\$1.9 million respectively. If the listing expenses were excluded, share of profits of associate would be approximately 47.5%, 60.9% and 66.7% of our Group's profit before taxation for the year ended 31 December 2014, and for the six months ended 30 June 2014 and 2015 respectively.

CMW's revenue is derived from the sales of coatings. For the year ended 31 December 2013, its revenue increased from approximately HK\$525.1 million to approximately HK\$551.5 million. Based on our Directors' understanding, this was mainly due to orders for coating products with a higher unit selling price from one of its valuable customers. CMW's net profit margin increased from approximately 9.3% for the year ended 31 December 2012 to approximately 12.0% for the year ended 31 December 2013. As CMW's profitability increased during the year, our Group's share of profits from CMW also increased from approximately HK\$22.0 million for the year ended 31 December 2012 to approximately HK\$29.9 million for the year ended 31 December 2013. CMW's revenue was approximately HK\$644.5 million and our Group's share of profits from CMW was approximately HK\$29.1 million for the year ended 31 December 2014, which was mainly driven by the increased demand from its customers. For the six months ended 30 June 2015, CMW's revenue was approximately HK\$279.2 million and our Group recorded share of profits from CMW of approximately HK\$13.7 million, which is, based on our

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Directors' understanding, attributable to the slowdown in the sales of CMW as described in the paragraph headed "CMW's revenue" of this section.

Dividends paid to our Group were approximately HK\$22.5 million, HK\$24.8 million, HK\$18.0 million, HK\$9.0 million and HK\$4.5 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The dividend payout by CMW is determined annually based on its operating performance for the corresponding year, financial position of CMW, and future development plan of CMW.

For details, please refer to the paragraph headed "Selected financial information of CMW" of this section.

Profit before taxation

Profit before taxation of our Group was approximately HK\$38.0 million, HK\$75.3 million, HK\$48.8 million, HK\$22.7 million and HK\$18.6 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. Our profit is correlated with the market condition of the coating industry in the PRC and the change in net profit of our Group from 31 December 2012 to 31 December 2013 was in line with the movement of revenue, gross profit and other income of our Group, as well as the profits sharing from CMW in the corresponding years. Were the listing expenses of approximately HK\$0.2 million and HK\$12.4 million incurred in the years ended 31 December 2013 and 2014 and the one-off gain on disposal of property of approximately HK\$14.4 million received in the year ended 31 December 2013 excluded from our Group's profit before tax, our profit before tax would have remained relatively stable for the year ended 31 December 2014 as compared to the year ended 31 December 2013. Profit before taxation of our Group for the six months ended 30 June 2014 and 2015 amounted to approximately HK\$22.7 million and HK\$18.6 million respectively. Were the listing expenses of approximately HK\$7.3 million and HK\$1.9 million added back, the profit before taxation would have been approximately HK\$30.1 million and HK\$22.2 million respectively. Such decrease is attributable to the imposition of the consumption tax on coatings products, the higher depreciation cost on production facilities of Springfield, and the decrease in share of profits of an associate.

Taxation

We have recognised taxation charges of approximately HK\$4.7 million, HK\$12.0 million, HK\$6.8 million, HK\$3.4 million and HK\$2.2 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. As at 31 December 2012, 2013 and 2014 and 30 June 2015, we recorded deferred tax assets of approximately HK\$0.2 million in relation to (i) impairment losses on trade receivables; and (ii) the difference between tax allowance and depreciation.

The normal corporate income tax rate in Hong Kong was 16.5% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015. Meanwhile, the normal corporate income tax rate in the PRC was 25.0% during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015. Excluding the share of profits from CMW, our effective tax rates in the corresponding years were approximately 29.1%, 26.4%, 34.4%, 77.1% and 45.7% respectively.

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For the year ended 31 December 2013, the effective tax rate of our Group (which excluded the share of profits from CMW) reduced to approximately 26.4%, mainly due to the utilisation of tax losses that were not previously recognised.

For the year ended 31 December 2014, the effective tax rate of our Group (which excluded the share of profits from CMW) was approximately 34.4%, mainly because our Group incurred listing expenses of approximately HK\$12.4 million during the year which were not deductible for tax purpose. For the six months ended 30 June 2014, the effective tax rate of our Group (which excluded the share of profits from CMW) was approximately 77.1%, mainly because our Group incurred listing expenses of approximately HK\$7.3 million during the period which were not being deductible for tax purpose and the loss before taxation after excluding the share of profits from CMW. For the six months ended 30 June 2015, the effective tax rate of our Group (which excluded the share of profits from CMW) was approximately 45.7%, mainly due to lower amount of listing expenses of approximately HK\$1.9 million. For details, please refer to note 9 of the Accountants' Report set out in Appendix I to this prospectus.

Net profit margin

The profit after tax of our Group was approximately HK\$33.4 million, HK\$63.3 million, HK\$42.0 million, HK\$19.3 million and HK\$16.3 million, representing net profit margins of approximately 11.6%, 20.1%, 12.8%, 12.6% and 11.0% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

Net profit margin increased to approximately 20.1% for the year ended 31 December 2013 from approximately 11.6% for the year ended 31 December 2012 mainly due to the improvement in gross profit margin and at the same time, an increase in the share of profits from CMW. As a result, our Group's net profit increased significantly. We also recognised a sizeable one-off gain on disposal during the year ended 31 December 2013 which further increased our net profit margin.

Net profit margin decreased from approximately 20.1% to 12.8% for the years ended 31 December 2013 and 2014 respectively. It was mainly because our Group incurred listing expenses of approximately HK\$12.4 million during the year ended 31 December 2014. Comparatively, listing expenses of only HK\$0.2 million were incurred in the previous year. Net profit margin for the six months ended 30 June 2015 decreased compared to the corresponding previous period mainly due to the decreased share of profits of associate and the lower gross profit margin as described above.

For illustration purposes, adjusted net profit is calculated by adding the listing expenses of approximately HK\$12.4 million recorded for the year ended 31 December 2014 to the profit after tax for the year of approximately HK\$42.0 million. As a result, the adjusted net profit for the year ended 31 December 2014 was approximately HK\$54.4 million and the adjusted net profit margin was approximately 16.6% for the year. The decrease from the previous year was primarily due to the aforesaid one-off gain on disposal of property recognised in the year ended 31 December 2013.

Similarly, for illustration purposes, adjusted net profit is calculated by adding back the listing expenses of approximately HK\$7.3 million and HK\$1.9 million recorded for the six months ended 30 June 2014 and 2015 to the profit after tax for the respective periods of approximately HK\$19.3 million and HK\$16.3 million. As a result, the adjusted net profit for six months ended 30 June 2014 and 2015 was approximately HK\$26.6 million and HK\$18.3 million respectively, and the adjusted net profit margin was approximately 17.4% and 12.3% for the respective periods.

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LIQUIDITY AND CAPITAL RESOURCES

Net current assets

The following table sets out the details of our current assets and liabilities as at the end of the years/periods indicated.

	As at 31 December		As at 30 June	As at September	As at 30
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000 (unaudited)
Current assets					
Prepaid lease payments	845	871	868	868	868
Inventories	30,014	36,465	31,908	32,306	33,468
Trade and other receivables	80,612	107,424	110,724	106,775	128,655
Amount due from a related company	—	624	—	—	—
Tax recoverable	1,191	628	944	642	597
Bank balances and cash	<u>132,411</u>	<u>61,716</u>	<u>80,170</u>	<u>94,794</u>	<u>76,093</u>
Assets classified as held for sale	245,073	207,728	224,614	235,385	239,681
	<u>4,032</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total current assets	<u>249,105</u>	<u>207,728</u>	<u>224,614</u>	<u>235,385</u>	<u>239,681</u>
Current liabilities					
Trade and other payables	46,575	48,710	42,559	46,033	47,654
Tax payable	364	1,914	398	1,051	3,383
Amount due to immediate holding company	31,399	31,399	31,399	31,399	31,399
Bank borrowing	<u>—</u>	<u>—</u>	<u>2,535</u>	<u>—</u>	<u>—</u>
Liabilities associated with assets classified as held for sale	78,338	82,023	76,891	78,483	82,436
	<u>2,948</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>81,286</u>	<u>82,023</u>	<u>76,891</u>	<u>78,483</u>	<u>82,436</u>
Net current assets	<u>167,819</u>	<u>125,705</u>	<u>147,723</u>	<u>156,902</u>	<u>157,245</u>

Our net current assets decreased significantly to approximately HK\$125.7 million as at 31 December 2013, mainly due to the dividend payout of HK\$95.0 million during the year which subsequently affected the level of cash and bank balance. The decrease in net current assets due to reduction of cash and bank balance was mitigated by the increase in balance of trade and other

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receivables. Our trade and other receivables increased from approximately HK\$80.6 million as at 31 December 2012 to approximately HK\$107.4 million as at 31 December 2013, mainly due to the increase in sales during the year.

Our Group's net current assets increased from approximately HK\$125.7 million as at 31 December 2013 to approximately HK\$147.7 million as at 31 December 2014. This was attributable to a decrease in current liabilities such as trade and other payables and tax payable, coupled with an increase in cash and bank balances brought about by our operations in line with the increase in revenue and slight increase in trade and other receivables. As at 30 June 2015, our Group's net current assets amounted to approximately HK\$156.9 million, slightly higher than our Group's net current assets as at 31 December 2014 of approximately HK\$147.7 million, mainly due to the movement in working capital, bank borrowings, and bank balances and cash. As at 30 September 2015, our Group's net current assets increased to approximately HK\$157.2 million, and this is mainly attributable to the increase in trade and other receivables, which is in line with the increase in sales order and revenue for the three months ended 30 September 2015 but reduced by the dividend payout of HK\$10 million in August 2015.

Cash flows

Our primary uses of cash are to satisfy our working capital and capital expenditure. We financed our working capital and capital expenditure primarily through cash flows from operating activities during the Track Record Period.

The following table sets out a summary of our combined statements of cash flows for the years indicated.

	For the six months				
	For the year ended 31 December			ended 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000 (unaudited)
Net cash generated from operating activities	39,101	2,269	18,243	2,313	17,753
Net cash generated from (used in) investing activities	1,254	5,220	2,571	(3,197)	(79)
Net cash used in financing activities	<u>(30,000)</u>	<u>(82,028)</u>	<u>(1,969)</u>	<u>(7,533)</u>	<u>(2,551)</u>
Net increase/(decrease) in cash and cash equivalents	10,355	(74,539)	18,845	(8,417)	15,123
Cash and cash equivalents at beginning of the year/period	121,830	132,411	61,716	61,716	80,170
Effect of foreign exchange rate changes	<u>226</u>	<u>3,844</u>	<u>(391)</u>	<u>(1,234)</u>	<u>(499)</u>
Cash and cash equivalents at end of the year/period	<u>132,411</u>	<u>61,716</u>	<u>80,170</u>	<u>52,065</u>	<u>94,794</u>

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Net cash generated from operating activities

Cash flow from operating activities reflected profit before interest and taxation for the year adjusted for non-cash items such as depreciation and amortisation, share of profits of our associate, impairment losses on trade receivables, as well as the effects of cash flows arising from increase or decrease in inventories, trade and other receivables, and trade and other payables.

Cash inflow from operations decreased from approximately HK\$39.1 million for the year ended 31 December 2012, to approximately HK\$2.3 million for the year ended 31 December 2013, which mainly resulted from the movement of working capital, especially from the significant increase in trade and other receivables from approximately HK\$80.6 million as at 31 December 2012 to approximately HK\$107.4 million as at 31 December 2013 since our Group allowed longer settlement terms for certain customers who took a longer time to settle their outstanding balances.

Net cash generated from operating activities increased to approximately HK\$18.2 million for the year ended 31 December 2014, principally due to the movement in working capital. Net cash generated from operating activities increased sharply to approximately HK\$17.8 million in the six months ended 30 June 2015, which was mainly caused by a decrease in trade and other receivables.

Net cash generated from investing activities

Cash flow from investing activities mainly comprised payment for the purchase of property, plant and equipment, cash outflow for acquiring a subsidiary, dividends received from CMW, interest received, deposits paid for purchase of property, plant and equipment, investment in or withdrawal of structured deposits, and settlement of loan upon disposal of our subsidiary.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our Group recorded net cash inflow from investing activities of approximately HK\$1.3 million, HK\$5.2 million, HK\$2.6 million, and net cash outflow of approximately HK\$3.2 million and HK\$79,000 respectively. The slight cash outflow for the six months ended 30 June 2015 was due to payment of deposit for purchase of land. For details, please refer to note 27(b) of the Accountants' Report set out in Appendix I to this prospectus.

The principal cash outflow from investing activities during the Track Record Period was the purchase of property, plant and equipment. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our Group used approximately HK\$22.6 million, HK\$20.1 million, HK\$17.4 million, HK\$7.6 million and HK\$2.9 million, respectively in purchases of property, plant and equipment mainly for the Springfield facilities, which the principal cash inflow from investing activities was the receipt of dividend from CMW amounting to HK\$22.5 million, HK\$24.8 million, HK\$18.0 million, HK\$9.0 million and HK\$4.5 million respectively.

For the year ended 31 December 2013, the effect of the cash used in purchases of property, plant and equipment was offset by the dividends received from CMW of approximately HK\$24.8 million and cash received from disposal of assets classified as held for sale in 2012 of approximately HK\$2.9 million. Meanwhile, our Group recorded a cash outflow of approximately HK\$4.2 million in relation to the acquisition of Kesite during that year.

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During the year ended 31 December 2014, our Group entered into and withdrew several investment contracts of structured deposits with banks, the overall effect of which on our Group's cash flow was insignificant. Effects of purchases of property, plant and equipment of approximately HK\$17.4 million during the period were again balanced out by dividends received from CMW, amounting to HK\$18.0 million. For the six months ended 30 June 2015, the net cash used in investing activities was mainly the result of the purchase of property, plant and equipment and payment of deposit for purchase of land.

Net cash used in financing activities

Cash flow from financing activities primarily consisted of payments of dividends, proceeds from the partial disposal of MT and capital contribution from Teknos into MT.

Net cash used in financing activities for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were approximately HK\$30.0 million, HK\$82.0 million, HK\$2.0 million, HK\$7.5 million and HK\$2.6 million respectively, mainly caused by the dividend paid during the respective years. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the payments of dividends were HK\$30.0 million, HK\$95.0 million, HK\$10.0 million, HK\$10.0 million and nil respectively.

For the year ended 31 December 2013, we had a cash inflow from financing activities of approximately HK\$13.0 million from disposal of 20% equity interest in MT. For the year ended 31 December 2014, we had a relatively lower net cash outflow from financing activities of approximately HK\$2.0 million since (i) our Group paid a lower amount of dividend of HK\$10.0 million; (ii) our Group obtained a bank loan; and (iii) Teknos contributed its proportional share of additional capital into MT.

Net cash used in financing activities recorded for the six months ended 30 June 2014 is greater than that for the six months ended 30 June 2015, which is mainly attributable to the payment of dividend of HK\$10.0 million during the six months ended 30 June 2014.

Sufficiency of working capital

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including banking facilities, other internal resources, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

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Indebtedness

The following table sets out our borrowings as at the dates indicated:

	As at 31 December			As at	As at
	2012	2013	2014	30 June	30 September
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loan on demand	—	—	2,535	—	—
Amount due to Mezzo	31,399	31,399	31,399	31,399	31,399
Total	31,399	31,399	33,934	31,399	31,399

Amount due to Mezzo

As at 31 December 2012, 2013 and 2014, 30 June 2015 and 30 September 2015, our Company had an amount of approximately HK\$31.4 million due to Mezzo. This amount is unsecured, unguaranteed, non-interest bearing and repayable on demand. Out of this amount, an amount of HK\$20 million will be repaid prior to Listing and the remaining balance of HK\$11.4 million will be waived upon Listing.

Save as disclosed above, we did not have any outstanding bank borrowings, overdrafts, mortgages, charges, debentures or other loan or utilised banking facilities.

Unutilised bank facility

(i) As at the Latest Practicable Date, we had banking facilities of HK\$25.0 million. These banking facilities have no maturity date and the bank may terminate them at any time at the bank's sole discretion. The facilities are repayable on demand by the bank. These banking facilities are secured by a charge over our Group's properties in Shatin, Hong Kong, and are jointly and severally guaranteed by Mr. Yuen and Mr. Ko. The guarantee by Mr. Yuen and Mr. Ko will be released upon Listing. Certain details of the banking facilities are set out below:

Type	Facility limit	Interest rate
Trade Finance — import/export facilities	HK\$25.0 million ¹	2.5% per annum over HIBOR
Current account overdraft	HK\$20.0 million ^{1, 2}	2.0% per annum below prime rate of the bank or at HIBOR, whichever is higher
Short term money market loan (for periods of 3 months)	HK\$20.0 million ^{1, 2}	3.0% per annum over HIBOR for HK\$ and 3.0% per annum over the London interbank offered rate for US\$

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Notes:

1. The aggregate outstanding of these facilities shall not at any time exceed HK\$25.0 million.
2. The aggregate outstanding of these facilities shall not at any time exceed HK\$20.0 million.

The covenants, undertakings and requirements relating to these banking facilities are summarised below:

1. Manfield Coatings undertakes that all its obligations in connection with the banking facilities will at all times rank at least pari passu in terms of security and support (including third party) with all its other present and future obligations;
2. Manfield Coatings shall promptly submit to the bank certain financial information including its audited financial statements, management financials and account receivables aging reports;
3. Manfield Coatings shall immediately inform the bank of changes in directors and shareholders, amendments to its constitutional documents or substantial changes to the general nature of its business; and
4. The properties charged to the bank shall maintain a certain value determined by the bank from time to time.

(ii) In addition, as at the Latest Practicable Date, we had a banking facility of RMB2.0 million (equivalent to approximately HK\$2.5 million) with a bank. This banking facility has no maturity date and the bank may terminate it at any time at the bank's sole discretion. The facility is repayable on demand by the bank and guaranteed by Teknos. For details, please refer to the paragraph headed "2. Guarantee provided by Teknos (the "Guarantee")" of the section headed "Connected transactions" of this prospectus. Certain details of the banking facility are set out below:

Type	Facility limit	Interest rate
Working capital facility	RMB2.0 million	110% of base lending rate stipulated by People's Bank of China per annum

The undertakings relating to this banking facility are summarised below:

1. MT shall remain at least 40% owned and controlled by Teknos;
2. MT shall promptly submit to the bank certain financial information including its annual audited and consolidated financial statements and quarter consolidated financial statements;
3. MT shall promptly notify the bank any changes of its directors, or any amendments or supplements to its business licence or articles of association, and shall ensure such changes, amendments or supplements will not have adverse effect on the rights and interests of the bank;

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4. MT shall at all times maintain a positive net worth which shall comprise of MT's paid-up capital, accumulated reserve and profit and loss account; and
5. MT shall inform the bank in advance if it intends to obtain loans or other finance from other financial institutions; such loans or finance shall be subject to the bank's prior consent if in the reasonable discretion of the bank, MT's indebtedness will substantially increase; with respect to the arrangement on repayment and/or security, MT shall provide the same preferential treatments to the bank as those provided to other MT's creditors and shall ensure that at all times the claims of the bank shall rank at least pari passu with other creditors without any violation of any mandatory requirements of the law.

During the Track Record Period, we had not breached any of the covenants.

Latest indebtedness

As of the close of business on 30 September 2015, for the purpose of determining our indebtedness, we had an amount due to Mezzo of approximately HK\$31.4 million. The amount due to Mezzo is unsecured, unguaranteed, non-interest bearing and repayable on demand. Out of the amount due to Mezzo of approximately HK\$31.4 million, HK\$20.0 million will be repaid prior to Listing and the remaining balance of approximately HK\$11.4 million will be waived upon Listing.

Save as disclosed above and apart from intra-group liabilities, as of the close of business on 30 September 2015, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credit, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has been no material change in our indebtedness since 30 September 2015.

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CERTAIN BALANCE SHEET ITEMS

The following table sets out selected information from the combined statements of financial position.

	As at			
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total non-current assets	310,954	334,795	348,908	355,415
Total current assets	<u>249,105</u>	<u>207,728</u>	<u>224,614</u>	<u>235,385</u>
Total assets	560,059	542,523	573,522	590,800
Total current liabilities	81,286	82,023	76,891	78,483
Total non-current liabilities	<u>—</u>	<u>102</u>	<u>—</u>	<u>—</u>
Total liabilities	81,286	82,125	76,891	78,483
Net current assets	167,819	125,705	147,723	156,902
Total assets less total liabilities	478,773	460,398	496,631	512,317
EQUITY				
Share capital	78	78	78	78
Reserves	<u>473,368</u>	<u>448,404</u>	<u>478,445</u>	<u>494,705</u>
Equity attributable to owners of our Company	473,446	448,482	478,523	494,783
Non-controlling interests	<u>5,327</u>	<u>11,916</u>	<u>18,108</u>	<u>17,534</u>
Total equity	<u>478,773</u>	<u>460,398</u>	<u>496,631</u>	<u>512,317</u>

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Non-current assets

	As at			
	As at 31 December			30 June
	2012	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	115,124	131,491	135,054	130,821
Prepaid lease payments	33,125	33,289	32,306	31,848
Interests in an associate	159,898	168,996	179,567	188,718
Deferred tax assets	162	162	162	162
Derivative financial instruments	—	—	965	1,113
Deposits to purchase of property, plant and equipment and prepaid lease payments	<u>2,645</u>	<u>857</u>	<u>854</u>	<u>2,753</u>
	<u><u>310,954</u></u>	<u><u>334,795</u></u>	<u><u>348,908</u></u>	<u><u>355,415</u></u>

Property, plant and equipment

Property, plant and equipment consist mainly of leasehold land and buildings, leasehold improvements, plant, machinery and equipment, furniture, fixtures and office equipment, motor vehicles and construction in progress. The carrying amount of property, plant and equipment increased from approximately HK\$115.1 million as at 31 December 2012 to approximately HK\$131.5 million as at 31 December 2013, and approximately HK\$135.1 million as at 31 December 2014. The increase in net carrying amount of our property, plant and equipment as at 31 December 2014 was mainly due to the factory, plant and equipment constructed at Springfield during the year. The slight decrease in property, plant and equipment to approximately HK\$130.8 million as at 30 June 2015 was the result of depreciation.

Interests in an associate

Interests in an associate consists of our Group's investment in CMW, which is a company incorporated in Hong Kong and held as to 45% by our Group. Set out below is the particulars in relation to our Group's interest in CMW as at 31 December 2012, 2013 and 2014 and 30 June 2015.

	As at			
	As at 31 December			30 June
	2012	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investments, at cost				
Unlisted investments, at cost	178	178	178	178
Share of post-acquisition translation reserve	17,195	21,178	20,698	20,657
Share of post-acquisition profits, net of dividends received	<u>142,525</u>	<u>147,640</u>	<u>158,691</u>	<u>167,883</u>
	<u><u>159,898</u></u>	<u><u>168,996</u></u>	<u><u>179,567</u></u>	<u><u>188,718</u></u>

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	As at			
	As at 31 December		30 June	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets of CMW	443,785	481,909	531,209	514,810
Total liabilities of CMW	<u>(88,455)</u>	<u>(106,362)</u>	<u>(132,171)</u>	<u>(95,437)</u>
Net assets of CMW	<u>355,330</u>	<u>375,547</u>	<u>399,038</u>	<u>419,373</u>
Carrying amount of our Group's interest in CMW	159,898	168,996	179,567	188,718

For details, please refer to paragraph headed “Selected financial information of CMW” of this section.

Deposits to purchase of property, plant and equipment

As at 31 December 2012, our Group recorded a balance of approximately HK\$1.8 million as deposits to purchase of property, plant and equipment for our Group's new plant in Guangzhou and approximately HK\$0.8 million in relation to the acquisition of the land located in the PRC from Zengcheng Ltd. As at 30 June 2015, this acquisition from Zengcheng Ltd. had not been completed and the deposits of approximately HK\$0.9 million, HK\$0.9 million and HK\$0.9 million were recorded as at 31 December 2013, 2014 and 30 June 2015 respectively. For details, please refer to the section headed “Connected transactions” of this prospectus. As at 30 June 2015, our Group recorded a balance of approximately HK\$1.9 million as a deposit to purchase a piece of land in the PRC from the People's Government of Luoyang Town, Wujin District, Changzhou City. As of 30 June 2015, this acquisition of land had not been completed.

Current assets and current liabilities

Inventories

	As at			
	As at 31 December		30 June	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	22,096	27,801	22,086	21,790
Work in progress	4,064	4,797	4,853	5,480
Finished goods	<u>3,854</u>	<u>3,867</u>	<u>4,969</u>	<u>5,036</u>
	<u>30,014</u>	<u>36,465</u>	<u>31,908</u>	<u>32,306</u>

Inventories' turnover days⁽¹⁾ 52 60 49 53

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Note:

1. Inventories' turnover days are calculated based on the ending inventories of a given year divided by the cost of sales and services for the corresponding year/period and multiplied by 365 days/181 days.

Inventories consist of raw materials, work in progress, and finished goods, around 70% of which were raw materials. Despite an increase in the balance of finished goods as at 31 December 2014 (in line with the increased revenue recorded during this period), the inventory balance as at 31 December 2014 was approximately 12.5% less than the balance as at 31 December 2013. Of the inventory balance as at 31 December 2014, approximately HK\$26.1 million had been subsequently utilised by 30 September 2015, representing approximately 81.7% of the outstanding balance as at 31 December 2014. Inventory balance remained stable as at 30 June 2015 relation to 31 December 2014.

According to our Directors, movement of raw materials balance can be partly affected by the timing of the Chinese New Year public holidays. For example, due to the proximity of the 2014 Chinese New Year public holidays to December 2013 (i.e. commencing on 1 February 2014), our Group ordered raw materials in December 2013 to maintain a reasonable amount of inventory as a precaution. However, in December 2014, since the 2015 Chinese New Year public holidays fell in late February 2015, similar precautionary order of raw materials could take place in January 2015 instead. As such, our inventory balance as at 31 December 2014 was less than it was as at 31 December 2013.

We have an extensive network of suppliers and maintain close control on our production by implementing a make-to-order strategy. Therefore, our inventory turnover during the Track Record Period had remained stable. The inventory turnover days for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately 52 days, 60 days, 49 days and 53 days respectively.

Trade and other receivables

	As at			
	As at 31 December		30 June	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	73,196	95,259	99,958	99,242
Bills receivables	5,901	7,837	6,989	4,328
Less: impairment losses on trade receivables	(4,949)	(4,991)	(4,969)	(4,937)
Total trade and bills receivables	74,148	98,105	101,978	98,633
Other receivables	6,464	9,319	8,746	8,142
	80,612	107,424	110,724	106,775

Our Group's trade and other receivables amounted to approximately HK\$80.6 million, HK\$107.4 million, HK\$110.7 million and HK\$106.8 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively.

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Trade and bills receivables balance increased from approximately HK\$74.1 million as at 31 December 2012 to approximately HK\$98.1 million as at 31 December 2013, which generally followed the movement in our Group's revenue for the corresponding years. Trade and bills receivables balance as at 31 December 2014 remained comparable to that as at 31 December 2013.

The following is the aging analysis of the trade receivables, net of impairment losses on trade receivables based on invoice date, at the end of each year during the Track Record Period:

	As at			
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
0–30 days	40,673	35,460	35,278	38,563
31–60 days	16,447	22,488	24,241	26,237
61–90 days	7,286	17,622	17,445	15,326
Over 90 days	<u>3,841</u>	<u>14,698</u>	<u>18,025</u>	<u>14,179</u>
 Bills receivables	 68,247	 90,268	 94,989	 94,305
	<u>5,901</u>	<u>7,837</u>	<u>6,989</u>	<u>4,328</u>
	 <u>74,148</u>	 <u>98,105</u>	 <u>101,978</u>	 <u>98,633</u>
 Debtors' turnover days ⁽¹⁾	 94	 114	 113	 120

Note:

1. Debtors' turnover days are calculated based on the ending trade and bills receivables (net of impairment losses) of a given year divided by the revenue for the corresponding year/period and multiplied by 365 days/181 days.

Our Group has a credit policy which normally allows credit periods ranging from 30 to 90 days for our trade customers. Before accepting any new customer, our Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits provided to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good track records with our Group. No interest is charged on the trade receivables.

Trade receivables net of impairment losses amounted to approximately HK\$68.2 million, HK\$90.3 million, HK\$95.0 million and HK\$94.3 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively. Of the balance as at 30 June 2015, approximately HK\$73.3 million had been subsequently settled by 30 September 2015, representing approximately 77.7% of the outstanding balance as at 30 June 2015.

The movements of our trade receivables for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were generally in line with the movements in our Group's revenue in the corresponding years/period. There was a significant increase in the trade receivables balance for the period of more than 60 days during the year ended 31 December 2013 as we allowed longer settlement terms for certain customers who took longer time to settle their outstanding balances.

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Of the balance as at 31 December 2013, approximately HK\$89.5 million had been subsequently settled by 31 March 2015, representing approximately 99.2%, and this indicated such outstanding balance as at 31 December 2013 was not impaired. Similarly, approximately HK\$91.9 million, or 96.7% of the trade receivables as at 31 December 2014, had been subsequently settled by 31 August 2015. As at 30 June 2015, the trade receivables balance and aging were similar to those as at 31 December 2013 and 2014.

Debtors' turnover days increased from approximately 94 days as at 31 December 2012 to approximately 114 days as at 31 December 2013 as certain customers had taken longer time to settle their outstanding balance as described above. As at 31 December 2014, debtors' turnover days remained stable at 113 days. The debtor's turnover days further increased to 120 days in the six months ended 30 June 2015. Due to seasonality, our Group normally records a lower level of revenue from December to February. Our Group's revenue gradually improved towards the end of the six months ended 30 June 2015, and hence increased our trade and bills receivables balance as at 30 June 2015 to similar level as compared to the balance as at 31 December 2014. Meanwhile, revenue recorded during first six months is usually disproportionate to the revenue of the year. For instance, revenue recorded during the six months ended 30 June 2014 amounted to HK\$153.6 million, representing approximately 46.8% of the revenue for the full year of 2014. The lower level of revenue recorded during the six months ended 30 June 2015 together with the higher level of trade and bills receivables gave rise to the increase in debtors' turnover days for the six months ended 30 June 2015 compared to the full year debtors' turnover days for the year ended 31 December 2014.

Impairment policy

We seek to maintain strict control over our outstanding trade receivables to minimise our credit risk. Trade receivables are reviewed regularly by management on an individual basis for the debtors' repayment record and their credit quality. Our accounting and finance department is responsible for monitoring the day to day collection of trade receivables. Furthermore, in assessing the credit quality of each individual customer, the responsible sales staff will provide the historical transaction record and the length of business relation with such customer for our accounting and finance department's reference. The policy of allowance for bad and doubtful debts of our Group is based on the evaluation of collectability and aged analysis of accounts and on our management's judgment by assessing the ultimate realisation of these receivables. Specifically, our accounting and finance department and our management will assess the creditworthiness of such customer by considering factors such as past collection history and financial health of such customer based on public and market information. Provision on bad and doubtful debts is made individually on each customer as and when appropriate, for example, if the financial conditions of the customer is likely to deteriorate, resulting in an impairment of their ability to make payments. All provision on bad and doubtful debt will be reviewed and approved by our management on a case by case basis. Our Directors are of the view that such measures in monitoring our trade receivables are effective.

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The following sets out the aging trade receivables which are past due but not impaired as at 31 December 2012, 2013 and 2014 and 30 June 2015.

	As at			
	As at 31 December		30 June	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
61–90 days	6,038	15,563	17,275	15,084
Over 90 days	<u>3,841</u>	<u>14,698</u>	<u>18,025</u>	<u>14,179</u>
Total	<u>9,879</u>	<u>30,261</u>	<u>35,300</u>	<u>29,263</u>

The trade receivables past due but not impaired amounted to approximately HK\$9.9 million, HK\$30.3 million, HK\$35.3 million and HK\$29.3 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively. Our Directors believe the increase in the balance as at 31 December 2013 and 2014 was mainly due to the delay in settlement by some of our customers during the year. As at 30 June 2015, the balance decreased as compared with 31 December 2014. Our Group does not hold any collateral over such balances. The aforementioned trade receivables balances were not impaired since our management are of the opinion that there has not been a significant change in credit quality taking into account that these customers have long term relationship with our Group and their past collection history.

The following sets out the movement in the impairment losses on trade receivables during the Track Record Period.

	As at			
	As at 31 December		30 June	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year/period	5,153	4,949	4,991	4,969
Impairment losses (reversal of impairment loss)				
recognised on receivables	3,180	419	202	(32)
Amounts written off as uncollectible	<u>(3,384)</u>	<u>(377)</u>	<u>(224)</u>	<u>—</u>
Balance at end of the year/period	<u>4,949</u>	<u>4,991</u>	<u>4,969</u>	<u>4,937</u>

Included in the impairment losses on trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK\$4.9 million, HK\$5.0 million, HK\$5.0 million and HK\$4.9 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, that are considered irrecoverable by management after consideration on the credit quality of those individual customers, their ongoing relationships with our Group and the aging of these receivables. Our Group does not hold any collateral over these balances.

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Assets classified as held for sale/liabilities associated with assets classified as held for sale

The assets classified as held for sale as at 31 December 2012 referred to the prepaid lease payment and building with related leasehold improvements of approximately HK\$1.6 million and HK\$2.4 million respectively.

Our Group entered into a sales and purchase agreement with Zengcheng Ltd. on 9 July 2012, to dispose of land and building for an aggregate cash consideration of approximately HK\$5.9 million. As at 31 December 2012, the disposal had not yet been completed and subject to filing process with the relevant PRC government authorities. The carrying amounts of the relevant prepaid lease payment and building with related leasehold improvements of approximately HK\$1.6 million and HK\$2.4 million respectively were reclassified as assets classified as held for sale since it was considered that the sale was highly probable. Our Group received approximately HK\$2.9 million as deposit for this transaction, which was classified as liabilities associated with assets classified as held for sale as at 31 December 2012.

On 23 May 2013, the disposal of the land and building was completed with gain on disposal of approximately HK\$14.4 million, and the relevant land appreciation tax charge of approximately HK\$7.2 million had been recognised in the profit or loss for the year ended 31 December 2013.

For details, please refer to the section headed “Connected transactions” of this prospectus.

Structured deposits

Our Group entered into several investment contracts of structured deposits with banks during the year ended 31 December 2014. These structured deposits were principal protected notes with maturity of less than 3 months. The counterparty banks guarantee 100% of the invested capital. These structured deposits expired during the year ended 31 December 2014. As at 30 June 2015, our Group did not hold any structured deposits.

We began to invest in structured investment products with principal protection issued by banks in early 2014 since our Group has been maintaining relatively high cash and bank balances. We may continue to invest in such structured deposits in accordance with our Group’s treasury policy in the future.

Treasury policy

Our Group has adopted the treasury policy which set out the framework for managing our financial assets.

We have implemented internal control measures to monitor and control our investment risk exposure. We invest in low risk investment products with stable returns and investments are made only when our cash balance is sufficient for our Group’s capital expenditure and working capital requirements for operations. We make investment decisions after taking into account factors including investment amount, investment period, credibility of bank and level of risk and corresponding return of the investment product. Investment decisions are recommended by accounting and finance department, which then have to be passed to the general manager and the Board or the designated board committee or the designated Directors for approval. Under our policies and guidelines, the accounting and finance

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department is charged with the responsibility of carrying out the treasury management functions including sourcing investment options for consideration and approval by the Board, and thereafter, the monitoring of the investments.

Bank balances and cash

Bank balances and cash comprise cash held by our Group and short term bank deposits with an original maturity of three months or less. Our bank balances and cash amounted to approximately HK\$132.4 million, HK\$61.7 million, HK\$80.2 million and HK\$94.8 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, and the bank balances carried interest at prevailing market rate of 0.36%, 0.5%, 0.13% and 0.18% per annum respectively.

The drop in our bank balances and cash to approximately HK\$61.7 million as at 31 December 2013 was mainly due to the dividend payout of HK\$95.0 million during the year. As at 31 December 2014, our bank balances and cash had increased to approximately HK\$80.2 million due to our operations during the year, decrease in inventories, and increase in bank borrowing, while the level of dividend paid out by our Company was lower during the year as compared to previous years.

Bank balances and cash as at 30 June 2015 amounted to approximately HK\$94.8 million, as compared to the bank balances and cash of approximately HK\$80.2 million as at 31 December 2014. The difference was mainly attributable to the declaration and payment of dividend of HK\$10.0 million during the year ended 31 December 2014.

Trade and other payables

	As at			
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Trade payables to third parties	26,965	28,964	26,356	29,937
Trade payable to CMW	622	2,596	—	—
Accrued staff cost and other payables and accruals	<u>18,988</u>	<u>17,150</u>	<u>16,203</u>	<u>16,096</u>
	<u><u>46,575</u></u>	<u><u>48,710</u></u>	<u><u>42,559</u></u>	<u><u>46,033</u></u>
Creditors' turnover days ⁽¹⁾	48	52	41	49

Note:

1. Creditors' turnover days are calculated based on the ending trade payables of a given year/period divided by the cost of sales and services for the corresponding year and multiplied by 365 days/181 days.

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The following sets out the aging analysis of our trade payables based on invoice date at the end of each year during the Track Record Period.

	As at 30 June											
	As at 31 December 2012			As at 31 December 2013			As at 31 December 2014			2015		
	Third parties	CMW Group	Total	Third parties	CMW Group	Total	Third parties	CMW Group	Total	Third parties	CMW Group	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0–30 days	17,775	596	18,371	18,595	2,350	20,945	17,168	—	17,168	22,585	—	22,585
31–60 days	5,557	26	5,583	5,244	246	5,490	4,515	—	4,515	4,572	—	4,572
61–90 days	1,476	—	1,476	2,906	—	2,906	2,449	—	2,449	1,006	—	1,006
91 or above days	2,157	—	2,157	2,219	—	2,219	2,224	—	2,224	1,774	—	1,774
	26,965	622	27,587	28,964	2,596	31,560	26,356	—	26,356	29,937	—	29,937

Our Group's trade and other payables balance amounted to approximately HK\$46.6 million, HK\$48.7 million, HK\$42.6 million and HK\$46.0 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our Group's trade payables balance amounted to approximately HK\$27.6 million, HK\$31.6 million, HK\$26.4 million and HK\$29.9 million. Such decrease as at 31 December 2014 was partly due to our having no outstanding payables to CMW at such date. Of the trade payables balance as at 30 June 2015, approximately HK\$28.9 million had been subsequently paid by 30 September 2015, representing approximately 96.4% of the outstanding balance as at 30 June 2015.

Our Group's creditors' turnover days remained steady at approximately 48 days, 52 days, 41 days, and 49 days for the year ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

Amount due to Mezzo

The amount due to Mezzo, the immediate holding company of our Group was approximately HK\$31.4 million as at 31 December 2012, 2013 and 2014 and 30 June 2015. The amount is unsecured, non-interest bearing and repayable on demand. The amount will be partially repaid by approximately HK\$20 million prior to Listing and the remaining balance of approximately HK\$11.4 million will be waived upon Listing.

SELECTED FINANCIAL INFORMATION OF CMW

Set out below is the selected financial information of CMW based on CMW's audited financial statements and information provided by CMW for the year ended 31 December 2012, 2013 and 2014 and the unaudited financial statements for the six months ended 30 June 2014 and 2015.

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CMW's revenue

As described in the paragraphs headed “5.2 Associate” under the section headed “Business” of this prospectus, CMW’s revenue is derived from the sales of liquid coatings. Revenue of CMW amounted to approximately HK\$525.1 million, HK\$551.4 million, HK\$644.5 million, HK\$309.9 million and HK\$279.2 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

The average unit selling price of CMW’s products were approximately HK\$91,400, HK\$97,000, HK\$91,000, HK\$89,200 and HK\$92,700 per tonne (calculated by dividing the relevant revenue by the corresponding sales volume) for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. Based on the information available to our Directors, the relatively higher average unit selling price for the year ended 31 December 2013 was mainly due to the fact that CMW received orders for coating products with a higher unit selling price from one of its valuable customers in 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

CMW’s revenue increased by approximately 5.0% from approximately HK\$525.1 million for the year ended 31 December 2012 to approximately HK\$551.4 million for the year ended 31 December 2013, which, as understood by our Directors, was mainly driven by the fact that CMW received orders for coating products with higher unit selling prices from the valuable customer as aforementioned. The sales volume of CMW’s products remained relatively stable at approximately 5,748 tonnes and 5,683 tonnes for the years ended 31 December 2012 and 2013 respectively.

Year ended 31 December 2014 compared to year ended 31 December 2013

CMW’s revenue increased by approximately 16.9% from approximately HK\$551.4 million for the year ended 31 December 2013 to approximately HK\$644.5 million for the year ended 31 December 2014. The increase was driven by the increased demand from its customers. The sales volume increased by approximately 24.6% from approximately 5,683 tonnes for the year ended 31 December 2013 to approximately 7,079 tonnes for the year ended 31 December 2014. Based on our Directors’ understanding, the extent of revenue increase was offset by a lower average unit selling price during the year, in particular brought about by less demand from the valuable customer as mentioned above.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

CMW’s revenue decreased by approximately 9.9% from approximately HK\$309.9 million for the six months ended 30 June 2014 to approximately HK\$279.2 million for the six months ended 30 June 2015, which, as understood by our Directors, was mainly due to the slowdown in the sales of CMW including receiving lesser orders from certain customers of electronic devices. The sales volume of CMW’s products also decreased from approximately 3,475 tonnes to approximately 3,011 tonnes for the six months ended 30 June 2014 and 2015 respectively.

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CMW's cost of sales and services

The following sets out CMW's cost of sales and services breakdown during the Track Record Period.

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Raw materials	272,484	247,933	290,897	135,004	123,443
Labour costs	33,070	38,540	37,221	18,658	9,708
Subcontracting fee	20,190	23,535	31,826	16,965	13,461
Others	34,585	32,961	33,398	15,339	14,997
 Total	 360,329	 342,969	 393,342	 185,966	 161,609

The cost of sales and services of CMW amounted to approximately HK\$360.3 million, HK\$343.0 million, HK\$393.3 million, HK\$186.0 million and HK\$161.6 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. CMW's cost of sales and services mainly includes cost of raw materials for the manufacture of coatings, labour cost, subcontracting fee (for Pinefield Toll Manufacturing Agreement) and other overheads.

CMW's cost of sales and services — raw materials

CMW's raw materials comprise mainly resin, solvent, pigment and additives. CMW's cost of raw materials remained stable as a percentage of its cost of sales and services during the Track Record Period, representing approximately 75.6%, 72.3%, 74.0%, 72.6% and 76.4% of its cost of sales and services for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The changes in cost of raw materials were positively related to the changes in market price of resin, solvent, pigment and additives and the overall movement of the cost of raw materials was generally in line with the movement of its revenue during the Track Record Period, except for the year ended 31 December 2013 where due to the depreciation of the Japanese Yen against the Hong Kong Dollar during the year, CMW recorded lower costs for a portion of its raw materials which were imported from Japan. For the six months ended 30 June 2015, raw materials as a percentage of cost of sales and services increased as compared to that for the six months ended 30 June 2014. This is mainly attributable to the decrease in labour costs as described in the paragraph headed "CMW's cost of sales and services — labour costs" below.

CMW's cost of sales and services — labour costs

Labour costs represented approximately 9.2%, 11.2%, 9.5%, 10.0% and 6.0% of CMW's cost of sales and services for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The increase in labour costs from 2012 was mainly due

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to the increase in its salaries level in view of the increase in minimum wage in the PRC from 2012 while the decrease in labour cost for the year ended 31 December 2014 and the six months ended 30 June 2015 was partly attributable to the cessation of production facilities in Guangzhou. The decrease in labour cost for the six months ended 30 June 2015 was, as our Directors understand, also partly attributable to the transfer of certain staff to administrative roles and the relevant costs no longer constituting cost of sales and services.

CMW's cost of sales and services — subcontracting fee

Pinefield and CMW entered into the Pinefield Toll Manufacturing Agreement in 2000, pursuant to which, in consideration for its provision of manufacturing capacity, CMW pays Pinefield a subcontracting fee periodically agreed upon in advance by both parties on a cost recovery basis. For details, please refer to the paragraph headed “5.2.6 Pinefield Toll Manufacturing Agreement” under the section headed “Business” of this prospectus.

The increase in subcontracting fee paid to Pinefield from approximately HK\$23.5 million to HK\$31.8 million for the years ended 31 December 2013 and 2014 respectively was, according to our Directors' understanding, mainly due to the cessation of its Guangzhou production facilities by late 2013 which led to a greater volume of demand from CMW for Pinefield's manufacturing capacity during the year ended 31 December 2014. The decrease in subcontracting fee from approximately HK\$17.0 million for the six months ended 30 June 2014 to approximately HK\$13.5 million for the six months ended 30 June 2015 was, according to our Directors' understanding, mainly due to the slowdown in the sales of CMW.

CMW's cost of sales and services — others

This amount mainly includes cost of depreciation, costs of electricity and water, and consumption tax on coating products etc. Such expenses remained relatively stable at approximately HK\$34.6 million, HK\$33.0 million, HK\$33.4 million, HK\$15.3 million and HK\$15.0 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

CMW's gross profit and gross profit margin

CMW's gross profit amounted to approximately HK\$164.8 million, HK\$208.5 million, HK\$251.1 million, HK\$124.0 million and HK\$117.6 million, representing gross profit margins of approximately 31.4%, 37.8%, 39.0%, 40.0% and 42.1% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The higher gross profit margin for the year ended 31 December 2013 was, according to our Directors' understanding, mainly due to the orders received from one of its valuable customers as aforementioned. CMW's gross profit margins further increased from approximately 37.8% to 39.0% for the year ended 31 December 2014 due to the depreciation of the Japanese Yen against the Hong Kong dollar during the year since part of CMW's raw materials were imported from Japan. For the six months ended 30 June 2015, CMW's gross profit margin further increased to 42.1%, mainly due to the reduction of labour cost as described in the paragraph headed “CMW's cost of sales and services — labour costs” above. CMW's cost of raw materials as a percentage of its revenue were approximately 51.9%, 45.0%, 45.1%, 43.6% and 44.2% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

FINANCIAL INFORMATION

CMW's net profit margin

Profit for the year of CMW was approximately HK\$48.9 million, HK\$66.4 million, HK\$64.6 million, HK\$40.6 million and HK\$30.4 million, representing net profit margins of approximately 9.3%, 12.0%, 10.0%, 13.1% and 10.9% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

CMW's net profit is related to the market condition of the coating industry in the PRC. The changes in net profit of CMW during the Track Record Period were generally in line with the movement of revenue as well as gross profit of CMW in the corresponding years. Net profit margin increased from approximately 9.3% to 12.0% for the years ended 31 December 2012 and 2013 respectively mainly due to the improvement in gross profit margin as aforementioned. CMW's net profit margin for the year ended 31 December 2013 was further boosted by a significant net foreign exchange gain of approximately HK\$12.5 million. CMW's net profit margin decreased from approximately 12.0% for the year ended 31 December 2013 to approximately 10.0% for the year ended 31 December 2014, primarily due to the fact that CMW did not record as significant a gain on foreign exchange for the year ended 31 December 2014. CMW's net profit margin for the six months ended 30 June 2015 amounted to approximately 10.9%, which is lower than that for the corresponding period of the previous year of approximately 13.1%, mainly due to the slowdown in the sales of CMW.

CMW's non-current assets

CMW's non-current assets primarily consist of property, plant and equipment and prepaid lease payments. The carrying amounts of property, plant and equipment were approximately HK\$45.7 million, HK\$52.8 million, HK\$76.9 million and HK\$77.9 million while the carrying amounts of prepaid lease payments were approximately HK\$11.8 million, HK\$12.1 million, HK\$11.8 million and HK\$11.6 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively.

CMW's inventories

CMW's inventories amounted to approximately HK\$52.8 million, HK\$59.8 million, HK\$68.3 million and HK\$72.9 million as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively. The increase in inventory balance was generally in line with revenue.

The periods of inventory turnover for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately 54 days, 64 days, 63 days and 82 days respectively. The increase in period of inventory turnover for the years ended 31 December 2013 and 2014 was mainly due to the increase in raw material balance since the management of CMW foresaw there would be an increase in demand for their products in the near future. As far as our Directors are aware, the increase in period of inventory turnover for the six months ended 30 June 2015 was also due to the increase in raw material balance.

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CMW's trade and other receivables

CMW's trade and other receivables amounted to approximately HK\$186.7 million, HK\$226.2 million, HK\$268.9 million and HK\$251.3 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, including CMW's trade and bill receivables which amounted to HK\$179.5 million, HK\$219.8 million, HK\$262.4 million and HK\$242.1 million respectively. CMW's trade and bills receivables balances generally followed the movement in revenue for the corresponding years/periods.

The debtor's turnover days for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were approximately 125 days, 145 days, 149 days and 160 days respectively. The increase in the debtor's turnover days for the years ended 31 December 2013 and 2014 and for the six months ended 30 June 2015 was mainly due to the increase in trade receivables balance since certain customers had taken a longer time to settle their outstanding payments during those years.

CMW's trade and other payables

CMW's trade and other payables amounted to approximately HK\$39.0 million, HK\$48.8 million, HK\$61.7 million and HK\$43.8 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, including CMW's trade and bill payables which amounted to HK\$21.6 million, HK\$27.9 million, HK\$35.9 million and HK\$30.5 million respectively.

CMW's trade and bills payables generally followed the movement in cost of sales and services. This led to an increasing volume of trade and other payables as at 31 December 2013 and 2014.

CMW's creditors' turnover days for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately 22 days, 30 days, 33 days and 34 days respectively. The increase in creditors' turnover days for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 was mainly due to the increase in purchases as aforementioned.

SELECTED FINANCIAL RATIOS FOR DISCUSSION

The following table sets out certain financial ratios of our Group as at the end of the years indicated:

	As at			
	As at 31 December		30 June	
	2012	2013	2014	2015
Current ratio ⁽¹⁾	3.1	2.5	2.9	3.0
Quick ratio ⁽²⁾	2.7	2.1	2.5	2.6
Gearing ratio ⁽³⁾	5.6%	5.8%	5.9%	5.3%

FINANCIAL INFORMATION

	For the six months			
	For the year ended		ended	
	31 December		30 June	
	2012	2013	2014	2015
Return on total asset ⁽⁴⁾	6.0%	11.7%	7.3%	5.5%
Return on equity ⁽⁵⁾	7.0%	13.7%	8.5%	6.4%

Notes:

1. Current ratio is calculated by dividing current assets with current liabilities as at the respective year/period end.
2. Quick ratio is calculated by dividing current assets (less inventory) with current liabilities as at the respective year/period end.
3. Gearing ratio is calculated by dividing the total interest-bearing loans and shareholder's loans with the total assets as at the respective year/period end.
4. Return on total assets is calculated by dividing profit for the year/period with the total assets as at the respective year/period end. Return on total assets for the six months ended 30 June 2015 was annualised for illustrative purpose.
5. Return on equity is calculated by dividing profit for the year/period with the total equity as at the respective year/period end. Return on equity for the six months ended 30 June 2015 was annualised for illustrative purpose.

Current ratio

Our current ratio reduced to 2.5 as at 31 December 2013 mainly due to the reduction in cash balances following dividend payout of HK\$95.0 million. Our Group's current ratio subsequently increased to approximately 2.9 as at 31 December 2014 and approximately 3.0 as at 30 June 2015 due to cash inflow from our operations lower level of dividend paid out during the year ended 31 December 2014 and the absence of dividend paid out during the six months ended 30 June 2015.

Quick ratio

Our Group's quick ratio reduced to approximately 2.1 as at 31 December 2013 and then increased to approximately 2.5 as at 31 December 2014 and approximately 2.6 as at 30 June 2015 due to the same reasons as those driving the current ratio fluctuations. The movements in our Group's quick ratio were generally in line with our Group's current ratios as our Group had generally maintained similar levels of inventories during the period.

Gearing ratio

Gearing ratio as at 31 December 2012, 2013 and 2014 and 30 June 2015 remained stable at approximately 5.6%, 5.8%, 5.9% and 5.3% respectively. Borrowings consisted solely of an amount due to Mezzo of approximately HK\$31.4 million as at 31 December 2012 and 2013 and 30 June 2015, whilst as at 31 December 2014, we also had a bank borrowing of approximately HK\$2.5 million. Meanwhile, our total assets had also remained relatively stable at approximately HK\$560.1 million, HK\$542.5 million, HK\$573.5 million and HK\$590.8 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively.

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Return on total assets

Return on total assets was approximately 6.0%, 11.7%, 7.3% and 5.5% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015. Such fluctuation was mainly attributable to our profit increasing and the one-off gain on disposal, while our Group's total assets reduced due to the payment of dividend during the year ended 31 December 2013.

Our Group's return on total assets for the year ended 31 December 2014 was lower compared with the year ended 31 December 2013, and this was attributable to the absence of the one-off gain on disposal of property and the incurrence of listing expenses amounting to approximately HK\$12.4 million. Our Group's return on total assets reduced to approximately 5.5% for the six months ended 30 June 2015, mainly due to the seasonality as previously discussed in this section.

Return on equity

Return on equity was approximately 7.0%, 13.7%, 8.5% and 6.4% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015. Such fluctuation was mainly attributable to those reasons as stated above in the paragraph headed "Return on total assets", including the fact that equity as at 31 December 2013 was comparatively lower following payment of dividend. Our Group's return on equity reduced to approximately 6.4% for the six months ended 30 June 2015, mainly due to the seasonality as previously discussed in this section.

CAPITAL EXPENDITURE

Our capital expenditures on additions of property, plant and equipment amounted to approximately HK\$22.6 million, HK\$21.9 million, HK\$17.4 million and HK\$2.9 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. The capital expenditure incurred for each of the years ended 31 December 2012, 2013 and 2014 were mainly related to (i) the construction work for enhancing the production capacity of our Group's plants in the PRC; and (ii) the replacement of machinery and equipment.

Our planned capital expenditure for the year ending 31 December 2015 is approximately HK\$7.8 million, which will be used for purchasing machinery and equipment for our Group's plants. We may adjust our capital expenditures for any given period in the future according to our development plans and in light of the market conditions and other factors we believe to be appropriate.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION

Asset Appraisals Limited, an independent property valuation firm, valued our property interests in leasehold land or buildings in Hong Kong and the PRC as at 30 September 2015.

For details of our Group's properties owned and leased, together with the relevant valuations and valuation certificates, please refer to the paragraph headed "Our properties" of the section headed "Business" and the valuation report set out in Appendix III to this prospectus.

Leasehold land and buildings held under property, plant and equipment and prepaid lease payment on land use rights

The statement below shows the reconciliation of aggregate amounts of leasehold land and buildings carried at cost on the audited combined financial information as of 30 June 2015 with the valuation of these properties as of 30 September 2015 as set out in Appendix III to this prospectus.

	HK\$'000
Net book value of property interests of our Group as of 30 June 2015	
Leasehold land and buildings held under property, plant and equipment and prepaid lease payments	119,819 ⁽¹⁾
Movement for the three months ended 30 September 2015	1,858
Less: Depreciation and amortisation during the period	<u>1,386</u>
Net book value as of 30 September 2015	120,291
Net revaluation surplus	<u>30,009⁽²⁾</u>
Valuation as of 30 September 2015	<u>150,300</u>

Notes:

1. Net book value of property interests of our Group included leasehold land and buildings of approximately HK\$53.3 million with no commercial value as at 30 June 2015. For details, please refer to the valuation report set out in Appendix III to this prospectus.
2. The net revaluation surplus of leasehold land and buildings held under property, plant and equipment and prepaid lease payment will not be included in our Group's financial information for the six months ended 30 June 2015 in accordance with our accounting policy to state such property interests at the historical costs.

FINANCIAL RISK

We are exposed to various types of market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk in our normal course of business.

FINANCIAL INFORMATION

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to our Group's bank balances as well as variable-rate bank borrowing. Our Group's exposures to interest rates on financial liabilities are detailed in the paragraph headed "Liquidity risk" under note 33 of the Accountants' Report set out in Appendix I to this prospectus. Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate stipulated by People's Bank of China arising from our Group's variable-rate bank borrowing.

Sensitivity analysis on interest rate risk

The sensitivity analysis below is prepared based on the exposure to interest rate risk on bank borrowings, assuming the bank borrowings outstanding at the end of each year during the Track Record Period were outstanding for the whole period. No sensitivity analysis is provided on bank balances as management of our Group considers that the interest rate fluctuation on bank balances is minimal.

A 10 basis points for bank balances and 50 basis points for bank borrowing increase or decrease is used during the Track Record Period, which represents our Group's management's assessment of the reasonably possible change in interest rates. If the interest rate had been 10 or 50 basis points higher/lower and all other variables were held constant, our Group's post-tax profit for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 would be:

	For the six months ended			
	For the year ended 31 December			30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease/increase	111	52	57	40

Foreign currency risk

Several of our subsidiaries have foreign currency transactions, which expose us to foreign currency risk.

As at the end of each year during the Track Record Period, the carrying amounts of our subsidiaries' foreign currency denominated monetary liabilities are as follows:

	As at 30 June			
	As at 31 December			June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars ("US\$")	77	178	178	179
Euro dollar ("Euro")	355	351	7	—

FINANCIAL INFORMATION

The carrying amounts of foreign currency denominated intra-group balances which have been eliminated in the combined statement of financial position of which the functional currency of the relevant entity is RMB at the end of the reporting periods are as follows:

	Amounts due to group entities			
	As at 31 December		As at 30 June	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	7,505	21,371	1,668	10,018

Sensitivity analysis on foreign currency risk

As HK\$ is pegged to US\$ and the carrying amount of the Euro denominated liabilities are insignificant, our Group's currency risk in relation to foreign currency denominated monetary liabilities is expected to be minimal. Therefore, the following sensitivity analysis does not include the effect between US\$ and HK\$, and Euro and HK\$.

The following sensitivity analysis includes only intra-group HK\$ balances and adjusts its translation at the period end for a 10% change in HK\$ rates against RMB. A positive number below indicates an increase in the post-tax profit for the year where HK\$ weakening 10% against RMB. For a 10% strengthening of HK\$ against RMB there would be an equal and opposite impact on the result for the years/period:

Increase in post-tax profit for the year/period	As at 30			
	For the year ended 31 December			June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	562	1,603	125	751

Credit risk

As at 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the maximum exposure to credit risk of our Group which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to manage its credit risk, management of our Group has a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Credit sales of products are only made to customers with good repayment history. In addition, we review the recoverable amount of individual debt on an on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts.

FINANCIAL INFORMATION

Impairment loss of approximately HK\$3.2 million, HK\$0.4 million, HK\$0.2 million, nil and a reversal of impairment loss of HK\$32,000 respectively in respect of the trade receivables was recognised by our Group for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation and our Group has limited exposure to any single financial institution.

Liquidity risk

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2014, our Group had available unutilised general banking facilities of HK\$25.0 million supported by a joint and several personal guarantee provided by Mr. Yuen and Mr. Ko. As at 31 December 2014 and 30 June 2015, these facilities were not being utilised.

For the details of the contractual maturity for our non-derivative financial liabilities, please refer to the paragraph headed "Liquidity risk" under note 33 of the Accountants' Report set out in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS, BALANCES AND COMMITMENTS

During the Track Record Period, our related party transactions mainly consisted of provision of toll manufacturing service to CMW, as well as transactions with Teknos Coatings. The following table sets out our transactions with CMW during the Track Record Period.

Nature of transactions	For the six months ended				
	For the year ended 31 December		30 June		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(unaudited)					
Sales of goods	12,723	12,420	9,279	4,265	4,318
Subcontracting fee income	20,190	23,535	31,826	16,965	13,461
Management fee income	6,472	6,981	7,659	2,749	2,542
Rental income	1,482	1,615	1,766	545	818
Transportation fee income	1,357	2,616	2,420	1,229	1,088
Purchase of goods	8,985	10,375	3,525	1,458	1,780
Royalty fee income	5,632	5,400	6,264	3,119	2,686
Dividend received	22,500	24,750	18,000	9,000	4,500

As at 31 December 2014 and 30 June 2015, there is a joint and several personal guarantee executed by Mr. Yuen and Mr. Ko for general banking facilities granted to our Group, for which no charge was paid by our Group. Such personal guarantee will be replaced by corporate guarantee upon Listing.

FINANCIAL INFORMATION

The following table sets out our transactions with Teknos Coatings during the Track Record Period since it became a related party upon the signing of the MT Shareholders' Agreement on 3 December 2013.

Nature of transactions	For the six months ended				
	For the year ended 31 December		30 June		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(unaudited)					
Rental income	—	68	777	387	390
Sales of goods	—	2,385	22,192	8,782	7,633
Purchase of goods	—	—	561	238	508

As at 31 December 2012, 2013 and 2014 and as at 30 June 2015, our Group had the following significant balances and commitments with related parties:

	As at			
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
<i>Balances</i>				
Deposit received for disposal of land and building to Zengcheng Ltd.	2,948	—	—	—
Assets classified as held for sale	4,032	—	—	—
Trade receivables due from CMW	6,524	7,458	6,760	7,026
Trade receivables due from Teknos Coatings	—	2,566	7,159	7,880
Amount due from a related company	—	624	—	—
Trade payable to CMW	622	2,596	—	—
Amount due to Mezzo	31,399	31,399	31,399	31,399
<i>Commitments</i>				
Commitments in relation to purchase of land from Zengcheng Ltd.	3,323	3,428	3,415	3,412
Operating lease commitments as lessor with CMW	1,593	1,859	901	409

Assets classified as held for sale and disposal of land and building to Zengcheng Ltd.

Please refer to note 15 of the Accountants' Report set out in Appendix I to this prospectus and the section headed "Connected transactions" of this prospectus for details.

FINANCIAL INFORMATION

Trade receivables from CMW

The trade receivables from CMW relate to services provided under the Pinefield Toll Manufacturing Agreement as well as resale of raw materials to CMW. These amounts were stable and amounted to approximately HK\$6.5 million, HK\$7.5 million, HK\$6.8 million and HK\$7.0 million as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively.

Trade receivables from Teknos Coatings

The trade receivables from Teknos Coatings refers to the revenue generated from the toll manufacturing under the Teknos Agreement. The balance of trade receivables from Teknos Coatings amounted to approximately HK\$2.6 million, HK\$7.2 million and HK\$7.9 million as at 31 December 2013 and 2014 and 30 June 2015 respectively. The increase was mainly due to the fact that Teknos Coatings had taken a relatively longer time to settle its outstanding payments. Out of the said outstanding balance of HK\$7.9 million, Teknos Coatings settled approximately HK\$3.6 million as of 30 September 2015, representing approximately 46.3% of the outstanding balance as at 30 June 2015.

Amount due from a related company

The amount represents receivables from a company owned and controlled by Mr. Yuen after disposal of Ants Logistics (for details, please refer to note 26(ii) of the Accountants' Report set out in Appendix I to this prospectus and the section headed "Connected transactions" of this prospectus). This amount had been fully settled before 31 December 2014.

Trade payable to CMW

The trade payables to CMW relate to our Group's purchases of raw materials from CMW. They amounted to approximately HK\$0.6 million, HK\$2.6 million, nil and nil as at 31 December 2012, 2013 and 2014 and as at 30 June 2015 respectively. For details, please refer to the paragraph headed "9.3 Purchases from CMW" of the section headed "Business" of this prospectus.

Amount due to Mezzo

The amount is unsecured, non-interest bearing and repayable on demand. Out of this, an amount of HK\$20.0 million will be repaid prior to the Listing and the remaining balance of approximately HK\$11.4 million will be waived upon Listing.

Purchase of land from Zengcheng Ltd.

On 10 September 2012, our Group entered into a sale and purchase agreement with Zengcheng Ltd. to acquire the land located in the PRC at an aggregate cash consideration of approximately RMB3.4 million (equivalent to approximately HK\$4.2 million). The remaining balance of approximately HK\$3.3 million, HK\$3.4 million, HK\$3.4 million, HK\$3.4 million and HK\$3.4 million was included as commitment as at 31 December 2012, 2013 and 2014 and as at 30 June 2015 respectively. The purchase of the land had not yet been completed as at 30 June 2015. For details, please refer to the section headed "Connected transactions" of this prospectus.

FINANCIAL INFORMATION

Operating lease with CMW

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the future minimum lease payments under non-cancellable operating leases in respect of rented office and factory premises with CMW were approximately HK\$1.6 million, HK\$1.9 million, HK\$0.9 million and HK\$0.4 million respectively. The leases were negotiated and monthly rentals were fixed for the term of the lease.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any outstanding derivative instruments, off-balance sheet guarantees or foreign currency forward contract. We do not engage in trading activities involving non-exchange trade contracts.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our Group's financial or trading position or prospects since 31 December 2014, being the date of our Group's last audited financial statement as set out in Appendix I to this prospectus.

DIVIDEND POLICY

Currently, we do not have any pre-determined dividend payout ratio.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our Group declared and paid dividend of HK\$30.0 million, HK\$95.0 million, HK\$10.0 million, HK\$10.0 million and nil respectively. Meanwhile, our Group had declared and paid a dividend of HK\$10.0 million in August 2015, and we will further declare and pay a special dividend of HK\$10 million in November 2015 before Listing in respect of our retained earnings as at 31 December 2014 funded by internal resources. After the completion of the Share Offer, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendations of our Directors and approval of our Shareholders. Under the Articles, our Directors have the power to pay interim dividends but only if they are justified by the profits of our Company. The decision to pay dividends will be reviewed in light of factors such as the results of our operations, financial condition and position, and other factors deemed relevant.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 14 April 2014. As at 30 June 2015, our Company had no distributable reserves available for distribution to our Shareholders.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to the owners of our Company had been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is for illustrative purposes only. Because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group attributable to the owners of our Company as at 30 June 2015 or any future date following the Share Offer. It was prepared based on the audited combined net tangible assets of our Group attributable to the owners of our Company as at 30 June 2015 as set out in the Accountants' Report set out in Appendix I to this prospectus, and adjusted as described below.

Audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2015	Estimated net proceeds received by our Company from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share
	HK\$'000 ⁽¹⁾	HK\$'000 ⁽²⁾	HK\$'000 ⁽³⁾
Based on Offer Price	494,783	136,043	630,826
			1.05

Notes:

1. The audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2015 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds received by our Company from the Share Offer are based on 150,000,000 Shares at the Offer Price of HK\$1.00 per Offer Share, after deduction of the total estimated underwriting commissions and fees and other related expenses (excluding approximately HK\$14.5 million listing expenses which has been accounted for up to 30 June 2015) paid or payable by our Company, and takes no account of any Shares which may be issued or bought back by our Company under the general mandates for issue or buy-back of Shares.
3. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company does not take into account the effect of the trading results generated by our Group subsequent to 30 June 2015.
4. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share is arrived at on the basis that 600,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 30 June 2015.
5. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company does not take into account of (i) interim dividend of HK\$10 million in total declared and paid by a subsidiary of our Company to its then shareholders (before the completion of the reorganisation) on 4 August 2015; (ii) special dividend of HK\$10 million in total to be declared by our Company to its then shareholders in November 2015 and (iii) partial repayment of HK\$20 million to be paid by our Company to its then immediate holding company with the remaining balance of HK\$11.4 million to be waived upon Listing. Had the interim dividend, special dividend, waiver of shareholder's loan been taken into account, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share would still be approximately HK\$1.04 per Share (assuming an Offer Price of HK\$1.00 per Offer Share).

FINANCIAL INFORMATION

6. By comparing the valuation of our property interests as set out in Appendix III to this prospectus which have been assigned commercial value, there is a valuation surplus of approximately HK\$30.0 million (please refer to the paragraph headed “Property interests and property valuation” of this section for more information) as compared to the carrying amounts of the relevant property interests as at 30 September 2015, which has not been included in the above unaudited pro forma adjusted combined net tangible assets of our Group. The valuation surplus of our property interests will not be incorporated in the financial statements of our Group in the future. If the valuation surplus were to be included in our financial statements of our Group, an additional annual depreciation and amortization charge of approximately HK\$2.4 million would be incurred.

DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange.

USE OF PROCEEDS

FUTURE PLANS AND BUSINESS STRATEGIES

For information relating to our Group's business strategies and future plans, please refer to the section headed "Business" of this prospectus.

USE OF PROCEEDS

Net proceeds from the Share Offer, based on the Offer Price of HK\$1.00 per Offer Share and after deducting underwriting commissions and professional fees, are expected to amount to approximately HK\$121.5 million. In line with our abovementioned business strategies and future plans, we intend to use such net proceeds in the following manner:

- (a) as to approximately HK\$81.7 million, representing approximately 67.2% of the net proceeds from the Share Offer to partially fund phase two of construction of the Springfield production facilities;
- (b) as to approximately HK\$12.0 million, representing approximately 9.9% of the net proceeds from the Share Offer for purchase of additional machinery and equipment;
- (c) as to approximately HK\$3.3 million, representing approximately 2.7% of the net proceeds from the Share Offer for partial settlement of the purchase price of the land for phase two of construction of the Springfield production facilities. Details of this transaction can be found in the section headed "Connected transactions" of this prospectus;
- (d) as to approximately HK\$20.0 million, representing approximately 16.5% of the net proceeds for repayment of a bank overdraft facility. Details of this overdraft facility are as follows:
 - We intend to draw on HK\$20 million from this overdraft facility with no maturity date but is repayable on demand by the bank. Interest is expected to be charged at 2% per annum below the prime rate of the bank or at 3% per annum over HIBOR, whichever is higher.

The capital obtained from this overdraft facility will be used for our Group's general working capital, including for the partial repayment of the shareholder's loan granted by Mezzo; and

- (e) as to approximately HK\$4.5 million, representing approximately 3.7% of the net proceeds from the Share Offer for general working capital of our Group.

To the extent the net proceeds of the Share Offer are not immediately used for the purposes described above, we intend to place the proceeds in short term bank deposits.

UNDERWRITING

UNDERWRITERS

Get Nice Securities Limited (also the Lead Manager)

Pacific Foundation Securities Limited (also the Co-Lead Manager)

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Our Company is offering 15,000,000 Shares for subscription by the public in Hong Kong under the Public Offer subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price and 135,000,000 Shares at the Offer Price under the Placing. Subject to, among other conditions, (i) the granting of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee of the Stock Exchange on or before 30 November 2015 (or such other date as our Company and the Lead Manager (for itself and on behalf of the Underwriters) may agree) and such listing and permission not subsequently being revoked prior to Listing Date; and (ii) certain other conditions set out in the Underwriting Agreement, the Underwriters have agreed to procure applications for the Public Offer Shares being offered or, failing which, to apply for such Public Offer Shares itself on the terms and conditions as set out in the Underwriting Agreement, and to procure subscribers for, or failing which they shall subscribe for, the Placing Shares.

Grounds for termination

The obligations of the Lead Manager (for itself and on behalf of the Underwriters) to subscribe or procure subscriptions for the Offer Shares under the Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (1) there has come to the notice of the Underwriters that:
 - (a) any statement, reasonably considered by the Lead Manager (for itself and on behalf of the Underwriters) to be material, contained in this prospectus and/or the Application Forms in relation to the Share Offer was when the same was issued, or has become untrue, incorrect or misleading in any material respect; or
 - (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Lead Manager (for itself and on behalf of the Underwriters) to be material to the Share Offer; or
 - (c) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on the Underwriters); or
 - (d) any change or development involving a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of our Group as a whole; or

UNDERWRITING

- (e) any breach, reasonably considered by the Lead Manager (for itself and on behalf of the Underwriters) to be material, of any of the warranties under the Underwriting Agreement;
- (2) there shall develop, occur, exist or come into effect:
 - (a) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS, avian influenza and such related/mutated forms or interruption or delay in transportation) which in the reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters) has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof; or
 - (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
 - (c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of our Group (the “Specific Jurisdictions”); or
 - (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the EU (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
 - (e) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
 - (f) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed “Risk factors” of this prospectus; or
 - (g) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

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- (h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (i) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (j) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or other jurisdiction relevant to our Group,

which in the sole opinion of the Lead Manager (for itself and on behalf of the Underwriters) (1) is or will have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole or in the case of paragraph (h) above, to any present or prospective shareholder of our Company in his, her or its capacity as such; or (2) has or will have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(1) Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances which include the issue of Shares pursuant to the Share Offer or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

(2) Undertaking by our Controlling Shareholders

In accordance with Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that except pursuant to the Share Offer, he, she or it will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules,

- (a) at any time during the period commencing from the Listing Date and ending on the date which is six months from the Listing Date (the “First Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or

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encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “Parent Shares”); and

- (b) at any time during the period of six months from the date on which the First Six-month Period expires (the “Second Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of any of the Parent Shares to such extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would then cease to be our Controlling Shareholder.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent our Controlling Shareholders from using the shares owned by him or it as security (including a charge or a pledge) in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Our Controlling Shareholders have further undertaken to us and the Stock Exchange that he, she or it will, during the First Six-month Period and the Second Six-month Period, immediately inform us and the Stock Exchange of:

- (i) any pledges or charges of any of our Shares or securities of our Company beneficially owned by him in favor of any authorised institution pursuant to Note (2) of Rule 10.07 of the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (ii) any indication received by him or it, either verbal or written, from any pledgee or chargee of any of the Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be disposed of.

Upon receiving the above information in writing from our Controlling Shareholders, we will also, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information by way of an announcement pursuant to Rule 2.07C of the Listing Rules.

Undertakings pursuant to the Underwriting Agreement

(1) Undertaking by our Company

Pursuant to the Underwriting Agreement, our Company has undertaken to the Sponsor and the Underwriters, and our Controlling Shareholders and our executive Directors have undertaken to procure that, except pursuant to the Share Offer, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sponsor and the Underwriters and unless in compliance with the requirements of the Stock Exchange and the Listing Rules, at any time from the date of the Underwriting Agreement to the expiry of the First Six-month Period:

- (a) allot or issue, or agree to allot or issue or offer, accept subscription for, charge, lend, mortgage or assign any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities); or

UNDERWRITING

- (b) grant or agree to grant any options, warrants or other rights to purchase or subscribe for or otherwise acquire any securities convertible or exchangeable into Shares or other securities of our Company; or
- (c) buy-back Shares or other securities of our Company; or
- (d) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares; or
- (e) enter into any transaction with the same economic effect as any transaction specified in (a) to (d) above; or
- (f) offer to or agree to do any of the foregoing or announce any intention to do so,

and in the event of us doing any of the foregoing by virtue of the aforesaid exceptions or during the Second Six-month Period, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

(2) Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders, jointly and severally, has agreed and undertaken to our Company, the Sponsor and the Underwriters that, except pursuant to the Share Offer, he, she or it will not and, will procure that none of its associates will, without the prior written consent of the Lead Manager (for itself and on behalf of the Underwriters), at any time during the First Six-month 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 agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
- (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or
- (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) and (c) above.

UNDERWRITING

During the Second Six-month Period, our Controlling Shareholders will not enter into any of the foregoing transactions in paragraphs (a), (b), (c) and (d) or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, any of our Controlling Shareholders will cease to be a Controlling Shareholder.

Subject to the restrictions above, until the expiry of the Second Six-month Period, if any of our Controlling Shareholders enters into any of the foregoing transactions in (a), (b), (c) and (d) or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he, she or it will take all reasonable steps to ensure that he, she or it will not create a disorderly or false market in the Shares or other securities of our Company.

Indemnity

Our Controlling Shareholders and our executive Directors have agreed to indemnify the Sponsor and the Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Underwriting Agreement and any breach by us of the provisions of the Underwriting Agreement.

Underwriters' interests in our Company

Except for its obligations under the Underwriting Agreement, the Underwriters have no shareholding interest in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company. Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreement.

Underwriting commission and expenses

The Underwriters will receive a commission of 3% of the aggregate Offer Price of all the Offer Shares, out of which the Underwriters will pay any sub-underwriting commission, and ignoring for this purpose any Public Offer Shares reallocated from the Placing due to over-subscription in the Public Offer. The underwriting commission for such reallocated shares will continue to be payable under the Underwriting Agreement.

Based on an Offer Price of HK\$1.00, the aggregate commissions and fees, together with the SFC transaction levy of 0.0027% per Share, the Stock Exchange trading fee of 0.005% per Offer Share, legal and other professional fees, printing, and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$28.5 million in aggregate.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 15,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in this section of the prospectus (including the Employee Preferential Offering of up to 1,500,000 Offer Shares as described in the paragraph headed “Employee Preferential Offering” of this section of the prospectus); and
- (ii) the Placing of 135,000,000 Offer Shares (subject to reallocation as mentioned below) as described in this section of the prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Public Offer Shares under the Public Offer but may not apply for or indicate an interest for Placing Shares under the Placing. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Public Offer Shares under the Public Offer.

The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreement.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

PRICE PAYABLE ON APPLICATION

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the Offer Price of HK\$1.00 (plus 1.0% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee) for each Public Offer Share.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF BASIS OF ALLOCATION

The level of applications in the Public Offer and the Employee Preferential Offering, the level of indications of interest in the Placing, and the basis of allocation of the Public Offer Shares and the Employee Reserved Shares are expected to be announced on Monday, 30 November 2015 in The Standard (in English), Hong Kong Economic Times (in Chinese), the website of our Company at www.irasia.com/listco/hk/manfield and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer and the Employee Preferential Offering including the Hong Kong Identity Card/Passport/Hong Kong Business Registration Numbers of the successful applicants and the number of Public Offer Shares and the Employee Reserved Shares successfully applied for will be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares and the Employee Reserved Shares — Publication of results" of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and the Capitalisation Issue and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional. Details of the Underwriting Agreement and grounds for termination are set out in the section headed "Underwriting" of this prospectus. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreement or such later date as the Lead Manager (for itself and on behalf of the Underwriters) may agree with our Company, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed "Refund of your money" in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Monday, 30 November 2015 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 1 December 2015 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Grounds for termination" of the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 15,000,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to reallocation as mentioned in this section. Applications for the Public Offer Shares are required on application to pay the Offer Price plus 1.0% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. The Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

Of the 15,000,000 Shares initially being offered under the Public Offer, 1,500,000 Shares (representing 10% and 1% of the total number of Shares initially being offered under the Public Offer and the Share Offer, respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Offer Shares available under the Public Offer (after taking account of any reallocation and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A.

Accordingly, the maximum number of Public Offer Shares initially in Pool A and Pool B will be 6,752,000 and 6,748,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demands in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either Pool A or Pool B. Any

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

application made for more than 100% of the Public Offer Shares initially available under Pool B will be rejected. Multiple applications or suspected multiple applications within either pool and between pools will also be rejected.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of Shares between the Public Offer and the Placing is subject to reallocation which in turn depends on the level of subscription of the Public Offer. The reallocation will be made on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be 45,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Offer Shares available under the Public Offer will be 75,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Lead Manager. Allocation of the Placing Shares under the Placing will be determined by the Lead Manager and will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector, and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional, or corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

If the Public Offer Shares are not fully subscribed for, the Lead Manager may, at its sole and absolute discretion, reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportion as the Lead Manager deems appropriate.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

The Lead Manager (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Lead Manager so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the Offer Price of HK\$1.00 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of HK\$0.005% amounting to a total of HK\$4,040.31 per board lot of 4,000 Offer Shares.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,500,000 Employee Reserved Shares, are available for subscription by the Eligible Employee on a preferential basis. The 1,500,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Form will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,500,000 Employee Reserved Shares will be rejected. Allocation of Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form or giving **electronic application instruction** to HKSCC via CCASS.

In case not all the 1,500,000 Employee Reserved Shares are subscribed for by the Eligible Employee, the undersubscribed Employee Reserved Shares will be available as Public Offer Shares for subscription by the public under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

The Placing will consist of initially 135,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer which will be offered by our Company outside of the U.S. in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional and individual investors.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their licensed securities dealers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. on Tuesday, 1 December 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 1 December 2015. The Shares will be traded in board lots of 4,000 Shares. The stock code of the Shares is 1561.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares using a **PINK** Application Form. Eligible Employees may apply for Public Offer Shares under the Public Offer and the Employee Reserved Shares under the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Underwriters and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Underwriters may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares (including any Employee Reserved Shares) if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 November 2015 until 12:00 noon on Friday, 20 November 2015 from:

- (i) the offices of the Underwriters:

Get Nice Securities Limited	Pacific Foundation Securities Limited
10th Floor, Cosco Tower	11th Floor, New World Tower II
Grand Millennium Plaza	16–18 Queen's Road Central
183 Queen's Road Central	Hong Kong
Hong Kong	

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

Name of Branch	Address
Hong Kong Island	
Des Voeux Road	Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Central
Wanchai Southorn	Shop C2 on G/F, and 1/F to 2/F, Lee Wing Building, No.156-162 Hennessy Road, Wanchai
Quarry Bay	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	
Mongkok	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
68 Nathan Road	Basement, Shop B1, G/F and M/F Golden Crown Court, 66–70 Nathan Road, Tsimshatsui
Telford Gardens	Shop P9–12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
Mei Foo Manhattan	Shop Nos. 07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	
Tsuen Wan	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
Shatin Plaza	Shop No. 8, Shatin Plaza, 21–27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 November 2015 until 12:00 noon on Friday, 20 November 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at Block L, 9th Floor, On Wah Industrial Building, 41–43 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong during normal business hours from 9:00 a.m. on Tuesday, 17 November 2015 until 4:00 p.m. on Thursday, 19 November 2015. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from our Company's website at www.irasia.com/listco/hk/manfield.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Manfield Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 17 November 2015 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 18 November 2015 — 9:00 a.m. to 5:00 p.m.
- Thursday, 19 November 2015 — 9:00 a.m. to 5:00 p.m.
- Friday, 20 November 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 20 November 2015, the last application day or such later time as described in "Effect of bad weather on the opening of the applications lists" of this section.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "Horsford Nominees Limited — Manfield Public Offer" for the payment must be returned to our Company's headquarters at Block L, 9th Floor, On Wah Industrial Building, 41-43 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong by 4:00 p.m. on Thursday, 19 November 2015.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Underwriters (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and the Articles;
- (ii) agree to comply with the Companies Miscellaneous Provisions Ordinance and the Memorandum and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- (vi) agree that none of our Company, the Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- (xvii) understand that our Company and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person, other than on a **PINK** Application Form as an Eligible Employee; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent other than on a **PINK** Application Form as an Eligible Employee.

Additional instructions for **YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Underwriters and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Miscellaneous Provisions Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Miscellaneous Provisions Ordinance and the Memorandum and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 17 November 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 18 November 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 19 November 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 20 November 2015 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 17 November 2015 until 12:00 noon on Friday, 20 November 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 20 November 2015 the last application day or such later time as described in “Effect of bad weather on the opening of the application lists” of this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Miscellaneous Provisions Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Miscellaneous Provisions Ordinance (as applied by Section 342E of the Companies Miscellaneous Provisions Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sponsor, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 20 November 2015.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE**, **YELLOW** or **PINK** Application Form in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer” of this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 November 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 20 November 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocation of the Public Offer Shares and the Employee Reserved Shares on Monday, 30 November 2015 in The Standard (in English) and Hong Kong Economic Times (in Chinese), on our Company’s website at www.irasia.com/listco/hk/manfield and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and the Employee Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.irasia.com/listco/hk/manfield and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 30 November 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 30 November 2015 to 12:00 midnight on Friday, 4 December 2015;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 30 November 2015 to Thursday, 3 December 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 30 November 2015 to Wednesday, 2 December 2015 at all the designated receiving bank branches and sub-branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares (including, if applicable, the Employee Reserved Shares) if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Miscellaneous Provisions Ordinance (as applied by Section 342E of the Companies Miscellaneous Provisions Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Underwriters and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreement does not become unconditional or is terminated;
- our Company or the Underwriters believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- you apply for more than 6,748,000 Public Offer Shares; or
- you apply for more than 1,500,000 Employee Reserved Shares.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 30 November 2015.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** and/or **PINK** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 30 November 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 1 December 2015 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section of this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

*(i) If you apply using a **WHITE** and/or **PINK** Application Form*

If you apply for 1,000,000 or more Public Offer Shares and/or Employee Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 to 1:00 p.m. on Monday, 30 November 2015 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares and/or Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 30 November 2015, by ordinary post and at your own risk.

*(ii) If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 30 November 2015, by ordinary post and at your own risk. If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 30 November 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 30 November 2015, or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 30 November 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Monday, 30 November 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 30 November 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 30 November 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 30 November 2015.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

17 November 2015

The Directors
Manfield Chemical Holdings Limited

Altus Capital Limited

Dear Sirs/Madams,

We set out below our report on the financial information (the "Financial Information") relating to Manfield Chemical Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), for inclusion in the prospectus of the Company dated 17 November 2015 (the "Prospectus") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 14 April 2014. Through a group reorganisation as more fully explained in the paragraph headed "Corporate reorganisation" in Appendix V to the Prospectus (the "Reorganisation"), the Company became the holding company of the Group on 6 November 2015.

All the companies comprising the Group have adopted 31 December as their financial year end date.

Particulars of the Company's subsidiaries and associates at the end of each reporting period and at the date of this Prospectus are as follows:

Name of subsidiary	Place and date of incorporation/establishment	Country/place of operation	Issued and fully paid share capital/registered capital	Attributable equity interest of the Group as at					Principal activities
				31 December 2012	30 June 2013	2014	2015	date of this report	
Rookwood Investments Limited ("Rookwood Investments")	British Virgin Islands ("BVI") 18 October 2000	Hong Kong	US\$10,000 Ordinary shares	100%	100%	100%	100%	100%	Investment holding
Manfield Coatings Company Limited ("Manfield Coatings")	Hong Kong 6 June 1986	Hong Kong	HK\$1,000 Ordinary shares HK\$32,000,000 Non-voting class A shares (note i)	100%	100%	100%	100%	100%	Investment holding and trading of coatings
Manfield Chemical Limited ("Manfield Chemical")	Hong Kong 15 August 1989	Hong Kong	HK\$10,000 Ordinary shares	100%	100%	100%	100%	100%	Investment holding
Springfield Chemical Company Limited ("Springfield Chemical")	Hong Kong 11 March 2005	Hong Kong	HK\$1 Ordinary shares	100%	100%	100%	100%	100%	Investment holding

Name of subsidiary	Place and date of incorporation/establishment	Country/place of operation	Issued and fully paid share capital/registered capital		Attributable equity interest of the Group as at					Principal activities
					31 December 2012	2013	2014	30 June 2015	date of this report	
Manfield Chemical Holdings Hong Kong Limited ("Manfield Hong Kong")	Hong Kong 21 March 2014	Hong Kong	HK\$1	Ordinary shares	—	—	100%	100%	100%	In the process of deregistration
深圳松輝化工有限公司 Shenzhen Pinefield Chemical Enterprises Company Ltd. ("Shenzhen Pinefield") (notes ii and xi)	People's Republic of China ("PRC") 19 June 1990	PRC	US\$5,500,000	Paid-up registered capital	100%	100%	100%	100%	100%	Manufacturing of coatings
廣州市彩輝化工有限公司 Champion Chemical (Guangzhou) Company Limited ("Champion Chemical") (notes ii, ix and xi)	PRC 4 December 2002	PRC	HK\$3,000,000	Paid-up registered capital	100%	100%	100%	100%	100%	Manufacturing of coatings
萬輝泰克諾斯(常州)化工有限公司 (前稱為常州萬輝化工有限公司) Manfield Teknos (Changzhou) Chemical Company Limited (formerly known as Manfield Chemical (Changzhou) Limited) ("Manfield Changzhou") (notes ii and xi)	PRC 17 January 2007	PRC	HK\$55,000,000	Paid-up registered capital (note x)	80% (note iv)	60%	60%	60%	60%	Manufacturing of coatings
常州安馳物流有限公司 (前稱為常州萬輝運輸有限公司) Changzhou Ants Logistics Company Limited (formerly known as Changzhou Manfield Transportation Limited) ("Ants Logistics") (notes iii and xi)	PRC 27 November 2007	PRC	RMB1,500,000	Paid-up registered capital	100% (note v)	—	—	—	—	Provision of transportation services
廣州源輝化工有限公司 Springfield Chemical (Guangzhou) Company Limited ("Springfield") (notes ii and xi)	PRC 12 March 2009	PRC	RMB70,000,000	Paid-up registered capital (note vi)	100%	100%	100%	100%	100%	Manufacturing of coatings
蘇州科思特涂料有限公司 Suzhou Kesite Coatings Company Limited ("Suzhou Kesite") (notes iii and xi)	PRC 10 June 2010	PRC	RMB3,000,000	Paid-up registered capital	— (note vii)	100%	100%	100%	100%	Trading of coatings
福州艾薩商貿有限責任公司 Fuzhou Aisa Trading Company Limited ("Fuzhou Aisa") (notes iii and xi)	PRC 4 April 2014	PRC	RMB1,000,000	Paid-up registered capital	—	— (note viii)	65%	65%	65%	Not yet commence business

Notes:

- (i) The non-voting class A shares practically carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up.
- (ii) The companies are registered in the form of wholly owned foreign enterprises.
- (iii) The companies are registered in the form of domestic limited liability company.
- (iv) During the year ended 31 December 2013, the Group disposed of 20% equity interest in Manfield Changzhou to an independent third party as disclosed in note 26(i). The Group's shareholding in this subsidiary decreased from 80% as at 31 December 2012 to 60% as at 31 December 2013 accordingly.

- (v) During the year ended 31 December 2013, the Group disposed of the entire equity interest in Ants Logistics to a related company and an independent third party as disclosed in note 26(ii).
- (vi) As at 31 December 2012, the paid-up registered capital of Springfield was RMB60,000,000. During the year ended 31 December 2013, additional capital injection of RMB10,000,000 was made by the Group. After the capital injection, Springfield's paid-up registered capital became RMB70,000,000.
- (vii) The subsidiary was acquired through a business combination by Springfield during the year ended 31 December 2013 as disclosed in note 25.
- (viii) The subsidiary was incorporated on 4 April 2014. The registered capital of the subsidiary from the Group and non-controlling interest has been paid up at August 2014.
- (ix) During the year ended 31 December 2013, Champion Chemical has applied deregistration with local government authority. As at 31 December 2014, the deregistration is still in process.
- (x) As at 31 December 2012 and 2013, the paid-up registered capital of Manfield Changzhou was HK\$42,000,000. During the year ended 31 December 2014, additional capital injection of HK\$7,800,000 and HK\$5,200,000 were made by the Group and the non-controlling interest respectively. After the capital injection, Manfield Changzhou's paid-up registered capital became HK\$55,000,000.
- (xi) English translated name is for identification only.

Other than Rookwood Investments which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

List of associate	Place and date of incorporation/establishment	Country/place of operation	Issued and fully paid share capital/registered capital	Attributable equity interest of the Group as at					Principal activities
				31 December 2012	30 June 2013	31 December 2014	30 June 2015	date of this report	
Chemfield Trading Company Limited ("Chemfield Trading")	Hong Kong 4 May 1993	Hong Kong	HK\$1,000,000 Ordinary shares (note i)	—	—	—	—	—	Deregistered
CMW Holding Limited ("CMW Holding")	Hong Kong 7 June 2000	Hong Kong	HK\$500,000 Ordinary shares	45%	45%	45%	45%	45%	Investment holding
List of subsidiaries of CMW Holding									
廣州卡秀堡萬輝塗料有限公司 CMW Coatings (Guangzhou) Limited (notes ii and iii)	PRC 6 April 2004	PRC	HK\$10,000,000 Paid-up registered capital	100%	100%	100%	100%	100%	Manufacturing of coatings
無錫卡秀堡萬輝塗料有限公司 CMW Coatings (Wuxi) Limited (notes ii and iii)	PRC 5 January 2005	PRC	HK\$25,000,000 Paid-up registered capital	100%	100%	100%	100%	100%	Manufacturing of coatings
CMW Coatings (Hong Kong) Limited	Hong Kong 25 April 2005	Hong Kong	HK\$1 Ordinary share	100%	100%	100%	100%	100%	Trading of coatings
天津卡秀堡萬輝塗料有限公司 CMW Coatings (Tianjin) Limited (notes ii and iii)	PRC 21 June 2012	PRC	US\$4,000,000 Paid-up registered capital	100%	100%	100%	100%	100%	Not yet commence business

Notes:

- (i) On 6 July 2012, Chemfield Trading was deregistered.
- (ii) The associates are registered in the form of wholly owned foreign enterprises.
- (iii) English translated name is for identification only

We have acted as statutory auditor of Manfield Coatings, Manfield Chemical and Springfield Chemical for each of the three years ended 31 December 2014. The statutory financial statements of these companies are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

No statutory financial statements have been prepared for Manfield Hong Kong for the period from 21 March 2014 (date of incorporation) to 31 December 2014 as it is in the process of deregistration.

No statutory financial statements have been prepared for the Company and Rookwood Investments since their respective date of incorporation as there is no statutory audit requirements.

For the purpose of this report, we have reviewed the relevant transactions of the Company during the Relevant Periods and carried out such procedures as we considered necessary for inclusion of the financial information of the Company in the Prospectus.

The statutory financial statements of Shenzhen Pinefield, Champion Chemical, Manfield Changzhou, Ants Logistics, Springfield and Suzhou Kesite were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

Name of subsidiary	Periods covered	Certified Public Accountants
Shenzhen Pinefield	Each of the three years ended 31 December 2014	深圳皇嘉會計師事務所(普通合伙)
Champion Chemical	Each of the three years ended 31 December 2014	廣州市紅日會計師事務所有限公司
Manfield Changzhou	Each of the three years ended 31 December 2014	常州新華瑞聯合會計師事務所有限 公司
Ants Logistics	For the year ended 31 December 2012	新華瑞聯合會計師事務所有限責任 公司
Springfield	Each of the three years ended 31 December 2014	廣州市紅日會計師事務所有限責任 公司
Suzhou Kesite	For the year ended 31 December 2013	蘇州正勤會計師事務所(普通合伙)

The statutory financial statements of Suzhou Kesite and Fuzhou Aisa for the year/period ended 31 December 2014 have not been issued as they are not required under the statutory requirement.

For the purpose of this report, the directors of Rookwood Investments have prepared the consolidated financial statements of Rookwood Investments and its subsidiaries for the Relevant Periods in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (the "HKFRS Financial Statements"). We have undertaken an independent audit on the HKFRS Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. We have examined the HKFRS Financial Statements and the management accounts of the Company for the Relevant Periods (collectively referred to as the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements on the basis set out in note 1 to Section A below. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Rookwood Investments and the Company who approved their issue as appropriate. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the financial position of the Company as at 31 December 2014 and 30 June 2015, and of the financial performance and cash flows of the Group for the Relevant Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the six months ended 30 June 2014 together with the notes thereon have been extracted from the Group's unaudited financial information for the same period (the "30 June 2014 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2014 Financial Information in accordance with Hong Kong Standard of Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 30 June 2014 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

NOTES	Year ended 2012	Six months ended				
		31 December			30 June	
		2013	2014	2014	2015	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
					(unaudited)	
Revenue	5	288,802	314,442	328,047	153,559	148,696
Cost of sales and services		(211,218)	(221,225)	(235,678)	(108,867)	(110,505)
Gross profit		77,584	93,217	92,369	44,692	38,191
Other income	7	16,601	18,032	19,388	8,212	7,713
Other gains and losses	7	(1,696)	14,113	1,344	1,413	1,731
Distribution and selling expenses		(29,446)	(30,008)	(31,661)	(15,293)	(16,384)
Administrative expenses		(45,524)	(48,623)	(47,736)	(26,543)	(23,547)
Other expenses		(1,469)	(1,340)	(13,802)	(7,997)	(2,807)
Finance costs — bank borrowings wholly repayable within five years		—	—	(131)	(55)	(18)
Share of profits of an associate	14	21,994	29,865	29,051	18,292	13,692
Profit before taxation	8	38,044	75,256	48,822	22,721	18,571
Taxation	9	(4,674)	(11,976)	(6,807)	(3,415)	(2,231)
Profit for the year/period		33,370	63,280	42,015	19,306	16,340
Other comprehensive income (expense) which may be subsequently reclassified to profit or loss:						
Share of exchange differences of an associate	14	18	3,983	(480)	(1,752)	(41)
Exchange differences arising on translation of foreign operations		9	8,063	(942)	(3,154)	(613)
Other comprehensive income (expense) for the year/period		27	12,046	(1,422)	(4,906)	(654)
Total comprehensive income for the year/period		33,397	75,326	40,593	14,400	15,686

	Six months ended				
	Year ended 31 December			30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(unaudited)					
Profit for the year/period attributable to:					
Owners of the Company	34,202	62,872	41,431	19,111	16,901
Non-controlling interests	(832)	408	584	195	(561)
	<u>33,370</u>	<u>63,280</u>	<u>42,015</u>	<u>19,306</u>	<u>16,340</u>
Total comprehensive income attributable to:					
Owners of the Company	34,230	74,741	40,041	14,351	16,260
Non-controlling interests	(833)	585	552	49	(574)
	<u>33,397</u>	<u>75,326</u>	<u>40,593</u>	<u>14,400</u>	<u>15,686</u>

Combined Statements of Financial Position

NOTES	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	12	115,124	131,491	135,054
Prepaid lease payments	13	33,125	33,289	32,306
Interest in an associate	14	159,898	168,996	179,567
Deferred tax assets	16	162	162	162
Derivative financial instruments	21	—	—	965
Deposits to purchase of property, plant and equipment and prepaid lease payment		2,645	857	854
		<u>310,954</u>	<u>334,795</u>	<u>348,908</u>
				<u>355,415</u>
Current assets				
Prepaid lease payments	13	845	871	868
Inventories	17	30,014	36,465	31,908
Trade and other receivables	18	80,612	107,424	110,724
Amount due from a related company	22	—	624	—
Tax recoverable		1,191	628	944
Bank balances and cash	19	<u>132,411</u>	<u>61,716</u>	<u>80,170</u>
				<u>94,794</u>
		245,073	207,728	224,614
Assets classified as held for sale	15	<u>4,032</u>	—	—
		<u>249,105</u>	<u>207,728</u>	<u>224,614</u>
				<u>235,385</u>
Current liabilities				
Trade and other payables	20	46,575	48,710	42,559
Tax payable		364	1,914	398
Amount due to immediate holding company	22	31,399	31,399	31,399
Bank borrowing	23	—	—	2,535
		78,338	82,023	76,891
Liabilities associated with assets classified as held for sale	15	<u>2,948</u>	—	—
		<u>81,286</u>	<u>82,023</u>	<u>76,891</u>
				<u>78,483</u>
Net current assets		<u>167,819</u>	<u>125,705</u>	<u>147,723</u>
Total assets less current liabilities		<u>478,773</u>	<u>460,500</u>	<u>496,631</u>
				<u>512,317</u>

NOTES	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital and reserves				
Share capital	24	78	78	78
Reserves		<u>473,368</u>	<u>448,404</u>	<u>478,445</u>
				<u>494,705</u>
Equity attributable to owners of the Company				
		473,446	448,482	478,523
Non-controlling interests		<u>5,327</u>	<u>11,916</u>	<u>18,108</u>
				<u>17,534</u>
Total equity		<u>478,773</u>	<u>460,398</u>	<u>496,631</u>
				<u>512,317</u>
Non-current liabilities				
Derivative financial instruments	21	—	102	—
		<u>478,773</u>	<u>460,500</u>	<u>496,631</u>
				<u>512,317</u>

Statements of Financial Position

	As at 31 December 2014	As at 30 June 2015
	NOTES	HK\$'000
Current asset		
Amount due from a director	—	—
Current liability		
Amount due to a fellow subsidiary	22	<u>12,400</u>
Net current liability	<u>12,400</u>	<u>14,343</u>
Capital and reserve		
Share capital	—	—
Accumulated losses	34	<u>12,400</u>
Total equity	<u>12,400</u>	<u>14,343</u>

Combined Statements of Changes in Equity

	Attributable to owners of the Company									
	Share capital HK\$'000	Special reserve HK\$'000 (note a)	Shareholder's contribution/ distribution reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (note c)	Non-distributable reserve HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2012	78	32,000	—	45,666	—	6,637	384,835	469,216	6,160	475,376
Share of exchange differences of an associate	—	—	—	18	—	—	—	18	—	18
Exchange differences arising on translation of foreign operations	—	—	—	10	—	—	—	10	(1)	9
Other comprehensive income (expense) for the year	—	—	—	28	—	—	—	28	(1)	27
Profit for the year	—	—	—	—	—	—	34,202	34,202	(832)	33,370
Total comprehensive income (expense) for the year	—	—	—	28	—	—	34,202	34,230	(833)	33,397
Dividend paid	—	—	—	—	—	—	(30,000)	(30,000)	—	(30,000)
Transfer	—	—	—	—	—	115	(115)	—	—	—
At 31 December 2012	78	32,000	—	45,694	—	6,752	388,922	473,446	5,327	478,773
Share of exchange differences of an associate	—	—	—	3,983	—	—	—	3,983	—	3,983
Exchange differences arising on translation of foreign operations	—	—	—	7,886	—	—	—	7,886	177	8,063
Other comprehensive income for the year	—	—	—	11,869	—	—	—	11,869	177	12,046
Profit for the year	—	—	—	—	—	—	62,872	62,872	408	63,280
Total comprehensive income for the year	—	—	—	11,869	—	—	62,872	74,741	585	75,326
Disposal of partial interest in a subsidiary (note 26(i))	—	—	—	(1,074)	4,571	(54)	3,525	6,968	6,004	12,972
Disposal of a subsidiary (note 26(ii))	—	—	842	—	—	—	—	842	—	842
Deemed distribution to a shareholder (note 15)	—	—	(12,515)	—	—	—	—	(12,515)	—	(12,515)
Dividend paid	—	—	—	—	—	—	(95,000)	(95,000)	—	(95,000)
Transfer	—	—	—	—	—	1,442	(1,442)	—	—	—
At 31 December 2013	78	32,000	(11,673)	56,489	4,571	8,140	358,877	448,482	11,916	460,398
Share of exchange differences of an associate	—	—	—	(480)	—	—	—	(480)	—	(480)
Exchange differences arising on translation of foreign operations	—	—	—	(910)	—	—	—	(910)	(32)	(942)
Other comprehensive expense for the year	—	—	—	(1,390)	—	—	—	(1,390)	(32)	(1,422)
Profit for the year	—	—	—	—	—	—	41,431	41,431	584	42,015
Total comprehensive (expense) income for the year	—	—	—	(1,390)	—	—	41,431	40,041	552	40,593
Transfer	—	—	—	—	—	1,301	(1,301)	—	—	—
Dividend paid	—	—	—	—	—	—	(10,000)	(10,000)	—	(10,000)
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	5,640	5,640
At 31 December 2014	78	32,000	(11,673)	55,099	4,571	9,441	389,007	478,523	18,108	496,631

Attributable to owners of the Company										
	Shareholder's contribution/distribution				Non-distributable			Non-controlling interests		
	Share capital HK\$'000	Special reserve HK\$'000 (note a)	Translation reserve HK\$'000	Other distributable reserve HK\$'000 (note c)	Non-distributable reserve HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000	
Share of exchange differences of an associate	—	—	—	(41)	—	—	—	(41)	—	(41)
Exchange differences arising on translation of foreign operations	—	—	—	(600)	—	—	—	(600)	(13)	(613)
Other comprehensive expense for the period	—	—	—	(641)	—	—	—	(641)	(13)	(654)
Profit (loss) for the period	—	—	—	—	—	16,901	16,901	(561)	16,340	
Total comprehensive (expense) income for the period	—	—	—	(641)	—	—	16,901	16,260	(574)	15,686
Transfer	—	—	—	—	—	390	(390)	—	—	—
At 30 June 2015	<u>78</u>	<u>32,000</u>	<u>(11,673)</u>	<u>54,458</u>	<u>4,571</u>	<u>9,831</u>	<u>405,518</u>	<u>494,783</u>	<u>17,534</u>	<u>512,317</u>
Unaudited										
At 1 January 2014	<u>78</u>	<u>32,000</u>	<u>(11,673)</u>	<u>56,489</u>	<u>4,571</u>	<u>8,140</u>	<u>358,877</u>	<u>448,482</u>	<u>11,916</u>	<u>460,398</u>
Share of exchange differences of an associate	—	—	—	(1,752)	—	—	—	(1,752)	—	(1,752)
Exchange differences arising on translation of foreign operations	—	—	—	(3,008)	—	—	—	(3,008)	(146)	(3,154)
Other comprehensive expense for the period	—	—	—	(4,760)	—	—	—	(4,760)	(146)	(4,906)
Profit for the period	—	—	—	—	—	—	19,111	19,111	195	19,306
Total comprehensive (expense) income for the period	—	—	—	(4,760)	—	—	19,111	14,351	49	14,400
Dividend paid	—	—	—	—	—	—	(10,000)	(10,000)	—	(10,000)
At 30 June 2014	<u>78</u>	<u>32,000</u>	<u>(11,673)</u>	<u>51,729</u>	<u>4,571</u>	<u>8,140</u>	<u>367,988</u>	<u>452,833</u>	<u>11,965</u>	<u>464,798</u>

Notes:

- (a) The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK\$1 each issued by Manfield Coatings to its shareholders prior to a group reorganisation in 2002.
- (b) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the PRC to the non-distributable reserve under the PRC laws and regulations until the transferred amount equals to 50% of the registered capital of these PRC subsidiaries. It can be used to make up for previous years' losses or converted into additional capital of these PRC subsidiaries.
- (c) Other reserve is resulted from the partial disposal of a subsidiary. Details of which are set out in note 26(i).

Combined Statements of Cash Flows

NOTES	Year ended 31 December	Six months ended			
		2012	2013	2014	30 June
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES					
Profit before taxation	38,044	75,256	48,822	22,721	18,571
Adjustments for:					
Impairment losses (reversal of impairment losses) recognised on trade receivables	7	3,180	419	202	— (32)
Bad debt recovered	7	—	—	—	— (680)
Release of prepaid lease payments	8	883	856	865	433 434
Depreciation of property, plant and equipment	8	8,717	7,998	12,240	5,588 6,946
Loss (gain) on disposal of property, plant and equipment and prepaid lease payment, net	7	174	(13,896)	338	(14) 53
Interest income	7	(481)	(494)	(502)	(183) (178)
Finance costs		—	—	131	55 18
Share of profits of an associate	14	(21,994)	(29,865)	(29,051)	(18,292) (13,692)
Change in fair value of derivative financial instruments	21	—	—	(1,067)	(346) (148)
Operating cash flows before movements in working capital	28,523	40,274	31,978	9,962	11,292
Decrease (increase) in inventories	5,177	(3,328)	4,557	1,973	(398)
Decrease (increase) in trade and other receivables	3,492	(19,385)	(3,502)	(8,530)	4,661
Increase (decrease) in trade and other payables	9,054	(5,048)	(6,151)	1,575	3,474
Cash generated from operations	46,246	12,513	26,882	4,980	19,029
Income tax paid	(7,145)	(10,244)	(8,639)	(2,667)	(1,276)
NET CASH GENERATED FROM OPERATING ACTIVITIES	39,101	2,269	18,243	2,313	17,753

NOTES		Six months ended					
		Year ended 31 December			30 June		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000	
(unaudited)							
INVESTING ACTIVITIES							
Purchases of property, plant and equipment		(22,611)	(20,146)	(17,390)	(7,578)	(2,899)	
Acquisition of a subsidiary	25	—	(4,211)	—	—	—	
Dividends received from an associate		22,500	24,750	18,000	9,000	4,500	
Interest received		481	494	502	183	178	
Deposits paid for purchase of property, plant and equipment and prepaid lease payment		(2,645)	—	—	—	(1,900)	
Investment in structured deposits		—	—	(23,482)	(13,243)	—	
Withdrawal of structured deposits		—	—	23,482	7,588	—	
Proceeds from disposal of property, plant and equipment		581	229	835	229	42	
Settlement of loan upon disposal of a subsidiary		—	1,248	624	624	—	
Cash received from disposal of assets classified as held for sale in 2012	15	2,948	2,937	—	—	—	
Cash outflow from disposal of a subsidiary	26(ii)	—	(81)	—	—	—	
NET CASH FROM (USE IN) INVESTING ACTIVITIES							
		1,254	5,220	2,571	(3,197)	(79)	
FINANCING ACTIVITIES							
Interest paid		—	—	(131)	(55)	(18)	
Dividend paid		(30,000)	(95,000)	(10,000)	(10,000)	—	
New bank borrowing raised		—	—	2,522	2,522	—	
Repayment of bank borrowing		—	—	—	—	(2,533)	
Proceeds from partial disposal of a subsidiary	26(i)	—	12,972	—	—	—	
Capital contribution from non-controlling interests of subsidiaries		—	—	5,640	—	—	
NET CASH USED IN FINANCING ACTIVITIES							
		(30,000)	(82,028)	(1,969)	(7,533)	(2,551)	

NOTES	Year ended 31 December			Six months ended	
	2012	2013	2014	30 June	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,355	(74,539)	18,845	(8,417)	15,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	121,830	132,411	61,716	61,716	80,170
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	226	3,844	(391)	(1,234)	(499)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u>132,411</u>	<u>61,716</u>	<u>80,170</u>	<u>52,065</u>	<u>94,794</u>
Analysis of balance of cash and cash equivalents					
Bank balance and cash	132,411	61,716	80,170	54,627	94,794
Bank overdraft	—	—	—	(2,562)	—
	<u>132,411</u>	<u>61,716</u>	<u>80,170</u>	<u>52,065</u>	<u>94,794</u>

Notes to Financial Information

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 14 April 2014. The Company is an investment holding company. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

From 1 January 2012 to 1 April 2012, the immediate holding company of Rookwood Investments was Greenfield Chemical Holdings Limited ("Greenfield Chemical"), a company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on the Stock Exchange. Greenfield Chemical held 51% equity interests of Rookwood Investments. The ultimate holding company of Rookwood Investments was Hong Han Limited, a company incorporated in the BVI.

On 2 April 2012, Mezzo International Limited ("Mezzo International"), a company incorporated in the BVI, acquired the 51% equity interests of Rookwood Investments and the shareholder's loan of HK\$31,399,088 owed by the Group to Greenfield Chemical. As a result, Mezzo International has become the immediate and ultimate holding company of Rookwood Investments from that date.

The remaining equity interests of Rookwood Investments are owned by Mr. Yuen Shu Wah ("Mr. Yuen"), Mr. Ko Jack Lum, Mr. Yuen Shi Ki, Mr. Wong Chi Kong, Mr. Kwok Wai Kit and Ms. Wong Shiu Chun, as to 28.65%, 15.50%, 1.85%, 1.50%, 1.00% and 0.50% respectively (collectively referred to as "Individual Shareholders"), from 1 January 2012 to the date of this report.

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company now comprising the Group underwent the Reorganisation which included the following steps:

- (i) On 14 April 2014, the Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporated, one share was allotted and issued to Mr. Yuen for cash at par;
- (ii) On 28 March 2014, Mezzo International and the Individual Shareholders incorporated Guang Ming Holdings Limited ("Guang Ming") which was held by them as to 51% and 49%, respectively;
- (iii) On 6 November 2015, the Individual Shareholders and Mezzo International transferred their entire equity interest in Rookwood Investments to Guang Ming;
- (iv) On 6 November 2015, Mr. Yuen transferred one share in the Company to Guang Ming in cash at par; and
- (v) On 6 November 2015, the Company acquired the entire issued share capital of Rookwood Investments from Guang Ming in consideration of (i) the allotment and issue of 99 shares to Guang Ming credited as fully paid and (ii) the crediting of one share held by Guang Ming as fully paid.

The Reorganisation involved incorporation of and interspersing the Company and Guang Ming between Rookwood Investments and its shareholders. Upon completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group on 6 November 2015. The Group resulting from the Reorganisation is regarded as a continuing entity.

Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position as at 31 December 2012, 2013 and 2014 and 30 June 2015 have been prepared to present the assets and liabilities of the entities comprising the Group as if the current group structure had been in existence at the end of each reporting period, taking into account the incorporation and establishment of subsidiaries during the Relevant Periods and the changes in equity interest in several subsidiaries which were accounted for as explained below.

During the year ended 31 December 2013, there were disposal and partial disposal of subsidiaries, and acquisition of a subsidiary which was accounted for by the acquisition method of accounting:

- (a) Acquisition of 100% equity interest in Suzhou Kesite, details of which are set out in note 25;
- (b) Partial disposal of 20% equity interest in Manfield Changzhou, details of which are set out in note 26(i); and
- (c) Disposal of 100% equity interest in Ants Logistics, details of which are set out in note 26(ii).

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS"), amendments to standards and interpretations issued by the HKICPA that are effective for the Group's annual accounting periods beginning on 1 January 2015 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

At the date of this report, the HKICPA has issued the following new standards and amendments to standards ("new and revised HKFRSs") which are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ³
HKFRS 9	Financial instruments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ⁴
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

The Group has not early applied these new and revised HKFRSs that have been issued but are not yet effective in the preparation of Financial Information. Management of the Group anticipates that the application of these new and revised HKFRSs will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as appropriate, and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis.

The principal accounting policies adopted are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permited by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and sales related taxes.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Royalty fee income is derived from agreements signed with counterparties which manufacture products using the proprietary know-how of the Group. Royalty fee income is recognised when the counterparties make the related sales and determined as a percentage to the related sales amount.

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

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

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

Property, plant and equipment

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

Construction in progress represents property, plant and equipment in the course of construction for production and administrative purposes. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

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

Investments in associates

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

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL when it is a derivative that is not designated and effective as hedging instruments; or it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in the profit or loss includes any interest earned on the financial assets and is included in "other gains and losses" line item. Fair value is determined in the manner described in note 21.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash and amount due from a related company) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For loans and receivables, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL (including derivative financial instruments) are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss included any interest paid on the financial liabilities and is included in the “other gains and losses” line item. Fair value is determined in the manner described in note 21.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Other financial liabilities

The Group's and the Company's financial liabilities (other than derivative financial liabilities) including trade and other payables, bank borrowing, amount due to immediate holding company and amount due to a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Retirement benefits costs

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term.

Leasehold land and building

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

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

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

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

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Government grants

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

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

Borrowing costs

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment losses on trade receivables

The provision policy for impairment losses on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Impairment losses on trade receivables of HK\$3,180,000, HK\$419,000, HK\$202,000, nil (unaudited) and reversal of HK\$32,000 were made for the years ended 31 December 2012, 2013, 2014 and for the six months ended 30 June 2014 and 2015 respectively. As at 31 December 2012, 2013, 2014 and 30 June 2015, the carrying amounts of trade receivables are HK\$68,247,000, HK\$90,268,000, HK\$94,989,000 and HK\$94,305,000 respectively.

5. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for services provided and goods sold, net of discount and sales related taxes, during the Relevant Periods.

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coating and subcontracting services. The management of the Group, being the Group's chief operating decision maker, make the decision on allocation of resources and assessment of performance based on geographical segments determined on the basis of location of customers. Information of the operating and reportable segments of the Group is as follow:

Year ended 31 December 2012

	Hong Kong and Others[#] HK\$'000	The PRC HK\$'000	Combined HK\$'000
REVENUE			
External revenue	<u>90,956</u>	<u>197,846</u>	<u>288,802</u>
RESULTS			
Segment profits	<u>26,158</u>	<u>22,508</u>	48,666
Interest income			481
Unallocated corporate income			7,954
Unallocated corporate expenses			(40,877)
Unallocated corporate other gains and losses			(174)
Share of profits of an associate			<u>21,994</u>
Profit before taxation			<u>38,044</u>
TOTAL ASSETS			
Segment assets — trade and bills receivables	16,064	58,084	74,148
Unallocated assets			<u>485,911</u>
			<u>560,059</u>
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses on trade receivables	<u>—</u>	<u>3,180</u>	<u>3,180</u>

Year ended 31 December 2013

	Hong Kong and Others [#] HK\$'000	The PRC HK\$'000	Combined HK\$'000
REVENUE			
External revenue	<u>87,658</u>	<u>226,784</u>	<u>314,442</u>
RESULTS			
Segment profits	<u>29,455</u>	<u>35,312</u>	64,767
Interest income			494
Unallocated corporate income			8,596
Unallocated corporate expenses			(42,362)
Unallocated corporate other gains and losses			13,896
Share of profits of an associate			<u>29,865</u>
Profit before taxation			<u>75,256</u>
TOTAL ASSETS			
Segment assets — trade and bills receivables	14,661	83,444	98,105
Unallocated assets			<u>444,418</u>
			<u>542,523</u>
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses on trade receivables	<u>—</u>	<u>419</u>	<u>419</u>

Year ended 31 December 2014

	Hong Kong and Others [#] HK\$'000	The PRC HK\$'000	Combined HK\$'000
REVENUE			
External revenue	<u>81,027</u>	<u>247,020</u>	<u>328,047</u>
RESULTS			
Segment profits	<u>21,917</u>	<u>35,987</u>	57,904
Interest income			502
Unallocated corporate income			9,425
Unallocated corporate expenses			(48,658)
Unallocated corporate other gains and losses			729
Finance costs			(131)
Share of profits of an associate			<u>29,051</u>
Profit before taxation			<u>48,822</u>
TOTAL ASSETS			
Segment assets — trade and bills receivables	15,228	86,750	101,978
Unallocated assets			<u>471,544</u>
			<u>573,522</u>
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses on trade receivables	<u>—</u>	<u>202</u>	<u>202</u>

Six months ended 30 June 2014 (unaudited)

	Hong Kong and Others [#] HK\$'000	The PRC HK\$'000	Combined HK\$'000
REVENUE			
External revenue	<u>41,444</u>	<u>112,115</u>	<u>153,559</u>
RESULTS			
Segment profits	<u>7,764</u>	<u>19,187</u>	26,951
Interest income			183
Unallocated corporate income			3,294
Unallocated corporate expenses			(26,304)
Unallocated corporate other gains and losses			360
Finance costs			(55)
Share of profits of an associate			<u>18,292</u>
Profit before taxation			<u>22,721</u>
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses on trade receivables	<u>—</u>	<u>—</u>	<u>—</u>

Six months ended 30 June 2015

	Hong Kong and Others [#] HK\$'000	The PRC HK\$'000	Combined HK\$'000
REVENUE			
External revenue	<u>38,292</u>	<u>110,404</u>	<u>148,696</u>
RESULTS			
Segment profits	<u>8,192</u>	<u>12,588</u>	20,780
Interest income			178
Unallocated corporate income			3,360
Unallocated corporate expenses			(19,516)
Unallocated corporate other gains and losses			95
Finance costs			(18)
Share of profits of an associate			<u>13,692</u>
Profit before taxation			<u>18,571</u>
TOTAL ASSETS			
Segment assets — trade and bills receivables	18,664	79,969	98,633
Unallocated assets			<u>492,167</u>
			<u>590,800</u>

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit:

Reversal of impairment losses recognised on trade receivables	<u>—</u>	<u>(32)</u>	<u>(32)</u>
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Including Indonesia, Malaysia and other jurisdictions.

Notes:

- (i) Segment profits represent the results of each segment without allocation of corporate items, including interest income, management fee income and rental income from subsidiaries of an associate, net gain (loss) on disposal of property, plant and equipment and prepaid lease payments, central administration cost, listing expenses, depreciation of property, plant and equipment, release of prepaid lease payment, change in fair value of derivative financial instruments, finance costs and share of profits of an associate. This is the measure reported to the management of the Group for the purpose of resources allocation and performance assessments.
- (ii) Other than trade and bills receivables, assets are not allocated to operating segments. Inventories could be sold to common customers of the operating segments, which cannot be allocated to respective segments on a reasonable basis. Liabilities are not allocated to operating segments, as the Group's trade payables represented payables to common suppliers of the operating segments, which cannot be allocated to respective segments on a reasonable basis.

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Sales					
Liquid coatings					
Sales to outsiders	224,159	240,552	251,336	115,941	117,167
Sales to subsidiaries of an associate	12,723	12,420	9,279	4,265	4,318
Powder coatings — sales to outsiders	31,730	37,935	35,606	16,388	13,750
Subcontracting fee income from subsidiaries of an associate	20,190	23,535	31,826	16,965	13,461
	288,802	314,442	328,047	153,559	148,696

Information about major customers

During the Relevant Periods, the revenue from the subsidiaries of an associate contributed over 10% of total revenue of the Group are as follows:

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Hong Kong	13,810	14,347	9,988	4,883	4,777
The PRC	19,103	21,608	31,117	16,347	13,002
	32,913	35,955	41,105	21,230	17,779

Details are disclosed in note 29.

Geographical information

The Group's operations are located in Hong Kong, the PRC and others. The Group's information about its non-current assets (excluding deferred tax assets and derivative financial instruments) by geographical location of the assets, including property, plant and equipment, prepaid lease payments, deposits to purchase of property, plant and equipment and prepaid lease payments; and by location of incorporation for interest in an associate, are detailed below:

	As at 31 December			As at 30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Hong Kong and others (<i>Note</i>)	166,228	174,490	185,809	194,885	
The PRC	144,564	160,143	161,972	159,255	
	310,792	334,633	347,781	354,140	

Note: Non-current assets of others (include location of Taiwan) is less than 10% of the Group's total non-current assets at the end of each reporting period.

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

During the Relevant Periods, the emoluments paid or payable to the directors of the Company ("Directors") (including emoluments for the services as employees of the group entities prior to becoming Directors) were as follows:

	Mr. Yuen HK\$'000	Ko HK\$'000	Ng HK\$'000	Total HK\$'000
Year ended 31 December 2012				
Fee	—	—	—	—
Other emoluments				
Salaries and other benefits	452	1,871	1,039	3,362
Discretionary bonus (<i>note</i>)	2,018	355	—	2,373
Retirement benefit scheme contributions	121	121	62	304
Total emoluments	<u>2,591</u>	<u>2,347</u>	<u>1,101</u>	<u>6,039</u>
Year ended 31 December 2013				
Fee	—	—	—	—
Other emoluments				
Salaries and other benefits	835	1,945	1,216	3,996
Discretionary bonus (<i>note</i>)	750	2,110	—	2,860
Retirement benefit scheme contributions	126	126	64	316
Total emoluments	<u>1,711</u>	<u>4,181</u>	<u>1,280</u>	<u>7,172</u>
Year ended 31 December 2014				
Fee	—	—	—	—
Other emoluments				
Salaries and other benefits	628	2,030	1,232	3,890
Discretionary bonus (<i>note</i>)	170	170	—	340
Retirement benefit scheme contributions	131	131	67	329
Total emoluments	<u>929</u>	<u>2,331</u>	<u>1,299</u>	<u>4,559</u>
Six months ended 30 June 2014 (unaudited)				
Fee	—	—	—	—
Other emoluments				
Salaries and other benefits	340	998	568	1,906
Retirement benefit scheme contributions	65	65	33	163
Total emoluments	<u>405</u>	<u>1,063</u>	<u>601</u>	<u>2,069</u>
Six months ended 30 June 2015				
Fee	—	—	—	—
Other emoluments				
Salaries and other benefits	192	1,056	623	1,871
Retirement benefit scheme contributions	68	68	35	171
Total emoluments	<u>260</u>	<u>1,124</u>	<u>658</u>	<u>2,042</u>

Note: Discretionary bonus was determined by the management of the Group by reference to the performance of Directors and the Group's operating results.

Mr. Ko Jack Lum is the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive, while Mr. Yuen is the chairman of the Company.

During the Relevant Periods, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the Relevant Periods.

Mr. Yuen was appointed as Director on 14 April 2014, and Ko Jack Lum and Ng Kai On were appointed as Directors on 12 June 2014.

(b) Employees' emoluments

The five highest paid individuals included three Directors and whose emoluments are included in the disclosures in (a) above for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015. The emoluments of the remaining two individuals, which were individually less than HK\$1,000,000, were as follows:

	Year ended 31 December			Six months ended	
				30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000 (unaudited)
Salaries and other benefits	1,226	1,310	1,562	743	804
Discretionary bonus	197	221	—	—	—
Retirement benefit scheme contributions	71	76	94	30	32
	1,494	1,607	1,656	773	836

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Other income					
Royalty fee income from subsidiaries of an associate	5,632	5,400	6,264	3,119	2,686
Management fee income from subsidiaries of an associate	6,472	6,981	7,659	2,749	2,542
Rental income from subsidiaries of an associate	1,482	1,615	1,766	545	818
Transportation fee income from a subsidiary of an associate	1,357	2,616	2,420	1,229	1,088
Government subsidies (<i>Note 1</i>)	1,138	113	—	—	—
Rental income	39	813	777	387	401
Interest income	481	494	502	183	178
	16,601	18,032	19,388	8,212	7,713
Other gains and losses					
(Impairment losses) reversal of impairment losses recognised on trade receivables	(3,180)	(419)	(202)	—	32
Bad debt recovered	—	—	—	—	680
(Loss) gain on disposal of property, plant and equipment and prepaid lease payment, net (<i>Note 2</i>)	(174)	13,896	(338)	14	(53)
Exchange (loss) gain, net	(193)	(733)	182	(6)	792
Change in fair value of derivative financial instruments	—	—	1,067	346	148
Others	1,851	1,369	635	1,059	132
	(1,696)	14,113	1,344	1,413	1,731

Notes:

1. Amounts represent the subsidies received from the relevant PRC government authorities for immediate financial support to encourage the development in the industrial coating industry. The subsidies were recognised as income when the relevant subsidies were received or receivable.
2. During the year ended 31 December 2013, the amount included gain on disposal of land and building of HK\$14,368,000 with details set out in note 15.

8. PROFIT BEFORE TAXATION

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Profit before taxation has been arrived at after charging:					
Auditor's remuneration	410	410	410	200	200
Directors' emoluments (note 6)					
Fee	—	—	—	—	—
Other emoluments	5,735	6,856	4,230	1,906	1,871
Retirement benefit scheme contributions	304	316	329	163	171
	6,039	7,172	4,559	2,069	2,042
Other staff costs:					
Salaries and other allowances	73,229	72,171	82,249	41,752	47,482
Retirement benefit scheme contributions	4,733	5,713	6,901	3,087	4,442
Total staff costs	84,001	85,056	93,709	46,908	53,966
Release of prepaid lease payments	883	856	865	433	434
Depreciation of property, plant and equipment	8,717	7,998	12,240	5,588	6,946
Donation	1,469	1,140	1,402	658	864
Listing expenses	—	200	12,400	7,339	1,943
Operating lease rentals in respect of rented premises	823	1,482	1,012	776	2,290

9. TAXATION

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Hong Kong Profits Tax:					
Current year/period	3,185	3,165	2,845	630	1,040
(Over) underprovision in prior years	(285)	(21)	50	—	—
	<u>2,900</u>	<u>3,144</u>	<u>2,895</u>	<u>630</u>	<u>1,040</u>
PRC Enterprise Income Tax:					
Current year/period	1,694	1,494	3,104	1,869	932
Underprovision in prior years	80	118	808	916	259
	<u>1,774</u>	<u>1,612</u>	<u>3,912</u>	<u>2,785</u>	<u>1,191</u>
PRC Land Appreciation Tax (the "LAT"):					
Current year/period	—	7,220	—	—	—
	<u>4,674</u>	<u>11,976</u>	<u>6,807</u>	<u>3,415</u>	<u>2,231</u>

The Company and its subsidiary incorporated in the Cayman Islands and the BVI are exempted from profit tax under the tax laws of the Cayman Islands and the BVI.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods. Taiwan income tax is calculated at 17% on the assessable taxable profits of the Taiwan Branch for the Relevant Periods. No provision for Taiwan income tax has been made as the Group has no assessable profit arising in Taiwan.

Under the Law of the PRC in Enterprise Income tax (the "EIT Law") and Implementation Regulations of the EIT Law, the applicable tax rate for the Company's subsidiaries registered in the PRC is 25% for the Relevant Periods.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property and land ownership in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

The taxation charge for the year/period can be reconciled to the profit before taxation as follows:

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Profit before taxation	38,044	75,256	48,822	22,721	18,571
Less: Share of profits of an associate	(21,994)	(29,865)	(29,051)	(18,292)	(13,692)
	<u>16,050</u>	<u>45,391</u>	<u>19,771</u>	<u>4,429</u>	<u>4,879</u>
Taxation at Hong Kong Profits Tax rate of 16.5%	2,648	7,490	3,262	731	805
Tax effect of expenses not deductible for tax purpose	772	424	2,680	1,283	662
Tax effect of tax losses not recognised	1,796	—	337	128	635
Utilisation of tax losses not previously recognised	—	(2,486)	(425)	(171)	(83)
Effect of different tax rates of subsidiaries operating in the PRC	193	949	1,571	503	219
Provision of LAT for the year/period	—	7,220	—	—	—
Income tax effect of LAT	—	(1,191)	—	—	—
(Over) underprovision in respect of prior years	(205)	97	858	916	259
Others	(530)	(527)	(1,476)	25	(266)
Taxation charge for the year/period	<u>4,674</u>	<u>11,976</u>	<u>6,807</u>	<u>3,415</u>	<u>2,231</u>

Details of deferred taxation are set out in note 16.

10. DIVIDEND

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Dividends paid by Rookwood Investments and recognised as distribution	<u>30,000</u>	<u>95,000</u>	<u>10,000</u>	<u>10,000</u>	<u>—</u>

The rate of dividend and the number of share ranking for dividend are not presented as such information is not meaningful having regard the purpose of this report.

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful with regard to the Reorganisation and the presentation of the results of Relevant Periods on a combined basis as disclosed in note 1.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Plant, machinery and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1 January 2012	69,602	19,903	32,528	13,576	35,363	36,769	207,741
Exchange adjustments	(8)	(2)	(4)	(1)	(4)	(5)	(24)
Additions	—	764	963	1,131	400	19,353	22,611
Transfer	—	1,210	28	—	156	(1,394)	—
Disposals	—	—	(1,635)	(2,074)	(1,267)	(269)	(5,245)
Reclassified as held for sale	(3,631)	(333)	—	—	—	—	(3,964)
At 31 December 2012	65,963	21,542	31,880	12,632	34,648	54,454	221,119
Exchange adjustments	1,391	603	913	321	1,168	1,875	6,271
Additions	4	576	1,749	1,134	602	17,869	21,934
Transfer	29,696	3,174	69	—	7,678	(40,617)	—
Disposals	—	—	(1,648)	(822)	(1,326)	—	(3,796)
Acquired on acquisition of a subsidiary	—	—	4	110	162	—	276
Disposed upon disposal of a subsidiary	—	—	(77)	(1,730)	—	—	(1,807)
At 31 December 2013	97,054	25,895	32,890	11,645	42,932	33,581	243,997
Exchange adjustments	(237)	(49)	(99)	(39)	(165)	(175)	(764)
Additions	—	4,550	1,352	1,060	1,397	9,031	17,390
Transfer	16,559	3,873	2,160	179	1,251	(24,022)	—
Disposals	—	(177)	(477)	(2,053)	(4,287)	—	(6,994)
At 31 December 2014	113,376	34,092	35,826	10,792	41,128	18,415	253,629
Exchange adjustments	(80)	(19)	(24)	(7)	(22)	(14)	(166)
Additions	26	336	733	631	350	823	2,899
Transfer	528	1,078	1,019	—	3,997	(6,622)	—
Disposals	—	—	(373)	(500)	(84)	—	(957)
At 30 June 2015	113,850	35,487	37,181	10,916	45,369	12,602	255,405
DEPRECIATION							
At 1 January 2012	27,791	16,680	27,015	7,626	24,205	—	103,317
Exchange adjustments	(3)	(1)	(2)	(1)	(3)	—	(10)
Provided for the year	2,806	581	1,515	2,008	1,807	—	8,717
Eliminated on disposals	—	—	(1,486)	(1,889)	(1,115)	—	(4,490)
Reclassified as held for sale	(1,303)	(236)	—	—	—	—	(1,539)
At 31 December 2012	29,291	17,024	27,042	7,744	24,894	—	105,995
Exchange adjustments	867	454	733	206	736	—	2,996
Provided for the year	2,779	795	1,028	1,629	1,767	—	7,998
Eliminated on disposals	—	—	(1,118)	(792)	(1,185)	—	(3,095)
Eliminated upon disposal of a subsidiary	—	—	(46)	(1,342)	—	—	(1,388)
At 31 December 2013	32,937	18,273	27,639	7,445	26,212	—	112,506
Exchange adjustments	(88)	(44)	(82)	(26)	(110)	—	(350)
Provided for the year	4,178	2,505	2,212	1,624	1,721	—	12,240
Eliminated on disposals	—	(150)	(417)	(1,670)	(3,584)	—	(5,821)
At 31 December 2014	37,027	20,584	29,352	7,373	24,239	—	118,575
Exchange adjustments	(26)	(13)	(18)	(5)	(13)	—	(75)
Provided for the period	2,348	1,686	998	731	1,183	—	6,946
Eliminated on disposals	—	—	(349)	(450)	(63)	—	(862)
At 30 June 2015	39,349	22,257	29,983	7,649	25,346	—	124,584
CARRYING AMOUNTS							
At 31 December 2012	36,672	4,518	4,838	4,888	9,754	54,454	115,124
At 31 December 2013	64,117	7,622	5,251	4,200	16,720	33,581	131,491
At 31 December 2014	76,349	13,508	6,474	3,419	16,889	18,415	135,054
At 30 June 2015	74,501	13,230	7,198	3,267	20,023	12,602	130,821

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease and 50 years
Leasehold improvements	4.5%–20%
Furniture, fixtures and office equipment	18%–20%
Motor vehicles	18%–25%
Plant, machinery and equipment	4%–18%

The carrying values of leasehold land and buildings shown above comprise:

	As at			
	As at 31 December			30 June
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
Medium-term leases in Hong Kong	5,111	4,967	4,802	4,720
Building erected on a land with medium lease term outside Hong Kong	31,561	59,150	71,547	69,781
	<u>36,672</u>	<u>64,117</u>	<u>76,349</u>	<u>74,501</u>

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group is in the process of obtaining title deeds from relevant government authorities for its leasehold land and buildings in the PRC amounting to nil, HK\$29,603,000, HK\$40,425,000 and HK\$39,774,000 respectively. In the opinion of the management of the Group, the Group is not required to incur additional costs in obtaining the title deeds for its leasehold land and buildings in the PRC.

As at 31 December 2013 and 2014 and 30 June 2015, the Group's leasehold land and buildings situated in Hong Kong amounting to HK\$4,967,000, HK\$4,802,000 and HK\$4,720,000 respectively, were pledged to a bank for general banking facilities granted to the Group.

13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold interest in land in the PRC held under medium-term lease, and are analysed for reporting purposes as follows:

	As at			
	As at 31 December			30 June
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
Non-current asset	33,125	33,289	32,306	31,848
Current asset	845	871	868	868
	<u>33,970</u>	<u>34,160</u>	<u>33,174</u>	<u>32,716</u>

14. INTEREST IN AN ASSOCIATE

	As at 31 December				As at 30 June	
	2012	2013	2014	2015	2012	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investment, at cost	178	178	178	178		
Share of post-acquisition translation reserve	17,195	21,178	20,698	20,657		
Share of post-acquisition profits, net of dividends received	142,525	147,640	158,691	167,883		
	159,898	168,996	179,567	188,718		

The following list contains only the particulars of an associate, which is an unlisted corporate, in the opinion of the management of the Group, which principally affected the results or assets of the Group:

List of associate	Form of business structure	Place of incorporation/operation	Proportion of nominal value of issued ordinary shares held by the Group				Proportion of voting power held by the Group				Principal activity	
			31 December				30 June					
			2012	2013	2014	2015	2012	2013	2014	2015		
CMW Holding	Limited liability company	Hong Kong	45%	45%	45%	45%	45%	45%	45%	45%	Investment holding	

CMW Holding was incorporated in Hong Kong in year 2000, so as to develop the PRC markets of paint coatings for housewares through its PRC subsidiaries.

The summarised financial information in respect of the Group's material associate, which is accounted for using the equity method, is set out below.

The summarised financial information below represents amounts shown in the associate's consolidated financial statements for each of the three years ended 31 December 2014 and the management accounts for the six months ended 30 June 2014 and 2015 prepared in accordance with HKFRSs.

CMW Holding and its subsidiaries

	As at 31 December				As at 30 June	
	2012	2013	2014	2015	2012	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	384,932	416,682	442,575	424,071		
Non-current assets	58,853	65,227	88,634	90,739		
Current liabilities	80,292	95,932	114,822	76,442		
Non-current liabilities	8,163	10,430	17,349	18,995		
Net assets	355,330	375,547	399,038	419,373		

	Six months ended				
	Year ended 31 December			30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Revenue	525,142	551,450	644,492	309,926	279,228
Profit for the year/period	48,875	66,367	64,558	40,649	30,427
Other comprehensive income (expense) for the year/period	40	8,851	(1,068)	(3,894)	(92)
Total comprehensive income for the year/period	48,915	75,218	63,490	36,755	30,335
The Group's share of profits of an associate for the year/period	21,994	29,865	29,051	18,292	13,692
The Group's share of other comprehensive income (expense) for the year/period	18	3,983	(480)	(1,752)	(41)
Dividends paid to the Group	22,500	24,750	18,000	9,000	4,500

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the Financial Information:

CMW Holding and its subsidiaries

	As at			
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Net assets of the associate	355,330	375,547	399,038	419,373
Proportion of the Group's ownership interest in CMW Holding	45%	45%	45%	45%
Carrying amount of the Group's interest in CMW Holding	159,898	168,996	179,567	188,718

15. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 9 July 2012, the Group entered into a sales and purchase agreement with a company wholly owned by Mr. Yuen, to dispose of land and building for an aggregate cash consideration of approximately HK\$5,885,000. The carrying amounts of the relevant prepaid lease payment and building with related leasehold improvements of approximately HK\$1,607,000 and HK\$2,425,000 respectively had been reclassified as assets classified as held for sale (the "Disposed Assets") on 9 July 2012, since the directors consider that the sale is highly probable to execute. As at 31 December 2012, the disposal was not yet completed and subject to filing process with the relevant PRC government authorities. The Group received HK\$2,948,000 as deposit for this transaction, which was classified as liabilities associated with assets classified as held for sale as at 31 December 2012.

On 23 May 2013, the disposal of land and building was completed with gain on disposal of HK\$14,368,000 and the relevant LAT charge of HK\$7,220,000 being recognised in the profit or loss. The fair value of the Disposed Assets was approximately RMB14,720,000 (equivalent to HK\$18,400,000). The fair value was determined by Asset Appraisal Limited ("AAL"), an independent qualified professional valuer not connected with the Group. The address of AAL is Room 802, 8/F, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong. The valuation was arrived at by reference to comparable market transactions for similar properties. The difference between the aggregate cash consideration and the fair value of the Disposed Assets of HK\$12,515,000 was recognised in equity as deemed distribution to shareholder during the year ended 31 December 2013, as it was regarded as involving a distribution of assets other than cash to an owner by making reference to the fair value of the assets distributed.

16. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the Relevant Periods:

	Difference between tax allowance and depreciation HK\$'000	Impairment losses on trade receivables HK\$'000	Total HK\$'000
At 1 January 2012, 31 December 2012, 2013, 2014 and 30 June 2015	47	115	162

At 31 December 2012, 2013 and 2014 and 30 June 2015, the Group had unused tax losses of approximately HK\$25,051,000, HK\$8,474,000, HK\$7,941,000 and HK\$11,291,000, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unused tax losses at the end of the reporting period will expire on 31 December of the following years:

	As at			
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
2013	6,245	—	—	—
2014	1,325	1,325	—	—
2015	1,505	1,505	249	—
2016	5,091	2,010	2,010	1,761
2017	10,885	3,634	3,634	3,634
2019	—	—	2,048	2,048
2020	—	—	—	3,848
	<hr/> 25,051	<hr/> 8,474	<hr/> 7,941	<hr/> 11,291

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Group has other deductible temporary differences of approximately HK\$4,252,000, HK\$4,294,000, HK\$4,272,000 and HK\$4,240,000, which are mainly arising from impairment losses of trade receivables. No deferred tax asset has been recognised in relation to such other deductible temporary differences as it is not probable that taxable profit will be available for offset against which the deductible temporary differences can be utilised.

The EIT Law imposes withholding tax upon the distribution of profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-PRC shareholders. As at 31 December 2012, 2013, 2014 and 30 June 2015, deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the Company's PRC subsidiaries amounting to approximately HK\$37,332,000, HK\$26,959,000, HK\$38,133,000 and HK\$39,106,000, respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

17. INVENTORIES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	22,096	27,801	22,086	21,790
Work in progress	4,064	4,797	4,853	5,480
Finished goods	3,854	3,867	4,969	5,036
	30,014	36,465	31,908	32,306

18. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	73,196	95,259	99,958	99,242
Bills receivables	5,901	7,837	6,989	4,328
Less: Impairment losses on trade receivables	(4,949)	(4,991)	(4,969)	(4,937)
Total trade and bills receivables	74,148	98,105	101,978	98,633
Other receivables	6,464	9,319	8,746	8,142
Total trade and other receivables	80,612	107,424	110,724	106,775

The Group allows credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of impairment losses presented based on the invoice date at the end of the reporting periods. For customers who used bank bills to settle their trade receivables upon the expiry of the initial credit period, the aged analysis of bills receivables at the end of the reporting periods was presented based on the date of issuance of the bills. All bills receivables will be matured within a period of 30 days to 180 days.

	Trade receivables				Bills receivables			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2012	2013	2014	2015	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0–30 days	40,673	35,460	35,278	38,563	1,172	3,437	1,826	—
31–60 days	16,447	22,488	24,241	26,237	1,048	2,050	1,643	1,088
61–90 days	7,286	17,622	17,445	15,326	988	1,097	—	—
Over 90 days	3,841	14,698	18,025	14,179	2,693	1,253	3,520	3,240
	68,247	90,268	94,989	94,305	5,901	7,837	6,989	4,328

As at 31 December 2012, 2013, 2014 and 30 June 2015, included in trade receivables, there were trade receivables due from subsidiaries of an associate of HK\$6,524,000, HK\$7,458,000, HK\$6,760,000 and HK\$7,026,000 respectively. As at 31 December 2013, 2014 and 30 June 2015, included in trade receivables, there were trade receivables due from a subsidiary of a non-controlling shareholder of HK\$2,566,000, HK\$7,159,000 and HK\$7,880,000 respectively.

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good track records with the Group.

As at 31 December 2012, 2013, 2014 and 30 June 2015, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$9,879,000, HK\$30,261,000, HK\$35,300,000 and HK\$29,263,000, respectively, which were past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
61–90 days	6,038	15,563	17,275	15,084
Over 90 days	3,841	14,698	18,025	14,179
	<u>9,879</u>	<u>30,261</u>	<u>35,300</u>	<u>29,263</u>

No interest is charged on the trade receivables. The Group has policy regarding impairment losses on trade receivables which is based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the current creditworthiness and the past collection history of each customer.

Movement in the impairment losses on trade receivables is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at the beginning of the year/period	5,153	4,949	4,991	4,969
Impairment losses (reversal of impairment loss) recognised	3,180	419	202	(32)
Amounts written off as uncollectible	(3,384)	(377)	(224)	—
Balance at the end of the year/period	<u>4,949</u>	<u>4,991</u>	<u>4,969</u>	<u>4,937</u>

As at 31 December 2012, 2013, 2014 and 30 June 2015, included in the impairment losses on trade receivables are individually impaired trade receivables with an aggregate balance of HK\$4,949,000, HK\$4,991,000, HK\$4,969,000 and HK\$4,937,000 respectively that are considered irrecoverable by management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the bank balances carry interest at prevailing market rate of 0.36%, 0.5%, 0.13% and 0.18% per annum, respectively.

20. TRADE AND OTHER PAYABLES

	As at			
	As at 31 December			30 June
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
Trade payables to third parties	26,965	28,964	26,356	29,937
Trade payable to a subsidiary of an associate	622	2,596	—	—
Accrued staff cost	12,738	11,366	11,227	8,934
Other payables and accruals	6,250	5,784	4,976	7,162
	46,575	48,710	42,559	46,033

The average credit period on purchases of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	Trade payables to third parties				Trade payable to a subsidiary of an associate				As at 30 June HK\$'000
	As at 31 December			30 June	As at 31 December			30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
0–30 days	17,775	18,595	17,168	22,585	596	2,350	—	—	
31–60 days	5,557	5,244	4,515	4,572	26	246	—	—	
61–90 days	1,476	2,906	2,449	1,006	—	—	—	—	
Over 90 days	2,157	2,219	2,224	1,774	—	—	—	—	
	26,965	28,964	26,356	29,937	622	2,596	—	—	

21. DERIVATIVE FINANCIAL INSTRUMENTS

On 3 December 2013, the Group entered into a share transfer agreement and a shareholder's agreement (the "Shareholder's Agreement") with Teknos Group Oy, an independent third party (the "Purchaser"). Pursuant to these agreements, the Group agreed to dispose of its 20% equity interest in Manfield Changzhou to the Purchaser at a cash consideration of approximately RMB10 million (or equivalent to approximately HK\$13 million) reducing the Group's equity interest in Manfield Changzhou to 60% upon completion. In addition, the Group has a right ("Put Option") to dispose of its further 40% equity interests in Manfield Changzhou at a consideration pre-described in the Shareholder's Agreement (the "Price") for a period of five years from the date of the Shareholder's Agreement. According to the Shareholder's Agreement, the Purchaser has a right ("Call Option") to acquire further 40% equity interests in Manfield Changzhou from the Group at the Price starting from the sixth years from the date of the Shareholder's Agreement (no definite period set out in the Shareholder's Agreement) if the Group does not exercise its right to dispose of its 40% equity interests in Manfield Changzhou during the first five years period.

At the date of further disposal of 40% equity interests in Manfield Changzhou, the Price is determined at the higher of (i) 40% of the net assets value of Manfield Changzhou plus a premium at the date of such further disposal or (ii) 6 times of earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the period of twelve months immediately before the date of such further disposal; or (iii) RMB20,500,000.

The Put Option and Call Option ("Options") are classified as derivative financial instruments at initial recognition.

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Options (liabilities) assets		(102)	965	1,113

The movement of the Options is set out below:

	HK\$'000
At 1 January 2012 and 31 December 2012	—
Granted during the year	(102)
Change in fair value	<u>—</u>
At 31 December 2013	(102)
Change in fair value	<u>1,067</u>
At 31 December 2014	965
Change in fair value	<u>148</u>
At 30 June 2015	<u>1,113</u>

The fair values of Options at the date of grant and at the end of the reporting period were determined by an independent valuer, AAL, using the Binominal Option Pricing Model. The inputs into the model are as follows:

	As at grant date	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
The Price	RMB20,500,000	RMB20,500,000	RMB23,739,155	RMB23,097,294
Equity value (note a)	RMB20,500,000	RMB20,500,000	RMB23,739,155	RMB23,097,294
Expected volatility (note b)	34.40%	32.75%	29.38%	32.05%
Time-to-maturity	5.00	4.92	3.92	3.43
Dividend yield	0%	0%	0%	0%
Risk-free rate (note c)	<u>4.37%</u>	<u>4.49%</u>	<u>3.50%</u>	<u>3.004%</u>

Notes:

- (a) As at grant date and 31 December 2013, the equity value was determined with reference to purchase price of the 20% equity interest in Manfield Changzhou under the share transfer agreement. As at 31 December 2014 and 30 June 2015, the equity value was determined with reference to net assets value of Manfield Changzhou plus a premium.
- (b) Expected volatility for the Options is based on the historical daily price movements of comparable listed companies in the same industry. The expected volatility has been adjusted, based on management's best estimate, for the effects of non-marketability, exercise restrictions and behavioural considerations.
- (c) The risk-free rate is determined by reference to the yield of China Government Bond with similar maturities.

The change in fair values of derivative financial instruments was insignificant between the grant date and 31 December 2013.

The directors of the Company have represented that they have no intention to exercise the Put Option within twelve months from the end of the reporting period. Accordingly the respective derivative financial instruments are classified as non-current liabilities as at 31 December 2013 and non-current assets as at 31 December 2014 and 30 June 2015 respectively.

22. AMOUNT DUE FROM A RELATED COMPANY AND AMOUNT DUE TO IMMEDIATE HOLDING COMPANY AND AMOUNT DUE TO A FELLOW SUBSIDIARY

The Group

Amount due from a related company

As at 31 December 2013, the amount represents receivable from a purchaser of Ants Logistics, which is a company owned and controlled by Mr. Yuen (see note 26(ii)). The amount is unsecured, non-interest bearing and repayable on demand. The amount has been fully settled during the year ended 31 December 2014.

Amount due to immediate holding company

The amount is unsecured, non-interest bearing and repayable on demand. The amount of HK\$20,000,000 will be repaid prior to the listing of the Company's shares on the Stock Exchange and the directors of the Company have represented that the remaining amount of HK\$11,399,000 would be waived upon the listing of the Company's shares on the Stock Exchange.

The Company

Amount due to a fellow subsidiary

The amount is unsecured, non-interest bearing and repayable on demand.

23. BANK BORROWING

	As at 31 December 2014 HK\$'000
Bank borrowing	<u>2,535</u>

As at 31 December 2014, the Group has variable-rate bank borrowing of RMB2,000,000 (equivalent to HK\$2,535,000), which is denominated in RMB and carried interest rate of 110% of Base Lending Rate stipulated by People's Bank of China. The effective interest rate of the Group's bank borrowing is 7.0% per annum. As at 31 December 2014, the Group's bank borrowing were supported by a corporate guarantee provided by Teknos Group Oy, a non-controlling shareholder of a subsidiary. During the six months ended 30 June 2015, the bank borrowing was fully settled.

24. SHARE CAPITAL

The Group

Share capital of the Group at 1 January 2012, 31 December 2012 and 2013 represented the issued share capital of Rookwood Investments. Share capital of the Group at 31 December 2014 and 30 June 2015 comprised the combined issued share capital of Rookwood Investments and the Company.

The Company

On 14 April 2014, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and registered with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon its incorporation, one subscriber share was allotted and issued to Mr. Yuen for cash at par.

25. ACQUISITION OF A SUBSIDIARY

On 30 October 2013, the Group entered into share transfer agreements with two independent third parties, pursuant to which the Group acquired 100% equity interest of Suzhou Kesite at an aggregate consideration of RMB3,500,000 (equivalent to HK\$4,408,000). The acquisition was completed on 20 December 2013, on that date the control in Suzhou Kesite was passed to the Group. Suzhou Kesite is principally engaged in trading of coatings. Suzhou Kesite was acquired so as to continue the expansion of the Group's paints operations.

Consideration transferred

	HK\$'000
Cash	<u>4,408</u>
Assets and liabilities recognised by the Group at the date of acquisition:	
	Acquiree's carrying amount and fair value HK\$'000
Property, plant and equipment	276
Inventories	3,123
Trade and other receivables	8,586
Bank balances and cash	197
Trade and other payables	(7,387)
Tax payable	<u>(387)</u>
	4,408

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$8,586,000 at the date of acquisition. At acquisition date, none of the contractual cash flows was not expected to be collected.

Net cash outflow arising on acquisition

	HK\$'000
Bank balances and cash acquired	197
Cash consideration paid	<u>(4,408)</u>
	(4,211)

Impact of acquisition on the results of the Group

No significant profit or loss and revenue were contributed by Suzhou Kesite for the period between the date of acquisition and 31 December 2013.

If the above acquisition had been completed on 1 January 2013, total Group's revenue and profit for the year ended 31 December 2013 would have been HK\$324,391,000 and HK\$63,376,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the above acquisition been completed on 1 January 2013, nor is it intended to be projection of future results.

26. PARTIAL DISPOSAL/DISPOSAL OF SUBSIDIARIES

(i) As disclosed in note 21, the Group has disposed of its 20% equity interest in Manfield Changzhou. The gross proceed on disposal of 20% equity interest in Manfield Changzhou of approximately HK\$13 million was received in cash and an amount of HK\$6,004,000 (being the proportionate share of the carrying amount of the net assets of Manfield Changzhou) has been transferred to non-controlling interests. The difference between the proportionate share of the carrying amount of the net assets of Manfield Changzhou and the consideration received, and after the reclassification of various reserves, has been debited to other reserve. The disposal was completed on 18 December 2013 and after the disposal, the Group's equity interest in Manfield Changzhou was reduced from 80% to 60%.

(ii) On 21 May 2013, the Group entered into a share transfer agreement with a related company (in which Mr. Yuen has control) and an independent third party to dispose of 100% equity interest in Ants Logistics at nil consideration. However, this related company and this independent third party have agreed to take up a payable of RMB1,500,000 (equivalent to HK\$1,872,000) which was due to the Group by Ants Logistics. The disposal was completed on 31 May 2013. Mr. Yuen holds 70% equity interests in Ants Logistics upon the completion of this disposal. The net liabilities of Ants Logistics at the date of disposal were as follows:

	HK\$'000
NET LIABILITIES OF ANTS LOGISTICS DISPOSED OF	
Property, plant and equipment	419
Bank balances and cash	81
Trade and other receivables	740
Trade and other payables	(204)
Amount due to the Group	(1,872)
Tax payable	<u>(6)</u>
Shareholder's contribution	<u>(842)</u>
CASH OUTFLOW ARISING ON DISPOSAL	
Bank balances and cash disposed of	<u>(81)</u>

27. COMMITMENTS

(a) Capital commitments

	As at 31 December				As at
	2012	2013	2014	2015	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital expenditure in respect of the acquisition of:					
Property, plant and equipment contracted for but not provided in the Financial Information	<u>23,815</u>	<u>15,963</u>	<u>1,319</u>	<u>1,226</u>	

(b) Other commitments

	As at			
	As at 31 December			30 June
	2012	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proposed purchase of land contracted for but not provided in the Financial Information (Note)	3,323	3,428	3,415	9,846

Note: On 10 September 2012, the Group entered into a sale and purchase agreement with a company owned by Mr. Yuen to acquire two pieces of land located in the PRC at an aggregate cash consideration of RMB3,367,000 (equivalent to HK\$4,154,000). Deposit of RMB673,000 (equivalent to HK\$831,000) was paid during the year ended 31 December 2012. The remaining balance of RMB2,694,000 was included as commitment as at 31 December 2012, 2013, 2014 and 30 June 2015, equivalent to HK\$3,323,000, HK\$3,428,000, HK\$3,415,000 and HK\$3,412,000 respectively. The purchase of these two pieces of land had not yet been completed up to 30 June 2015.

On 22 May 2015, the Group entered into a sale and purchase agreement with the People's Government of Luoyang Town, Wujin District, Changzhou City to acquire a piece of land located in the PRC at a cash consideration of RMB6,579,000 (equivalent to HK\$8,334,000). Deposit of RMB1,500,000 (equivalent to HK\$1,900,000) was paid with the remaining balance of RMB5,079,000 (equivalent to HK\$6,434,000) was included as commitment as at 30 June 2015.

28. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the each reporting period, the Group had contracted with subsidiaries of an associate for the following future minimum lease payments under non-cancellable operating leases in respect of rented office and factory premises which fall due as follows:

	As at			
	As at 31 December			30 June
	2012	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,593	1,699	901	409
In the second to fifth year inclusive	—	160	—	—
	1,593	1,859	901	409

Lease was negotiated and monthly rentals were fixed for term of one to two years.

During the Relevant Periods, Shenzhen Pinefield has failed to register (i) the lease contracts entered into with Champion Chemical; and (ii) the lease contracts entered into with a subsidiary of an associate. As advised by the Group's PRC legal advisor, the potential penalty for the failure of registration is approximately HK\$406,000. In the opinion of the directors, no provision has been made during the Relevant Periods as the amount involved is considered not significant.

The Group as lessee

At the end of the each reporting period, the Group had commitments for future minimum lease payments in respect of office and factory premises under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Within one year	638	257	181	1,362
In the second to fifth year inclusive	105	575	150	64
	<u>743</u>	<u>832</u>	<u>331</u>	<u>1,426</u>

Leases are negotiated and monthly rentals are fixed for term of one to two years.

29. RELATED PARTY TRANSACTIONS

During the Relevant Periods, other than trade receivables due from subsidiaries of an associate and a subsidiary of non-controlling shareholder, amount due from a related company, trade payable to a subsidiary of an associate, amount due to immediate holding company, disposal of land and building to a shareholder, guarantee provided by non-controlling shareholder of a subsidiary, disposal of a subsidiary to a related company, commitment of purchase of land from a shareholder and operating lease with subsidiaries of an associate as disclosed in notes 18, 22, 20, 15, 23, 26, 27(b) and 28 respectively, the Group also had the following transactions with its related parties:

Relationship	Nature of transactions	Six months ended				
		Year ended 31 December			30 June	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(unaudited)						
Subsidiaries of an associate	Sales of goods	12,723	12,420	9,279	4,265	4,318
	Subcontracting fee income	20,190	23,535	31,826	16,965	13,461
	Management fee income	6,472	6,981	7,659	2,749	2,542
	Rental income	1,482	1,615	1,766	545	818
	Transportation fee income	1,357	2,616	2,420	1,229	1,088
	Purchase of goods	8,985	10,375	3,525	1,458	1,780
	Royalty fee income	5,632	5,400	6,264	3,119	2,686
	Dividend received	<u>22,500</u>	<u>24,750</u>	<u>18,000</u>	<u>9,000</u>	<u>4,500</u>
A subsidiary of a non-controlling shareholder	Rental income	—	68	777	387	390
	Sales of goods	—	2,385	22,192	8,782	7,633
	Purchase of goods	—	—	561	238	508

As at 31 December 2013, 2014 and 30 June 2015, there is joint and several personal guarantee executed by Mr. Yuen and Ko Jack Lum to a bank for general banking facilities granted to the Group amounting to HK\$25,000,000, for which no charge was paid by the Group. No amount has been drawn as at 31 December 2013, 2014 and 30 June 2015.

Compensation of key management personnel

The remuneration of directors and Chief Executive, who represent the key management personnel of the Group, during the Relevant Periods were as follows:

	Year ended 31 December			Six months ended	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Short-term employee benefits	5,735	6,856	4,230	1,906	1,871
Post-employment benefits	304	316	329	163	171
	6,039	7,172	4,559	2,069	2,042

30. RETIREMENT BENEFITS SCHEMES

The Group participates in defined contribution schemes which are registered under the ORSO Scheme and the MPF Scheme established under the MPF Scheme Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group and the employees contributes 5% of relevant payroll costs to the scheme. The maximum monthly contribution by the Group is limited to HK\$1,000 per employee before 1 June 2012, HK\$1,250 per employee between the period of 1 June 2012 to 31 May 2014, and HK\$1,500 per employee since 1 June 2014.

The ORSO Scheme is funded by monthly contributions by the Group at 7% of the employee's basic salary.

There are no forfeited contributions at the end of the each reporting period which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable in future years.

Employees of the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 10% of the employee payroll to such scheme to fund the retirement benefits of the employees.

The pension scheme contributions for the directors and employees, which have been dealt with in the combined statement of profit or loss and other comprehensive income for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 is HK\$5,037,000, HK\$6,029,000, HK\$7,230,000, HK\$3,250,000 (unaudited) and HK\$4,613,000, respectively. No forfeited contributions have been applied to reduce the retirement benefits scheme contributions for the Relevant Periods.

31. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2013, part of the assigned payable in respect to the disposal of a subsidiary (as set out in note 26(ii)) of HK\$624,000 was not yet settled by a purchaser of Ants Logistics and stated in the combined statement of financial position as amount due from a related company as at 31 December 2013.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group review the capital structure on an on-going annual basis. As part of this review, the management of the Group consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at			
	As at 31 December		30 June	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
THE GROUP				
Financial assets				
Financial assets at fair value				
through profit or loss				
— Derivative financial instruments	—	—	965	1,113
Loans and receivables (including				
cash and cash equivalents)	207,902	162,198	183,267	194,547
Financial liabilities				
Financial liabilities at fair value				
through profit or loss				
— Derivative financial instruments	—	102	—	—
Amortised costs	76,751	78,137	74,242	73,907

THE COMPANY

As at 31 December 2014 and 30 June 2015, the Company has financial liability, carried at amortised cost of HK\$12,400,000 and HK\$14,343,000 respectively, which is repayable on demand.

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, bank balances and cash, amount due from a related company, trade and other payables, amount due to immediate holding company, bank borrowing, derivative financial instruments and amount due to a fellow subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(i) Market risk

Currency risk

Several subsidiaries of the Company have foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting periods, the carrying amounts of the relevant group entities' foreign currency denominated monetary liabilities recognised in the Financial Information are as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars ("US\$")	77	178	178	179
Euro ("EUR")	355	351	7	—

The carrying amounts of foreign currency denominated intra-group balances which have been eliminated in the Financial Information of which the functional currency of the relevant entity is RMB at the end of the reporting periods are as follows:

	Amounts due to group entities			As at 30 June	
	As at 31 December	2012	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
HK\$		7,505	21,371	1,668	10,018

Sensitivity analysis

As HK\$ is pegged with US\$ and the carrying amount of the EUR denominated liabilities are insignificant, the Group's currency risk in relation to foreign currency denominated monetary liabilities is expected to be minimal. Therefore, the following sensitivity analysis does not include the effect between US\$ and HK\$, and EUR and HK\$.

The following sensitivity analysis includes only intra-group HK\$ balances and adjusts its translation at the period end for a 10% change in HK\$ rates against RMB. A positive number below indicates an increase in the post-tax profit for the year where HK\$ weakening 10% against RMB. For a 10% strengthen of HK\$ against RMB there would be an equal and opposite impact on the result for the year/period.

	Six months ended			30 June	
	Year ended 31 December	2012	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Increase in post-tax profit for the year/period		562	1,603	125	751
HK\$					

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's bank balances as well as variable-rate bank borrowing (see note 23 for details of the borrowing). It is the Group's policy to keep its borrowing at floating rates of interest so as to minimise the fair value interest rate risk.

The Group currently does not have interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Base Lending Rate stipulated by People's Bank of China arising from the Group's variable-rate bank borrowing.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank balances and bank borrowing outstanding at the end of the reporting period were outstanding for the whole period.

A 10 basis points for bank balances and 50 basis points for bank borrowing increase or decrease is used during the Relevant Periods, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 10 basis points or 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 would be:

	Six months ended				
	Year ended 31 December	2012	2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase/decrease		111	52	57	40

Other price risk

The Group is exposed to other price risk in respect of the derivative financial instruments (details set out in note 21) in relation to the disposal of further 40% equity interests in Manfield Changzhou. The management of the Group would manage its exposure arising from these derivative financial instruments by closely monitoring the change in fair value of the derivatives.

No sensitivity analysis is presented in the Financial Information as in the opinion of the management of the Group, no significant changes in the fair value of the derivatives are expected.

(ii) Credit risk

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the maximum exposure to credit risk of the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to manage its credit risk, management of the Group has a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Credit sales of products are only made to customers with good repayment history. In addition, the Group reviews the recoverable amount of individual debt on an on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts.

Impairment loss of HK\$3,180,000, HK\$419,000, HK\$202,000, nil (unaudited) and reversal of HK\$32,000 in respect of the trade receivables was recognised by the Group for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2014 and 2015 respectively.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good reputation and the Group has limited exposure to any single financial institution.

(iii) *Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

As at 31 December 2013 and 2014 and 30 June 2015, the Group has available unutilised general banking facilities of HK\$25,000,000 supported by a joint and several personal guarantee provided by Mr. Yuen and Ko Jack Lum. As at 31 December 2013 and 2014 and 30 June 2015, no amount was being utilised by the Group.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities which has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

	Effective interest rate	On demand or less than 1 month	1-3 months	Total undiscounted cash flow	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2012					
Non-derivative financial liabilities					
Trade and other payables	—	21,921	23,431	45,352	45,352
Amount due to immediate holding company	—	31,399	—	31,399	31,399
		53,320	23,431	76,751	76,751
As at 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	—	25,511	21,227	46,738	46,738
Amount due to immediate holding company	—	31,399	—	31,399	31,399
		56,910	21,227	78,137	78,137
As at 31 December 2014					
Non-derivative financial liabilities					
Trade and other payables	—	19,501	20,807	40,308	40,308
Amount due to immediate holding company	—	31,399	—	31,399	31,399
Bank borrowing	7.0	2,535	—	2,535	2,535
		53,435	20,807	74,242	74,242
As at 30 June 2015					
Non-derivative financial liabilities					
Trade and other payables	—	32,482	10,026	42,508	42,508
Amount due to immediate holding company	—	31,399	—	31,399	31,399
		63,881	10,026	73,907	73,907

As at 31 December 2014, bank borrowing with a repayment on demand clause amounted to HK\$2,535,000. Taking into account the Group's financial position, management does not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. Management of the Group believes that such bank borrowing of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK\$2,579,000.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowing based on the scheduled repayment dates set out in the bank borrowing agreement as set out in the table below:

	Effective interest rate %	On demand or less than 1 months		Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
		1 months HK\$'000	1-3 months HK\$'000		
Bank borrowing:					
As at 31 December 2014	7.0	—	2,579	2,579	2,535

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

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

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

Financial assets/ financial liabilities	Fair value as at 31 December 2013	Fair value as at 31 December 2014	Fair value as at 30 June 2015	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Options classified as derivative financial instruments	Liabilities — HK\$102,000	Assets — HK\$965,000	Assets — HK\$1,113,000	Level 3	Binomial Option Pricing Model	Equity value of Manfield Changzhou, the Price and expected volatility

The key inputs are
risk-free interest
rate, equity value
of Manfield
Changzhou,
expected volatility,
dividend yield and
the Price.

There were no transfers between Level 1 and 2 during Relevant Periods.

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	HK\$'000
At 1 January 2013	—
Granted during the year	<u>(102)</u>
At 31 December 2013	(102)
Change in fair value — unrealised	<u>1,067</u>
At 31 December 2014	965
Change in fair value — unrealised	<u>148</u>
At 30 June 2015	<u><u>1,113</u></u>

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, where Level 1 inputs are not available, the management of the Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The qualified external valuers were engaged to perform the valuations of the options required for financial reporting purposes, including Level 3 fair value measurements of derivative financial instruments. Information about the valuation techniques and inputs used in determining the fair value of derivative financial instruments are disclosed above and in note 21.

(d) Fair value of the group's financial assets and financial liabilities that are measured at amortised cost

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

34. RESERVE OF THE COMPANY

	Accumulated losses HK\$'000
At 14 April 2014 (date of incorporation)	—
Loss and total comprehensive expense for the period	<u>12,400</u>
At 31 December 2014	12,400
Loss and total comprehensive expense for the period	<u>1,943</u>
At 30 June 2015	<u><u>14,343</u></u>

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group and detailed as below.

(i) Dividends

On 4 August 2015, Rookwood Investments declared and paid an interim dividend of HK\$1,000 per share amounting to HK\$10,000,000 in aggregate to its shareholders.

(ii) Reorganisation

On 6 November 2015, the Reorganisation set out in note 1 was completed.

(iii) Increase of authorised and issued share capital

On 6 November 2015, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares of HK\$0.01 each.

Pursuant to the written resolution passed by the sole shareholder of the Company on 6 November 2015 conditional upon the share premium account of the Company being credited as a result of the global offering and listing of the Company's shares on the Stock Exchange, the directors of the Company were authorised to capitalise the amount of HK\$4,499,999 from the amount standing to the credit of the share premium account of the Company to pay up in full at par of 449,999,900 shares for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 6 November 2015, pro-rata to their then existing shareholdings in the Company.

(C) DIRECTORS' EMOLUMENTS

Under the arrangement presently in force, the aggregate amount of the directors' remunerations (excluding discretionary bonus) for the year ending 31 December 2015 is estimated to be approximately HK\$4.3 million.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, any of its subsidiaries or the Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report on the financial information of the Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only and is set out in this appendix to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2015, as if the Share Offer had taken place on such date.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2015 or any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2015 as set out in the Accountants' Report contained in Appendix I to this prospectus, and adjusted as described below.

Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2015	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share
HK\$'000	HK\$'000	HK\$'000	HK\$
(Note 1)	(Note 2)	(Note 3)	(Note 4)
Based on Offer Price	<u>494,783</u>	<u>136,043</u>	<u>630,826</u>
			1.05

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2015 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds to be received by the Company from the Share Offer are based on 150,000,000 Shares at the Offer Price of HK\$1.00 per Offer Share, after deduction of the total estimated underwriting commissions and fees and other related expenses (excluding approximately HK\$14,543,000 listing expenses which has been accounted for up to 30 June 2015) paid or payable by the Company, and takes no account of any Shares which may be issued or repurchased by the Company under the general mandates for issue or repurchase of Shares.

3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take into account the effect of the trading result generated by the Group subsequent to 30 June 2015.
4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 600,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 30 June 2015.
5. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take into account of (i) interim dividend of HK\$10 million in total declared and paid by a subsidiary of the Company to its then shareholders (before the completion of the reorganisation) on 4 August 2015; (ii) special dividend of HK\$10 million in total to be declared by the Company to its then Shareholders in November 2015; and (iii) partial repayment of HK\$20 million to be paid by the Company to its then immediate holding company with the remaining balance of HK\$11.4 million to be waived ("Waiver of Shareholder's Loan") upon listing. Had the interim dividend, special dividend and Waiver of Shareholder's Loan been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would be HK\$1.04 per share (assuming an Offer Price of HK\$1.00 per Offer Share).
6. By comparing the valuation of our property interests as set out in Appendix III to this prospectus which have been assigned commercial value, there is a valuation surplus (please refer to the paragraph headed "Property Interests and Property Valuation" of the section headed "Financial Information" of this prospectus for more information) as compared to the carrying amounts of the relevant property interests as at 30 September 2015, which has not been included in the above unaudited pro forma adjusted combined net tangible assets of the Group. The valuation surplus of the property interests will not be incorporated in the financial statements of the Group in the future. If the valuation surplus were to be included in the financial statements of the Group, an additional annual depreciation and amortisation charge of approximately HK\$2.4 million would be incurred.

(B) ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is the text of an assurance report received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF MANFIELD CHEMICAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Manfield Chemical Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 30 June 2015 and related notes as set out in section (A) of Appendix II to the prospectus issued by the Company dated 17 November 2015 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in section (A) of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing and public offer (“Share Offer”) on the Group’s financial position as at 30 June 2015 as if the Share Offer had taken place at 30 June 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 17 November 2015

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 September 2015 of the property interests held by the Group.



Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

17 November 2015

The Board of Directors
Manfield Chemical Holdings Limited

Dear Sirs,

Re: Valuation of property interests situated in Hong Kong and the People's Republic of China (the "PRC")

In accordance with the instructions of **Manfield Chemical Holdings Limited** (the "Company") to value the property interests (the "Properties") held by the Company and its subsidiaries (altogether referred to as the "Group") situated in Hong Kong and the PRC, we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 30 September 2015 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect their ownership.

Further, we have relied upon the legal opinion provided by the PRC legal advisers, namely ETR Law Firm (廣東廣信君達律師事務所) (the "PRC Legal Opinion"), to the Company on the relevant laws and regulations in the PRC, on the nature of leasehold interests in the property situated in the PRC. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

The Properties have been valued by the comparison method where comparison was based on price information of comparable properties. Comparable properties of similar size, character and location have been analysed and carefully selected of each property in order to arrive at a fair comparison of capital values.

Due to the non-assignable nature of the Property numbered 4 and the short term nature of the leases of the Properties numbered 5 and 6, the Group's interests in these properties have no commercial value.

The "Depreciated Replacement Cost" approach is adopted to measure the value of Property numbered 2. It is a method of using the replacement costs of the building and site works of the properties as prevailing on the valuation date to arrive at the value to the business in occupation of the properties as existing. This method of valuation requires an estimate of the new replacement cost of the buildings and other site works, from which deductions are then made to allow for age, condition, functional obsolescence, etc. Direct comparison method has been adopted to measure the capital value of the land portion of the concerned property.

The Groups' interests in those Properties rented by it have no commercial value due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

For Properties that are held by the owners by means of long term Land Use Rights granted by the PRC government, we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the respective unexpired terms of the land use rights.

Unless stated as otherwise, we have assumed that the owners of the Properties have the right to sell, mortgage, charge or otherwise dispose of the Properties to any person without payment of any additional premium or substantial fee to government authorities.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

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

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were inspected by Yang Jun Hao and other colleagues on between 6 January 2014 and 25 August 2015. We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

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

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

We have valued the properties in Hong Kong Dollars (HK\$). The conversion of Renminbi (RMB) into (HK\$) is based on the factors of RMB0.8224 to HK\$1.00 with reference to the prevailing exchange rate on the valuation date.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Sandra Lau
MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, Macau and the PRC.

Property	Market value in existing state as at 30 September 2015	Interest attributable to the Group as at 30 September 2015	Value of property interest attributable to the Group as at 30 September 2015	
			%	2015
Group I — Properties held by the Group for self-occupation				
1. Factory Unit K and L on 5/F, Factory Unit E, G, H and K on 6/F, Factory Unit on E, H, I, J, K and L on 9/F and Car Park L1 and P8 on 1/F On Wah Industrial Building, Nos. 41–43 Au Pui Wan Street Shatin, New Territories	HK\$47,700,000	100%	HK\$47,700,000	
2. Land and building located in Dajing, Sanjing Village, Zhongxin Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC	RMB80,400,000	100%	RMB80,400,000 (equivalent to approximately HK\$97,800,000)	
Group II — Properties held by the Group for investment				
3. Factory Unit C and D on 6/F, On Wah Industrial Building, Nos. 41–43 Au Pui Wan Street, Shatin, New Territories.	HK\$4,800,000	100%	HK\$4,800,000	
Group III — Properties rented by the Group for self-occupation				
4. Land and building located in No. 1–9, Luoyang Town Industrial District, Wujin District, Changzhou City, Jiangsu Province, the PRC	No commercial value	60%	No commercial value	
5. Factory Unit L on 6/F, On Wah Industrial Building, Nos. 41–43 Au Pui Wan Street, Shatin, New Territories	No commercial value	100%	No commercial value	
6. Land and building located in Bai Long Gang, Shang Shan Men Village, Song Gang Town, Baoan District, Shenzhen City, Guangdong Province, the PRC	No commercial value	100%	No commercial value	
Total	HK\$150,300,000		HK\$150,300,000	

VALUATION CERTIFICATE

Group I — Properties held by the Group for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015
1. Factory Unit K and L on 5/F, Factory Unit E, G, H and K on 6/F, Factory Unit on E, H, I, J, K and L on 9/F and Car Park L1 and P8 on 1/F On Wah Industrial Building Nos. 41-43 Au Pui Wan Street Shatin, New Territories.	The property comprises 12 industrial units and 2 car parking spaces on various floors within a 17-storey industrial building completed in about 1981. The total gross floor area and saleable floor area of the property are 12,948 and 9,811 square feet or thereabout respectively.	The property is occupied by the Group for office and industrial use.	HK\$47,700,000
58/962nd shares of and in Sha Tin Town Lot No.70	The land use rights of the property have been granted for a term of 99 years commencing on 1 July 1898 and has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.		

Notes:

1. The registered owner of the property is Manfield Coatings Company Limited, a wholly-owned subsidiary of the Company.
2. Deed of Mutual Covenant of the subject development is registered vide memorial no. ST201978 dated 17 July 1981.
3. Portion of the property including Unit K and L on 5th Floor, Unit G and K on 6th Floor and Car Par L1 on 1st Floor together with property no. 3 is subject to legal charge/mortgage in favour of Standard Chartered Bank (Hong Kong) Limited registered vide memorial no. 13080101260143 dated 10 July 2013.
4. The property lies within an area zoned “Industrial” under Shatin Outline Zoning Plan No. S/ST/31.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015
2. Land and building located in Dajing, Sanjing Village, Zhongxin Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市增城區中新鎮三徑村大逕(土名)廠房)	<p>The property comprises a parcel of industrial land with an area of 66,631 square metres on which two 4-storey office buildings, two single storey (with cockloft) industrial buildings and four single-storey warehouse buildings with three single-storey ancillary buildings were completed in about 2014.</p> <p>According to the Construction Works Commencement Permit of the property, the total permitted gross floor area of the property is 14,618 square metres or thereabout.</p> <p>The land use rights of the property have been granted for a term expiring on 30 December 2054 for industrial use.</p>	<p>The property is occupied by the Group for industrial use.</p>	RMB80,400,000 (equivalent to approximately HK\$97,800,000)

Notes:

- As revealed from a State-owned Land Use Rights Certificate (Ref: Zeng Guo Yong (2010) Di No. B0600195 (增國用(2010)第B0600195號)) dated 18 June 2010, the land use rights in the subject land with an area of 66,631 square metres are held by Springfield Chemical (Guangzhou) Company Limited (廣州源輝化工有限公司), a wholly-owned subsidiary of the Company, for a land use right term expiring on 30 December 2054 for industrial use.
- As revealed by a Planning Permit of Construction Land (建設用地規劃許可證) (Ref: Di Zi Di No. 440183201000054) issued by the Zengcheng City Urban and Rural Planning Bureau (增城市城鄉規劃局) on 30 May 2010, the town planning use of the subject land parcel is Industrial (Type 2, 二類工業).
- As revealed by 8 sets of Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Jian Zi Di Nos. 440183201100057 to 440183201100064) all dated 24 February 2011 and another set of Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Jian Zi Di No. 440183201100215) dated 1 June 2011 issued by the Zengcheng City Urban and Rural Planning Bureau (增城市城鄉規劃局), the development of the subject buildings (including two single storey (with cockloft) factory building, four single-storey warehouse buildings, two 4-storey office buildings and three single-storey ancillary buildings) with a total gross floor area of approximately 14,582 square metres has been approved.
- As revealed by a Construction Works Commencement Permits (建築工程施工許可證) (Ref: No. 440125201111140301) issued by the Zengcheng City Construction Bureau (增城市建設局) on 14 November 2011, the construction work for the aforesaid buildings with a total gross floor area of 14,618 square metres has been approved.
- As per our site inspection of the property, the construction work for the subject buildings has been completed and the buildings were being occupied by the owner as a production base. As confirmed by the Company, Building Ownership Certificate of the subject buildings has not yet been issued. Our valuation has been made on the assumption that the owner shall have no legal impediment and subject to no substantial costs for obtaining Building Ownership Certificate for the property.

6. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Certificate	:	Yes
Building Ownership Certificate	:	Not yet issued
Planning Permit of Construction Land	:	Yes
Planning Permit of Construction Work	:	Yes
Construction Works Commencement Permits	:	Yes

7. No environmental impact assessment has been carried out for the property. As confirmed by the Company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.

8. The opinion from the PRC legal adviser of the Company on the property is as follows:

- i. According to the Planning Permit of Construction Land (建設用地規劃許可證) (Ref: Di Zi Di No. 440183201000054) issued by the Zengcheng City Urban and Rural Planning Bureau (增城市城鄉規劃局) on 30 May 2010, the subject land with an area of approximately 66,631 square metres is permitted for Type 2 Industrial use.
- ii. According to a State-owned Land Use Rights Certificate (Ref: Zeng Guo Yong (2010) No. B0600195 (增國用(2010)第B0600195號)) dated 18 June 2010, the land use rights of the subject land with an area of 66,631 square metres are held by Springfield Chemical (Guangzhou) Company Limited for a term expiring on 30 December 2054 for industrial use.
- iii. According to 8 sets of Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Jian Zi Nos. 440183201100057 to 440183201100064) dated 24 February 2011 and another set of Planning Permit of Construction Work (Ref: Jian Zi No. 440183201100215) dated 1 June 2011 issued by the Zengcheng City Urban and Rural Planning Bureau (增城市城鄉規劃局), the development of two single storey (with cockloft) factory building, four single-storey warehouse buildings, two 4-storey office buildings and three single-storey ancillary buildings of the property with a total gross floor area of approximately 14,582 square metres has been approved.
- iv. According to a Construction Works Commencement Permits (建築工程施工許可證) (Ref: No. 440125201111140301) issued by the Zengcheng City Construction Bureau (增城市建設局) on 14 November 2011, the construction work by Springfield Chemical (Guangzhou) Company Limited for the aforesaid buildings with a gross floor area of 14,618 square metres has been approved.
- v. In accordance with Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), the construction works completion examination of the aforesaid buildings has been carried out by Springfield Chemical (Guangzhou) Company Limited with parties responsible for design, construction, inspection and supervisory on 14 November 2011.
- vi. Pursuant to the aforesaid State-owned Land Use Rights Certificate, Springfield Chemical (Guangzhou) Company Limited is the sole-owner of the subject land of the property and has right to occupy, use, benefit from and dispose the land parcel.
- vii. Springfield Chemical (Guangzhou) Company Limited has obtained Planning Permit of Construction Land, Planning Permit of Construction Work and Construction Works Commencement Permits for constructing and carrying out manufacturing and business activities with the subject buildings. The land use and building construction of the property have complied with the town planning requirements. All necessary statutory consents for the construction of the subject buildings have been obtained. Therefore, Springfield Chemical (Guangzhou) Company Limited has completed all necessary statutory procedures in accordance with the requirements of Planning Permit of Construction Land, Planning Permit of Construction Work and Construction Works Commencement Permits for developing the property. The construction costs settlement accounts and work completion examination has been completed. According to the announcement of Guangzhou Real Estate Trading and Registration Centre, upon submission of all necessary documents and

payment of all tax and levies, Springfield Chemical (Guangzhou) Company Limited shall have no legal impediment in obtaining Building and Land Ownership Certificate for the property within 30 days from the date of obtaining the return receipt.

viii. As confirmed by the Company, the application has been submitted by Springfield Chemical (Guangzhou) Company Limited and has been accepted by relevant authorities. Preliminary estimates are that Springfield Chemical (Guangzhou) Company Limited will obtain the Building Ownership Certificates before 31 December 2015. There exists no risk for Springfield Chemical (Guangzhou) Company Limited to be penalized for using the land.

ix. Based on the PRC Lawyer's enquiry to the Zengcheng Land Resource and Property Administration Bureau (增城市國土資源和房屋管理局) on 23 September 2015 and confirmation from the Company, the subject land parcel under the State-owned Land Use Rights Certificate (Ref: Zeng Guo Yong (2010) No. B0600195) was not registered with any mortgage, charge, any encumbrance and court closure order.

9. The conversion of Renminbi (RMB) into (HK\$) is based on the factors of RMB0.8224 to HK\$1.00 with reference to the prevailing exchange rate on the valuation date.

VALUATION CERTIFICATE

Group II — Properties held by the Group for investment

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015
3. Factory Unit C and D on 6/F, On Wah Industrial Building, Nos. 41–43 Au Pui Wan Street, Shatin, New Territories. 8/962nd shares of and in Sha Tin Town Lot No. 70	<p>The property comprises 2 industrial units on the 6th floor within a 17-storey industrial building completed in about 1981.</p> <p>The total gross floor area and saleable floor area of the property are 1,349 and 1,022 square feet or thereabout respectively.</p> <p>The land use rights of the property have been granted for a term of 99 years commencing on 1 July 1898 and has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	<p>The property is subject to a tenancy for a term of 1 year commencing on 1 July 2015 and expiring on 30 June 2016 at a monthly rent of HK\$20,000 inclusive of rate, Government Rent and management fees.</p>	HK\$4,800,000

Notes:

1. The registered owner of the property is Manfield Coatings Company Limited, a wholly-owned subsidiary of the Company.
2. Deed of Mutual Covenant of the subject development is registered vide memorial no. ST201978 dated 17 July 1981.
3. The property together with portion of property no. 1 including Unit K and L on 5th Floor, Unit G and K on 6th Floor and Car Par L1 on 1st Floor is subject to legal charge/mortgage in favour of Standard Chartered Bank (Hong Kong) Limited registered vide memorial no. 13080101260143 dated 10 July 2013.
4. The property lies within an area zoned “Industrial” under Shatin Outline Zoning Plan No. S/ST/31.

VALUATION CERTIFICATE

Group III — Properties rented by the Group for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015
4. Land and building located in No. 1-9, Luoyang Town Industrial District, Wujin District, Changzhou City, Jiangsu Province, the PRC (中國江蘇省常州市武進區洛陽鎮工業區1-9號廠房)	<p>The property comprises two adjacent parcels of land with a total area of 29,333.48 square metres on which one 2-storey and eight single-storey industrial buildings were completed in between 2007 and 2014.</p> <p>The total gross floor area of the property is 7,769.96 square metres or thereabout.</p> <p>As confirmed by the Company, the subject land parcel is held under the Collectively-owned Land Use Right Leasing Agreement dated 13 November 2013 for a lease term of 20 years expiring on 12 November 2033 (renewable for further terms of not more than 30 years in total) at a current annual rental of RMB3 per square metre.</p>	The property is occupied by the Group for industrial use.	No commercial value

Notes:

1. The opinion from the PRC legal adviser of the Company on the property is as follows:
 - i. On 18 November 2006, Taike Chemical (Changzhou) Company Limited (常州市泰克化工有限公司) and Changzhou Luoyang Industrial Zone Development Limited (常州洛陽工業集中區發展有限公司) entered into a Land Use Right Agreement (土地使用權協議書), by virtue of which the subject land with an area of 44 Chinese mu (approximately 29,333.5 square metres) was leased by Changzhou Luoyang Industrial Zone Development Limited to Taike Chemical (Changzhou) Company Limited for a term of 50 years commencing from the date of the Land Use Right Agreement at an annual rent of RMB1 per square metre plus a lump-sum costs of RMB700,000 (as compensation for the existing plantation and structures on the land parcel and land formation costs). A Land Use Right Certificate has been issued to portion of the subject land with an area of 32.14 Chinese mu (Land Parcel 1), while another portion with an area of 8.6 Chinese Mu has not been issued with any certificate (Land Parcel 2) and the remaining portion with an area of 3.26 Chinese mu is recognized as common area.
 - ii. On 18 December 2006, Taike Chemical (Changzhou) Company Limited and the Villagers' Committee of Tanjiatou Village Luoyang Town Wujin District (武進區洛陽鎮談家頭村民委員會) entered into a Collectively-owned Land Use Right Leasing Agreement (集體土地使用權租賃合同), by virtue of which the subject land parcel with an area of 21,408 square metres was leased from the Villagers' Committee of Tanjiatou Village Luoyang Town Wujin District to Taike Chemical (Changzhou) Company Limited for a term of 10 years commencing from the date of the leasing agreement at an annual rent of RMB64,224. The lease term is renewable upon expiry.
 - iii. A Collective Land Use Rights Certificate (集體土地使用權證, Ref: We Ji Yong (2006) No. 1206421 (武集用(2006)第1206421號)) was issued by the Changzhou City Wujin District Municipal Government (常州市武進區人民政府) on 27 December 2006. As mentioned in the certificate, the land use rights of the subject land parcel with an area of 21,424.4 square metres are held by Taike Chemical (Changzhou) Company Limited for industrial use.

- iv. On 2 April 2007, Manfield Teknos (Changzhou) Chemical Company Limited (萬輝泰克諾斯(常州)化工有限公司), formerly known as Manfield Chemical (Changzhou) Company Limited (常州萬輝化工有限公司), a 60%-owned subsidiary of the Company, and Taike Chemical (Changzhou) Company Limited entered into an Agreement for Change of User of Land Use Rights (土地使用權用途權屬變更協議書), by virtue of which the subject land parcel with an area of 21,424.4 square metres was transferred from Taike Chemical (Changzhou) Company Limited to Manfield Teknos (Changzhou) Chemical Company Limited. The land transfer was approved by the Changzhou City Wujin District Municipal Government on 2 April 2007 and a Collectively-owned Land Use Rights Certificate (集體土地使用權證) (Ref: Wu Ji Yong (2007) Di No. 1201729 (武集用(2007)第1201729號)) was issued in name of Manfield Chemical (Changzhou) Company Limited on the same date.
- v. For rectifying the Land Use Right Agreement (mentioned in note 1 above) after the aforesaid land transfer by which the land parcel was transferred from Taike Chemical (Changzhou) Company Limited to Manfield Teknos (Changzhou) Chemical Company Limited, Manfield Teknos (Changzhou) Chemical Company Limited entered into a Land Use Right Agreement with Changzhou Luoyang Industrial Zone Development Limited on 17 January 2008 by virtue of which Changzhou Luoyang Industrial Zone Development Limited acted for Manfield Chemical (Changzhou) Company Limited to acquire the subject land parcel (with an area of 44 Chinese mu of which 8% area accounting for the sharing of common area) from the original owner (Tanjiatou Village) for the purpose of industrial development by Manfield Teknos (Changzhou) Chemical Company Limited. Changzhou Luoyang Industrial Zone Development Limited committed to provide Manfield Chemical (Changzhou) Company Limited with the subject land with a land use right term of 50 years commencing from the date of the original Land Use Right Agreement and in return Manfield Teknos (Changzhou) Chemical Company Limited shall settle an amount equivalent to the prevailing market price of 900 catty (斤) of rice to the original land owner on the 30th day of December every year, an annual land use fee calculated at RMB1 per square metres of land area and an one-off initial compensation and land formation costs of RMB700,000 to Changzhou Luoyang Industrial Zone Development Limited. The aforesaid one-off initial compensation and land formation costs of RMB700,000 has been settled in full. Since 18 November 2006, the Land Use Right Agreement entered into between Changzhou Luoyang Industrial Zone Development Limited and Taike Chemical (Changzhou) Company Limited has ceased to be effective.
- vi. On 13 November 2013, Manfield Teknos (Changzhou) Chemical Company Limited submitted an application to the Villagers' Committee of Tanjiatou Village Luoyang Town Wujin District for the execution of Collectively-owned Land Use Rights Leasing Agreement (集體土地使用權租賃合同) with a lease term of 20 years expiring on 12 November 2033 (renewable for further terms of not more than 30 years). The application was accepted by the Villagers' Committee of Tanjiatou Village Luoyang Town Wujin District and a Collectively-owned Land Use Rights Leasing Agreement was executed by both parties on the same date accordingly. Pursuant to the Collectively-owned Land Use Rights Leasing Agreement, the subject land with an area of 21,408 square metres was leased by the Villagers' Committee of Tanjiatou Village Luoyang Town Wujin District to Manfield Teknos (Changzhou) Chemical Company Limited for a provisional term of 20 years commencing from the agreement date (i.e. 13 November 2013) at an annual land rent of RMB64,224. The lease term is renewable upon expiry.
- vii. As the name of Manfield Chemical (Changzhou) Company Limited has been changed to Manfield Teknos (Changzhou) Chemical Company Limited, the aforesaid Collectively-owned Land Use Rights Certificate (as mentioned in note iv above) should be update. On 28 August 2014, a new Collectively-owned Land Use Rights Certificate (Ref: Wu Ji Yong (2014) No.00178) has been issued, by virtue of which the land use rights of the property with a site area of 21,424.40 square metres were held by Manfield Teknos (Changzhou) Chemical Company Limited for industrial use.
- viii. For the buildings erected on the Land Parcel 1, as revealed from a PRC Rural Building Ownership Certificate (中華人民共和國村鎮房屋所有權證, Ref: Chang Fang Quan Zheng Wu Zi Di No. 07001713 (常房權證武字第07001713號)) dated 10 July 2007 issued by the Changzhou City Wujin District Municipal Government, 9 blocks of single to 2-storey buildings of the property with a total gross floor area of 7,769.96 square metres are held by Manfield Teknos (Changzhou) Chemical Company Limited.

- ix. As the name of Manfield Chemical (Changzhou) Company Limited has been changed to Manfield Teknos (Changzhou) Chemical Company Limited, a new Rural Building Ownership Certificate (Ref: Chang Fang Quan ZhenWu Zi No.00705958) has been issued on 21 July 2014, by virtue of which the buildings of the property with a total gross floor area of 7,769.96 square metres were held by Manfield Teknos (Changzhou) Chemical Company Limited for industrial use.
- x. As confirmed by the Company, construction works including a factory building and a warehouse have been carried out on the Land Parcel 2.
- xi. According to the Rural Planning Permit for Construction Work (村鎮建設工程規劃許可證, Ref no. 001252) and the Construction Works Commencement Permits (Ref: 320483201011100201) both issued by the Changzhou Wujin District Housing and Construction Bureau (常州市武進區住房和城鄉建設局) to Manfield Teknos (Changzhou) Chemical Company Limited on 11 June 2010 and 10 November 2010 respectively, the construction of the 2-storey factory building and the single-storey warehouse building of the property with respective gross floor areas of approximately 1,386 and 364.5 square metres have been approved. As mentioned in the Construction Works Commencement Permits, the contracted work commencement date is 26 December 2010. On 22 May 2014, the Rural Planning Permit for Construction Work (Ref: Jian Zi No.320400201470070) has been renewed upon completion of the development, by virtue of which the total gross floor area of the construction work is 1,759.07 square metres.
- xii. According to the aforesaid Collectively-owned Land Use Rights Certificate (集體土地使用權證) (Ref: Wu Ji Yong (2007) Di No. 1201729 (武集用(2007)第1201729號)) as mentioned in note (iv) above, Manfield Teknos (Changzhou) Chemical Company Limited has obtained of the land use rights of the subject land parcel through tenancy and is eligible to occupy, use and benefit from the land parcel. According to the written confirmation issued by Manfield Teknos (Changzhou) Chemical Company Limited, the land parcel referred to in the Collectively-owned Land Use Rights Leasing Agreement with an area of 21,408 square metres and the land parcel referred to in the Collectively-owned Land Use Rights Certificate with an area of 21,424.4 square metres are the same land parcel despite the discrepancy on the land area. As far as the land area of the subject land is concerned, the figure of 21,424.4 square metres (which is the figure used for property registration) should be prevailed.
- xiii. Although the land use right term is not stipulated in the Collectively-owned Land Use Rights Certificate, the Land Use Right Agreement dated 17 January 2008 (as mentioned in note v above) provided that the land use right term of the subject land parcel is 50 years commencing on 18 November 2006 and the Collectively-owned Land Use Rights Leasing Agreement of 13 November 2013 (as mentioned in note vi above) provided that the lease term is 20 years (from 13 November 2013 to 12 November 2033). The Collectively-owned Land Use Rights Leasing Agreement sets out explicitly the true intention of Manfield Teknos (Changzhou) Chemical Company Limited and the Villagers' Committee of Tanjiatou Village Luoyang Town Wujin District, does not violate any mandatory requirements of the laws and regulations and is legal and valid.
- xiv. As provided in the Collectively-owned Land Use Rights Leasing Agreement, upon expiry of the prevailing lease term of 20 years, the lease term will be automatically renewed for further terms of not more than 30 years. This is a contract terms agreed by both parties in relation to the disposition of property right. With reference to the PRC Provisional Regulations on Granting and Transfer of State-owned Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), the maximum land use right term for industrial land is 50 years. On the conditions that the aforesaid Collectively-owned Land Use Rights Certificate (Ref: Wu Ji Yong (2007) No. 1201729 is valid and there is no dispute between Manfield Teknos (Changzhou) Chemical Company Limited and Changzhou Luoyang Industrial Zone Development Limited over the matter of lease renewal, Manfield Teknos (Changzhou) Chemical Company Limited is eligible to acquire 50-year land use rights of the subject land as per the aforesaid Collectively-owned Land Use Rights Leasing Agreement.
- xv. On 18 December 2013, the Jiangsu Province Changzhou Industry and Business Administration Bureau (江蘇省常州工商行政管理局) approved the change of the company name of Manfield Chemical (Changzhou) Company Limited to Manfield Teknos (Changzhou) Chemical Company Limited. The Collectively-Owned Land Use Rights Certificate has been renewed in the name of Manfield Teknos (Changzhou) Chemical Company Limited on 28 August 2014 and impose no legal impediment onto its occupation of the property.
- xvi. For the Land Parcel 2, as revealed from the Land Use Right Agreement mentioned in note (v) above, Manfield Chemical (Changzhou) Company Limited has the rights to occupied, use and benefit from the Land Parcel 2.

xvii. According to the PRC Rural Building Ownership Certificate (Ref: Chang Fang Quan Zheng Wu Zi Di No. 07001713) dated 10 July 2007 as mentioned on note vii above and as confirmed by Manfield Teknos (Changzhou) Chemical Company Limited, Manfield Chemical (Changzhou) Company Limited is the owner of the subject buildings (including 9 blocks of single to 2-storey buildings of the property with a total gross floor area of 7,769.96 square metres) on the Land Parcel 1 and is eligible to occupy, use, benefited from and dispose of them. As the land parcel on which the subject buildings are erected is in the nature of Collectively-owned Land Use Rights and the buildings are themselves not in the nature of commodity property, the buildings registered in the PRC Rural Building Ownership Certificate are not exchangeable on the market.

xviii. On 18 December 2013, Jiangsu Province Changzhou Industry and Business Administration Bureau agreed the change of the company name from Manfield Chemical (Changzhou) Company Limited to Manfield Teknos (Changzhou) Chemical Company Limited and the latter has obtained the renewed Rural Building Ownership Certificate on 21 July 2014 and has no legal impediment in holding the aforesaid buildings.

xix. Manfield Teknos (Changzhou) Chemical Company Limited has obtained Planning Permit of Construction Work and Construction Works Commencement Permits for constructing the subject buildings on the Land Parcel 2. Therefore, Manfield Teknos (Changzhou) Chemical Company Limited has completed all necessary statutory approval procedures in accordance with the requirements of Planning Permit of Construction Land, Planning Permit of Construction Work and Construction Works Commencement Permits for developing the property. Upon completion of work completion examination and payment of all tax and levies, Manfield Teknos (Changzhou) Chemical Company Limited shall have no legal impediment in obtaining Rural Building and Land Ownership Certificate for the property. However, the subject buildings are prohibited from being transacted on the market. Prior to the issue of Building and Land Ownership Certificate, Manfield Teknos (Changzhou) Chemical Company Limited is eligible to occupy the subject buildings after passing the construction work completion examination.

xx. As confirmed by Manfield Teknos (Changzhou) Chemical Company Limited, the buildings has been occupied for research and warehouses uses prior to the construction works completion examination, which is due to the misunderstanding and misconception of relevant rules and regulations. Manfield Teknos (Changzhou) Chemical Company Limited therefore has no right to claim against the contractors for construction quality problems. Meanwhile, according to Section 1 of Paragraph 58 in Quality Management of Construction Projects, Manfield Teknos (Changzhou) Chemical Company Limited may be subject to a penalty of 2% to 4% of the construction contract consideration (as a maximum amount of RMB48,800 to RMB97,600). As confirmed by the Company, relevant authorised bureaus have not imposed any penalty on the occupation.

xxi. As confirmed by the Company, Manfield Teknos (Changzhou) Chemical Company Limited has stopped occupying the buildings and has applied to Wujin District People's Court for implement of the construction completion examination. The application has been accepted on 28 July 2014 by the court via reference (2014) Wu Heng Zhi Chu Zi No.292 ((2014)武橫執初字第292號). Manfield Teknos (Changzhou) Chemical Company Limited is undertaking the construction completion examination procedures, which is estimated to be completed in December 2015 by requiring assistance from the contractors through applying for an order of execution. As the occupation of the building has been stopped, Manfield Teknos (Changzhou) Chemical Company Limited has a lower risk of being penalized by relevant authorities for such occupation.

xxii. The property is not subject to any mortgage, easement and other encumbrance, disclosure, tenancy and other title defects, litigation and investigation by relevant authority and other illegal situation. Manfield Teknos (Changzhou) Chemical Company Limited has no legal impediment in using the property.

xxiii. As revealed from Tenancy Agreements (租赁合同) dated 31 December 2012, 31 December 2013, 28 February 2014 and 23 December 2014, entered into between Manfield Teknos (Changzhou) Chemical Company Limited and Teknos Coatings (Shanghai) Co., Ltd (泰克諾斯塗料(上海)有限公司), certain premises located at the Group's property in Changzhou as laid out above were rented to the latter.

xxiv. As confirmed by the Company and investigation by the PRC legal adviser, Manfield Teknos (Changzhou) Chemical Company Limited and Teknos Coatings (Shanghai) Co., Ltd are connected parties of the Company.

2. No environmental impact assessment has been carried out for the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015
5. Factory Unit L on 6/F, On Wah Industrial Building, Nos. 41-43 Au Pui Wan Street, Shatin, New Territories. 6/962nd shares of and in Sha Tin Town Lot No. 70	<p>The property comprises an industrial unit on the 6th floors within a 17-storey industrial building completed in about 1981.</p> <p>The total gross floor area and saleable floor area of the property are 1,862 and 1,411 square feet or thereabout respectively.</p> <p>The subject lot has been granted by the Government for a term of 99 years commencing on 1 July 1898 and has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time. The property is held by the Group under a leasehold interest for a term of 2 years expiring on 31 October 2016 at a monthly rent of HK\$13,000 inclusive of property tax and government rent but exclusive of management fee, rates and other expenses.</p>	The property is occupied by the Group as warehouse.	No commercial value

Notes:

1. The registered owner of the property is Fu Chak Charn, Fu Ping Leung and Fu Ping Sum as Joint Tenant vide memorial no. ST223745 dated 4 February 1983.
2. Pursuant to a tenancy agreement dated 29 October 2014, Manfield Coatings Co., Ltd. rented the property from the aforesaid owners, all independent third parties, for a term of two years commencing on 1 November 2014 and expiring on 31 October 2016 at a monthly rent of HK\$13,000 for industrial use inclusive of property tax and government rent but exclusive of management fee, rates and other expenses.
3. According to the Title Registration of the property obtained from the Land Registry, no encumbrances are registered against the property.
4. The property lies within an area zoned "Industrial" under Shatin Outline Zoning Plan No. S/ST/31.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015
6. Land and building located in Bai Long Gang, Shang Shan Men Village, Song Gang Town, Baoan District, Shenzhen City, Guangdong Province, the PRC. (中國廣東省深圳市寶安區松崗鎮上山門村白龍崗廠房)	<p>The property comprises two 3-storey industrial buildings, one 4-storey composite building, three 4-storey and two 2-storey warehouse buildings, four 2 to 5-storey ancillary office buildings and five 4 to 7-storey dormitory buildings erected on a parcel of industrial land with an area of 35,584 square metres. The buildings were completed in between 1992 and 2005.</p> <p>The total gross floor area of the property is 37,440.2 square metres or thereabout.</p> <p>The property is held by the Group under various tenancies for terms expiring on between 31 October 2015 and 31 March 2019 free of rent.</p>	<p>Portion of the property with a gross floor area of 5,431 square metres was subject to 2 tenancies for terms both expiring on 31 December 2015 at a total monthly rent of RMB71,084 inclusive of rental tax but exclusive of management fees and other expenses.</p>	No commercial value

Notes:

1. The opinion from the PRC legal adviser of the Company on the property is as follows:
 - i. On 26 March 1990, the Baoan Land Administration Bureau issued the Approval on the Report in relation to the land use for joint industrial development by cooperation between the Committee of Tangxiachong Village, Songgang Town and foreign enterprise (關於松崗鎮塘下涌村委與外資企業合作開工廠用地報告的批覆, Ref Bao Gao Di Zi [1990] No. 046) by virtue of which the Committee of Tangxiachong Village, Songgang Town was authorized to use an industrial land at Bailonggang (白龍崗), Tangxiachong Village with an area of 4.5 mu (approximately 3,000 square metres) for the formation of a Sino-foreign joint venture namely Shenzhen Pinefield Chemical Enterprises Co., Ltd. (深圳松輝化工有限公司) with the joint venture partner namely Manfield Coatings Company Limited (萬輝塗料有限公司). The permitted joint venture period is 30 years from 25 February 1990 to 25 February 2020. Upon expiry of the joint venture period without any extension, the concerned land parcel together with all land improvements shall be reverted to the Committee of Xiachung Village, Songgang Town free from any compensation.
 - ii. On 18 May 1990, the Baoan Land Administration Bureau issued the Approval on the Joint Operation of Shenzhen Pinefield Chemical Enterprises Co., Ltd. (關於同意合作經營深圳松輝化工有限公司的批覆) by virtue of which the joint venture agreement for the formation of Shenzhen Pinefield Chemical Enterprises Co., Ltd. entered into between Baoan Songgang Tangxiachong Economic Development Company and Manfield Coatings Company Limited was approved. The operation period is 10 years and the total and registered investment of the joint venture is HK\$2,500,000. The Sino party of the joint venture contributed the formed land parcels of 3,000 square metres and factory building of 800 square metres and the foreign party contributed machinery and equipment of HK\$2,000,000 and working capital of HK\$500,000 to the joint venture.
 - iii. On the aforesaid land parcel, Shenzhen Pinefield Chemical Enterprises Co., Ltd. has built a 3-storey factory building with a gross floor area of 5,684 square metres and a 3-storey dormitory building with a gross floor area of 920 square metres to which two Building Ownership Certificates (Ref Nos. Yue Fang Zi Nos. 2788685 and 2788686) were issued by the Baoan Municipal Government on 18 November 1992 in the name of Shenzhen Pinefield Chemical Enterprises Co., Ltd..

- iv. Under the Law of the PRC on Sino-Foreign Contractual Joint Ventures (中華人民共和國中外合作經營企業法) and the PRC Foreign Enterprise Law (中華人民共和國外資企業法), Shenzhen Pinefield Chemical Enterprises Co., Ltd. has the rights to use the building as mentioned in note iii above throughout the permitted operation period and such rights are protected by law in the PRC.
- v. With the approval from the Shenzhen Foreign Trading Economic Cooperation Administration Bureau (深圳市對外貿易經濟合作局) via the Approval on the Transfer of Interest and Change of the Nature of Business Enterprise of Shenzhen Pinefield Chemical Enterprises Co., Ltd. (關於合作企業“深圳松輝化工有限公司”合作權益轉讓、企業性質變更的批覆, Ref Shen Wai Jin Mao Zi Fu [2004] No. 0371), the Committee of Tangxiachong Village, Songgang Town and foreign enterprise transferred all its interest in Shenzhen Pinefield Chemical Enterprises Co., Ltd. to Manfield Coatings Company Limited on 17 February 2004 and Shenzhen Pinefield Chemical Enterprises Co., Ltd. was transformed from a Sino-foreign business enterprise to a wholly-foreign owned business enterprise with issue of new Approval Certificate of Taiwan, Hong Kong and Macao Funded Enterprise of the PRC (中華人民共和國台港澳僑投資企業批准證書, Ref 商外資粵深外資證字[2004] 0139號) was issued by the Shenzhen Municipal Government on 17 February 2004.
- vi. As confirmed by Shenzhen Pinefield Chemical Enterprises Co., Ltd., the 3-storey factory building (as mentioned in note iii above) has been undertaken modification work with the gross floor area being increased to 6,833.4 square metres whilst the 3-storey dormitory building has been rebuilt into a factory building with a gross floor area of 1,557 square metres. The relevant registration procedures for the modified factory building and the rebuilt factory building have not yet been applied.
- vii. After the expiry of the joint venture period of Shenzhen Pinefield Chemical Enterprises Co., Ltd, the aforesaid land parcel together with the aforesaid factory buildings erected thereon shall be reverted to the Committee of Tangxiachong Village, Songgang Town without any compensation. For the continuous occupation of the two factory buildings by Shenzhen Pinefield Chemical Enterprises Co., Ltd, it has entered into a Shenzhen Property Leasing Agreement dated 12 November 2012 with Shenzhen Lian Xin Joint Stock Cooperative Company (深圳市聯鑫股份合作公司, the legal entity established for undertaking business operations for the Committee of Tangxiachong Village, Songgang Town) by virtue of which the aforesaid 3-storey factory building with a gross floor area of 6,833.4 square metres has been rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd from Shenzhen Lian Xin Joint Stock Cooperative Company for a lease term from 1 November 2012 to 31 October 2017 at a monthly rent of RMB61,500 for industrial use. The property leasing has been registered to the Shenzhen Baoan Property Leasing Administration Bureau with the Filing Ref No. BaoEF040131(Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the factory building have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.
- viii. For the 3-storey factory building with a gross floor area of 6,833.4 square metres, since a portion of it with a gross floor area of 5,684 square metres has been issued with Building Ownership Certificate in the name of Shenzhen Pinefield Chemical Enterprises Co., Ltd (as mentioned in note iii above), the effective gross floor area being rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd from Shenzhen Lian Xin Joint Stock Cooperative Company should be 1,149.4 square metres (being 6,833.4 square metres minus 5,684 square metres). As such, a new Shenzhen Property Leasing Agreement was executed by the same parties on 11 April 2014 by virtue of which Unit Nos. 102, 202 and 302 of the 3-storey factory building with a total gross floor area of 1,149.4 square metres was rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd from Shenzhen Lian Xin Joint Stock Cooperative Company for a lease term from 1 April 2014 to 31 March 2019 at a monthly rent of RMB10,345 for industrial use. The property leasing has been filed for registration to the Shenzhen Baoan Property Leasing Administration Bureau with the Filing Ref No. BaoEF043945(Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the factory building have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement. For the additional area of 1,149.4 square metres rented by the Company, the modification work has been permitted by the lessor due to the aforesaid Leasing Agreement, by virtue of which the legality of the modification work should be under the responsibility of the lessor and Shenzhen Pinefield Chemical Enterprises Co., Ltd., as the tenant, has no risk of being punished or penalized.

- ix. On 19 April 2014, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company has completed the registration cancellation procedures for the Shenzhen Property Leasing Agreement with Filing Ref No. BaoEF040131(Bei) (as referred to in note vii above).
- x. For the 3-storey factory building with a gross floor area of 1,557 square metres, Shenzhen Pinefield Chemical Enterprises Co., Ltd, has entered into another Shenzhen Property Leasing Agreement dated 13 November 2012 with Shenzhen Lian Xin Joint Stock Cooperative Company by virtue of which the factory building with a gross floor area of 1,557 square metres has been rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd from Shenzhen Lian Xin Joint Stock Cooperative Company for a lease term from 1 November 2012 to 31 October 2017 at a monthly rent of RMB14,013 for industrial use. The property leasing has been filed for registration to the Shenzhen Baoan Property Leasing Administration Bureau with the Filing Ref No. BaoEF040140 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the factory building have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.
- xi. For the portion of the aforesaid 3-storey factory building (with a gross floor area of 5,684 square metres) to which the Building Ownership Certificate has been issued in the name of Shenzhen Pinefield Chemical Enterprises Co., Ltd, it has the property usage rights and is entitled to occupy, use, benefit from and dispose of that building portion. For the remaining portion of the same building with a gross floor area of 1,149.4 square metres, Shenzhen Pinefield Chemical Enterprises Co., Ltd does not have the ownership rights of that portion and has secured the usage right of that portion by virtue of the Shenzhen Property Leasing Agreement dated 11 April 2014 (as mentioned in note viii above). The construction of the building has been permitted by the lessor due to the aforesaid Leasing Agreement and Supplemental Agreement, by virtue of which legality of the building should be under the responsibility of the lessor. Shenzhen Pinefield Chemical Enterprises Co., Ltd., as the tenant, has no risk of being punished or penalized. The building can not be transferred in the market directly since it was erected on a parcel of collective land and does not belong to commodity house. As no title documents has been provided by the lessor, the building may be required to be demolished upon dispute over its ownership. Any loss and damage caused by such demolition should be compensated by the lessor.
- xii. For the aforesaid 3-storey dormitory building to which the Building Ownership Certificate (Ref No. Yue Fang Zi No. 2788686) has been issued, since the original building has been demolished, Shenzhen Pinefield Chemical Enterprises Co., Ltd's ownership rights of it have been terminated and its usage rights of the replacement factory building with a gross floor area of 1,557 square metres are stemming from the Shenzhen Property Leasing Agreement (as mentioned in note x above). The construction of the building has been permitted by the lessor due to the aforesaid Leasing Agreement and Supplemental Agreement, by virtue of which legality of the ownership and use right of the building should be under the responsibility of the lessor and Shenzhen Pinefield Chemical Enterprises Co., Ltd., as the tenant, has no risk of being punished or penalized. However, as Building Ownership Certificate has not been issued to the building with a gross floor area of 1,557 square metres, the lessor may be required to demolish the building. Any loss and damage caused by such demolition should be compensated by the lessor.
- xiii. On 25 April 1991, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Baoan Songgang Town Shan Men Economic Cooperative Society (寶安縣松崗鎮山門經濟合作社) entered into a Land and Building Leasing Agreement by virtue of which Shenzhen Pinefield Chemical Enterprises Co., Ltd rents a parcel of land with an area of 2,997 square metres together with a structure with a gross floor area of 200 square metres erected thereon for a term of 50 years from 25 April 1991 to 25 April 2041 at a lump sum rent of RMB108,000. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs two warehouse buildings and an office building on the land parcel. Since the concerned land parcel is in the nature of Collectively-owned Land Use Rights, in order to establish Shenzhen Pinefield Chemical Enterprises Co., Ltd's usage rights of the additional buildings, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into a Shenzhen Property Leasing Agreement dated 12 November 2012 by virtue of which one of the warehouse buildings is rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 5 years expiring on 31 October 2017 at a monthly rent of RMB6,030. Leasing registration for the leasing agreement was completed on 20 November 2012 with the Filing Ref No. BaoEF040136 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the buildings have been borne by the

tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement. Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into a Shenzhen Property Leasing Agreement dated 19 May 2014 by virtue of which the other warehouse buildings with a gross floor area of 532 square metres is rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 5 years expiring on 31 March 2019 at a monthly rent of RMB4,788. Leasing registration for the leasing agreement was completed with the Filing Ref No. BaoEF044089 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the buildings have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement. Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into a Shenzhen Property Leasing Agreement dated 19 May 2014 by virtue of which the office building with a gross floor area of 704 square metres is rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 5 years expiring on 31 March 2019 at a monthly rent of RMB6,336. Leasing registration for the leasing agreement was completed with the Filing Ref No. BaoEF044103 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the buildings have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.

- xiv. On 28 April 1992, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Baoan Songgang Town Shan Men Economic Cooperative Society entered into a Land Leasing Agreement by virtue of which Shenzhen Pinefield Chemical Enterprises Co., Ltd rents a parcel of land with an area of 1,000 square metres for a term of 50 years from 30 April 1992 to 30 April 2042 at a lump sum rent of RMB70,000. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs two dormitory buildings with a total gross floor area of 2,704 square metres on the land parcel. Since the concerned land parcel is in the nature of Collectively-owned Land Use Rights, in order to establish Shenzhen Pinefield Chemical Enterprises Co., Ltd's usage rights of the dormitory buildings, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into two Shenzhen Property Leasing Agreements dated 11 November 2012 by virtue of which those buildings are rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 3 years expiring on 31 October 2015 at a monthly rent of RMB24,336. Leasing registration for the leasing agreement was completed on 20 November 2012 with the Filing Ref Nos. BaoEF040123 (Bei) and Bao EF040137 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the buildings have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.
- xv. Shenzhen Pinefield Chemical Enterprises Co., Ltd and Baoan Songgang Town Shan Men Village Committee (寶安縣松崗鎮山門村民委員會) entered into a Land Leasing Agreement by virtue of which Shenzhen Pinefield Chemical Enterprises Co., Ltd rents a parcel of land with an area of 900 square metres for a term of 48 years from 30 April 1994 to 30 April 2042 at a lump sum rent of RMB162,000. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs a warehouse building with a gross floor area of 2,032.8 square metres on the land parcel. Since the concerned land parcel is in the nature of Collectively-owned Land Use Rights, in order to establish Shenzhen Pinefield Chemical Enterprises Co., Ltd's usage rights of the building, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into a Shenzhen Property Leasing Agreement dated 13 November 2012 for those buildings by virtue of which the building is rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 5 years expiring on 31 October 2017 at a monthly rent of RMB18,295. Leasing registration for the leasing agreement was completed on 20 November 2012 with the Filing Ref No. BaoEF040132 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the warehouse building have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.

xvi. On 6 June 1995, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Baoan Songgang Town Bao Gang Construction Materials Department (深圳市寶安縣松崗鎮寶崗建材部) entered into a Land Leasing Agreement by virtue of which Shenzhen Pinefield Chemical Enterprises Co., Ltd rents a parcel of land with an area of 2,000 square metres for a term of 48 years and 5 months from 1 June 1995 to 25 November 2043 at a lump sum rent of RMB1,168,000 payable in 6 months. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs two dormitory buildings with a total gross floor area of 4,975 square metres on the land parcel. Since the concerned land parcel is in the nature of Collectively-owned Land Use Rights, in order to establish Shenzhen Pinefield Chemical Enterprises Co., Ltd's usage rights of the additional buildings, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into two Shenzhen Property Leasing Agreements dated 11 November 2012 for those buildings by virtue of which the buildings are rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 3 years expiring on 31 October 2015 at a monthly rent of RMB44,775. Leasing registration for the leasing agreements was completed on 20 November 2012 with the Filing Ref Nos. BaoEF040118 (Bei) and Bao040139 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the buildings have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.

xvii. On 12 January 1996, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Mai Liang Ping (麥亮平, a villager of Shan Men Village, Songgang Town, Baoan) entered into a Land Leasing Agreement by virtue of which Shenzhen Pinefield Chemical Enterprises Co., Ltd rents a parcel of land with an area of 3,500 square metres for a term of 27 years from 1 January 1996 to 1 January 2023 at a lump sum rent of RMB385,000 payable on or before April 1996. The aforesaid land leasing was approved by the Shenzhen Baoan Songgang Street Shan Men Neighborhood Residents' Committee (深圳市寶安區松崗街道山門社區居民委員會) via a written confirmation dated 28 April 2014.

xviii. By virtue of various agreements (as mentioned in note xi to xv above), Shenzhen Pinefield Chemical Enterprises Co., Ltd have rented various adjoining land parcels with a total area of 13,897 square metres. However, the actual land area occupied by Shenzhen Pinefield Chemical Enterprises Co., Ltd is 25,884 square metre. Toward the additional land portion, the Villagers' Committee of Shan Men Village, Songgang Town, Baoan, Shenzhen (深圳市寶安縣松崗鎮山門村農民委員會) and Shenzhen Pinefield Chemical Enterprises Co., Ltd entered into a Land Lease Agreement on 20 July 1999 by virtue of which the additional land portion with an area of 11,987 square metres for a term expiring on 25 February 2020 at a monthly land rent of RMB21,517.5. The monthly land rent is increased by RMB3,643.5 every 5 years starting from 1 January 1999. As revealed by a Certificate Letter issued by the Villagers' Committee of Shan Men Village, Songgang Town, Baoan County, Shenzhen on 27 March 2013 and as confirmed by Shenzhen Pinefield Chemical Enterprises Co., Ltd, the land rented (as mentioned in note xix. below) by Shenzhen Pinefield Chemical Enterprises Co., Ltd with an area of 1,500 square metres and 1,000 square metres under the agreements entered into with Wen Guoqiang on 18 October 2002 and 29 February 2004 respectively has been included in the aforesaid additional land portion. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs an ancillary office building, a factory building, a power switching room and a guard house with a gross floor area of 3,760 square metres on the land parcel. Since the concerned land parcel is in the nature of Collectively-owned Land Use Rights, in order to establish Shenzhen Pinefield Chemical Enterprises Co., Ltd's usage rights of the additional buildings, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into two Shenzhen Property Leasing Agreements dated 11 November 2012 for those buildings by virtue of which the buildings are rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 5 years expiring on 31 October 2017 at a monthly rent of RMB33,840. Leasing registration for the leasing agreements has been completed with the Filing Ref Nos. BaoEF040135 (Bei) and Bao040142 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the buildings have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.

xix. As revealed from the Cooperative Land Use Agreement (合作使用土地合同書) entered into between Shenzhen Pinefield Chemical Enterprises Co., Ltd and Wen Guo Qiang (文國強) on 18 October 2002, Wen Guo Qiang was vested by the Villager's Committee of Shan Men Village, Songgang Town, Baoan District, Shenzhen (深圳寶安區松崗鎮山門村委會) on 1 April 1994 with the usage right of a parcel of land with an area of 2,500 square metres for a period of 50 years expiring on 1 April 2044. During the usage right period, Wen Guo Qiang is eligible to use the land parcel for formation of joint venture, to lease, transfer or inherit the land free from any prior consent from the villagers' committee. By virtue of the aforesaid Cooperative Land Use Agreement of 18 October 2002, a portion of the concerned land parcel with an area of 1,500 square metres was vested to Shenzhen Pinefield Chemical Enterprises Co., Ltd from Wen Guo Qiang for a usage term expiring on 1 April 2044 at an annual land use fee of RMB13,400.4. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs a basket ball court, a swimming pool and a shed for carpark. Pursuant to another Cooperative Land Use Agreement (合作使用土地合同書) entered into between Shenzhen Pinefield Chemical Enterprises Co., Ltd and Wen Guo Qiang (文國強) on 29 February 2004, the remaining portion of the concerned land parcel with an area of 1,000 square metres was vested to Shenzhen Pinefield Chemical Enterprises Co., Ltd from Wen Guo Qiang for a usage term expiring on 1 April 2044 at a lump sum land use fee of RMB370,000. The aforesaid land leasing was approved by the Shenzhen Baoan Songgang Street Shan Men Neighborhood Residents' Committee (深圳市寶安區松崗街道山門社區居民委員會) via a written confirmation dated 28 April 2014.

xx. On 29 November 2002, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Baoan District Songgang Town Shan Men Village Shang Shan Men Economic Cooperative Society (深圳市寶安區松崗鎮山門村上山門經濟合作社) entered into a Cooperative Land Use Agreement (合作使用土地合同書) by virtue of which Shenzhen Pinefield Chemical Enterprises Co., Ltd rents a parcel of land with an area of 8,000 square metres for a term of 50 years from 1 January 2005 to 31 December 2054 at a lump sum land formation costs of RMB1,440,000 and an annual land use fee of RMB3,200. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs two warehouse buildings, an ancillary office building and a dormitory building with a gross floor area of 10,716 square metres on the land parcel and the land parcel mentioned in note xvii above. Since the concerned land parcels are in the nature of Collectively-owned Land Use Rights, in order to establish Shenzhen Pinefield Chemical Enterprises Co., Ltd's usage rights of the additional buildings, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into four Shenzhen Property Leasing Agreements dated 13 November 2012 for those buildings by virtue of which the buildings are rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 5 years expiring on 31 October 2017 at a monthly rent of RMB96,444. Leasing registration for the leasing agreements was completed on 20 November 2012 with the Filing Ref Nos. BaoEF040130 (Bei), BaoEF040134 (Bei), BaoEF040138 (Bei) and Bao040141 (Bei). According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the buildings have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.

xxi. On 10 December 2004, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Xiao Wei Song (肖偉松, a villager of Shan Men Village, Songgang Town, Baoan) entered into a Land Transfer Agreement by virtue of which Shenzhen Pinefield Chemical Enterprises Co., Ltd acquire the leasehold interest on a land parcel with an area of 2,200 square metres from Xiao Wei Song at a consideration of RMB1,500,000. The land parcel was rented by Xiao Wei Song from the Villagers' Committee of Shan Men Village, Songgang Town, Baoan District, Shenzhen for a term of 50 years from 1 June 2003 to 31 May 2053. Subsequent, a Land Leasing Agreement was entered into between Shenzhen Pinefield Chemical Enterprises Co., Ltd and the Villagers' Committee of Shan Men Village, Songgang Town, Baoan District, Shenzhen by virtue of which the land parcel with an area of 2,200 square metres was rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd from the Villagers' Committee of Shan Men Village, Songgang Town, Baoan District, Shenzhen for a term of 50 years from 1 January 2005 to 31 December 2054 at a monthly rent of RMB5,000. During the lease term, Shenzhen Pinefield Chemical Enterprises Co., Ltd has built on its own costs an ancillary office building with a gross floor area of 2,956 square metres on the land parcel. Since the concerned land parcel is in the nature of Collectively-owned Land Use Rights, in order to establish Shenzhen Pinefield Chemical Enterprises Co., Ltd's usage rights of the building, Shenzhen Pinefield Chemical Enterprises Co., Ltd and Shenzhen Lian Xin Joint Stock Cooperative Company have entered into a Shenzhen Property Leasing Agreements dated 13 November 2012 by virtue of which the building is rented by Shenzhen Pinefield Chemical Enterprises Co., Ltd for a term of 5 years expiring on 31 October 2017 at a monthly rent of RMB26,604. Leasing registration for the leasing agreement was completed on 20 November 2012 with the Filing Ref No. Bao EF040129 (Bei).

According to the Supplemental Agreement in relation of Rental Payment (關於乙方向甲方支付租金的補充規定), as the construction costs of the building have been borne by the tenant, the lessor have agreed to offset the incurred construction costs with all rental payable by the tenant. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd is not required to pay rental to the lessor throughout the unexpired term of the leasing agreement.

- xxii. For the land and buildings mentioned in note i to iv above, there exists no legal impediment for Shenzhen Pinefield Chemical Enterprises Co., Ltd to occupy and use the land for a term of 30 years commencing on 25 February 1990 and expiring on 25 February 2020. The right to use the land is not affected by the change of the nature of business. The Building Ownership Certificate (Ref: Yue Fang Di Zi No. 2788685 and 2788686) has been obtained by Shenzhen Pinefield Chemical Enterprises Co., Ltd on 18 November 1992. The buildings were erected on the approved Collective Construction Land, therefore the buildings cannot be freely transferred and may be rejected by bank as collateral for mortgage.
- xxiii. With confirmation from Shenzhen City Baoan District Songgang Sub-district Shan Men Neighbourhood Estate Resident's Committee (深圳市寶安區松崗街道山門社區居民委員會), formerly known as Songgang Town Tangxiachong Village Committee, Shenzhen Lian Xin Joint Stock Cooperative Company (深圳市聯鑫股份合作公司) is its economic entity in handling all business activities for it, Shenzhen Lian Xin Joint Stock Cooperative Company has the authority to enter into all the above 17 sets of Shenzhen Property Leasing Agreements with and rents the concerned buildings to Shenzhen Pinefield Chemical Enterprises Co., Ltd.. Shenzhen Lian Xin Joint Stock Cooperative Company shall be responsible for the title validity and safety of the tenanted buildings and for any damage or loss caused by such reasons to Shenzhen Pinefield Chemical Enterprises Co., Ltd.. By virtue of the 17 Shenzhen Property Leasing Agreements, Shenzhen Pinefield Chemical Enterprises Co., Ltd. secures the legal usage rights of the concerned buildings.
- xxiv. The aforesaid 17 sets of Shenzhen Property Leasing Agreement have been completed with all registration procedures and all are valid and legally binding.
- xxv. All the 17 sets of Shenzhen Property Leasing Agreements are properly performed by both parties and there is no breach of agreements occurred. No situation leading to termination or cancellation of the agreements is found.
- xxvi. Shenzhen Lian Xin Joint Stock Cooperative Company is an independent third party to the Company and Shenzhen Pinefield Chemical Enterprises Co., Ltd.
- xxvii. Shenzhen Pinefield Chemical Enterprises Co., Ltd. obtained the rights to use the subject land parcels through various tenancy agreements mentioned in note (xiii to xxi), and the subject land parcels can not be directly transferred on the market due to its nature of collective ownership. As the title documents have not been provided by the lessor, which as been required by Shenzhen Pinefield Chemical Enterprises Co., Ltd., for many times, the lessor shall be responsible for the title validity and use rights of the land. As the lessor cannot ascertain the titleship, if there is any dispute on the property, Shenzhen Pinefield Chemical Enterprises Co., Ltd may be required to vacate upon request and any damage or loss caused by such reasons to Shenzhen Pinefield Chemical Enterprises Co., Ltd.. Shenzhen Pinefield Chemical Enterprises Co., Ltd has obtained the right to use the subject land parcel since 1991 and has not been investigated or identified as illegal by local authorised bureaus and is not subject the risk of being penalized.
- xxviii. For those agreements mentioned in note xiii to xxi above by virtue of which portion of the subject land parcel is rented by Shenzhen Property Leasing Agreements, their valid and lawful lease term shall not be more than 20 years despite their contract lease terms are over 20 years. Under Section 214 of the PRC Contract Law, the lease term of all tenancies and leasing agreement shall not exceed 20 years or the portion of the lease term beyond 20 years is voidable. Save for the lease term beyond 20 years, all the concerned land agreements are legal, valid and legally binding to both parties to the agreements.

xxix. Having considered that (a) those legal agreements in relation to the land leasing have been effective for nearly or more than 20 years; (b) Shenzhen Pinefield Chemical Enterprises Co., Ltd. has settled all contracted rent or land use fee in accordance with the terms and conditions of those legal agreements; (c) Shenzhen Pinefield Chemical Enterprises Co., Ltd has entered into 17 sets of Shenzhen Property Leasing Agreement for renting the buildings erected on the leased land parcels with lease terms expiring after the legally valid term (i.e. 20 years from commencement date) of the land parcels; and (d) both parties to the Shenzhen Property Leasing Agreement have entered into various Supplemental Agreement by which both parties agree to use the construction costs incurred by Shenzhen Pinefield Chemical Enterprises Co., Ltd to offset the rental of the property leasing, the PRC Legal Advisor is of the opinion that there is no legal impediment for Shenzhen Pinefield Chemical Enterprises Co., Ltd to renew the Shenzhen Property Leasing Agreements so as to use the property continuously. There are no remedial measures Shenzhen Pinefield Chemical Enterprises Co., Ltd as the tenant can take to rectify these legal issues. The lessor shall bear all legal liabilities arising from such legal issues.

xxx. As confirmed by the Company and pursuant to investigation by the PRC legal adviser, all lessors of the land parcels are independent third party to the Company and Shenzhen Pinefield Chemical Enterprises Co., Ltd.

xxxi. As confirmed by Shenzhen Pinefield Chemical Enterprises Co., Ltd, Pinefield has not received any notice informing them the of any relocation to be enforced by the PRC government.

xxxii. As revealed by the Administrative Reconsideration Law of the PRC (中華人民共和國行政覆議法) and Administrative Procedure Law of the PRC (中華人民共和國行政訴訟法), Shenzhen Pinefield Chemical Enterprises Co., Ltd can apply for administrative reconsideration and procedure if they believe their rights to be infringed by government relocation plan.

xxxiii. As revealed from Tenancy Agreements entered into by CMW Coating (Guangzhou) Limited, a connected party of the Company, and Shenzhen Pinefield Chemical Enterprises Co., Ltd, portions of the property were rented to the former between 2010 and up to the Latest Practicable Date.

xxxiv. As revealed from the Supplemental Agreement of Land and Building Leasing Agreement entered by Shenzhen Lian Xin Joint Stock Cooperative Company and Shenzhen Pinefield Chemical Enterprises Co., Ltd on 28 April 2014, the lessor allowed the lessee to sub-lease the property to a third party. Therefore, Shenzhen Pinefield Chemical Enterprises Co., Ltd has the right to enter into the aforesaid tenancy agreements with CMW Coating (Guangzhou) Limited.

xxxv. As confirmed by the Company and pursuant to investigation by the PRC legal adviser, Shenzhen Pinefield Chemical Enterprises Co., Ltd and CMW Coating (Guangzhou) Limited are connected parties of the Company.

2. No environmental impact assessment has been carried out for the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 April 2014 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 6 November 2015 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Financial assistance to purchase shares of the Company or its subsidiaries

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes)

and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and

may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution — majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below (or further details)).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder

but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to buy-back securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of

the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of

such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and buy-back of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 6 May 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributors), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributors (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for public inspection in Hong Kong" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 April 2014. Our Company was registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 May 2014 and our principal place of business in Hong Kong is at Block L, 9th Floor, On Wah Industrial Building, 41–43 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong. Mr. Yuen, our executive Director, has been appointed as the authorised representative of our Company for the purpose of acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws of the Cayman Islands and our constitutional documents which comprise the Memorandum of Association and Articles of Association. A summary of certain relevant provisions of our constitutional documents and certain relevant aspects of the Companies Law are set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company and our subsidiaries*Changes in the share capital of our Company*

- (a) The authorised share capital of our Company on the date of incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 14 April 2014, one Share was issued to the initial subscriber, nil paid, and subsequently the initial subscriber transferred the one subscriber Share to Mr. Yuen for cash at par. On 6 November 2015, Mr. Yuen transferred the one subscriber Share to Guang Ming for cash at par.
- (b) On 6 November 2015, pursuant to a reorganisation agreement entered into between our Company and Guang Ming, Guang Ming transferred the entire issued share capital of Rookwood to our Company in consideration of the crediting as fully paid of the one Share held by Guang Ming which is nil-paid and the allotment and issue of 99 Shares by our Company to Guang Ming credited as fully paid.
- (c) On 6 November 2015, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each which rank pari passu in all respects with the existing Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 600,000,000 Shares will be in issue, fully paid or credited as fully-paid, and 9,400,000,000 Shares will remain unissued.

Other than the Capitalisation Issue, the Shares to be issued as mentioned herein and the Shares issuable pursuant to the exercise of the general mandate referred to in the paragraph headed “A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 6 November 2015” in this Appendix V, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and no issue of Share which would effectively alter the control of our Company will be made without the prior approval of members in general meeting.

Save for the aforesaid and those mentioned in the paragraphs headed “A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 6 November 2015” and “A. Further information about our Company — 4. Corporate reorganisation” of this Appendix V below, there has been no alteration in the share capital of our Company since the date of its incorporation.

Changes in share capital of our subsidiaries

Our Company’s subsidiaries as at 30 June 2015 are set out in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our Company’s subsidiaries occurred within two years immediately preceding the date of this prospectus:

(a) Springfield

On 22 April 2015, the registered capital of Springfield was increased from RMB70,000,000 to RMB100,000,000.

(b) MT

On 4 December 2014, the registered capital of MT was increased from HK\$42,000,000 to HK\$55,000,000.

Save as disclosed above, there has been no other alteration in the share capital of the subsidiaries of our Company within two years immediately preceding the date of this prospectus.

3. Written resolutions of the sole Shareholder passed on 6 November 2015

Pursuant to the written resolutions passed by the sole Shareholder on 6 November 2015:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association conditional upon and with effect from the listing of the Shares on the Stock Exchange on the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of additional 9,962,000,000 Shares of HK\$0.01 each, such additional Shares to rank pari passu in all respects with the existing Shares;

(c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and the Shares to be issued as mentioned herein; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

(i) the Share Offer was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Share Offer;

(ii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise HK\$4,499,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 449,999,900 Shares for allotment and issue to the Shareholder(s) whose name(s) appeared on the register of members of our Company at the close of business on 6 November 2015 (or such other time as they may direct) in the same proportion (as nearly as possible without involving fractions) to their then existing shareholding(s) in our Company;

(iii) a general unconditional mandate (the “General Mandate”) was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to, or in consequence of, the exercise of any options which have been or may be granted under the Share Offer or the Capitalisation Issue, or by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting) Shares with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue; and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (iv) below, until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company as required by the Articles or any applicable laws of the Cayman Islands to be held, or the revocation, variation or renewal of such general mandate by an ordinary resolution of the Shareholders in general meeting; and

(iv) a general unconditional mandate (the “Buy-back Mandate”) was given to our Directors to exercise all powers of our Company to purchase the Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company as required by the Articles or any applicable laws of the Cayman Islands to be held, or the revocation, variation or renewal of such general mandate by an ordinary resolution of the Shareholders in general meeting.

4. Corporate reorganisation

In preparation for the Listing, our Group has undergone the Reorganisation and the steps are as follows:

(i) Incorporation of our Company

On 14 April 2014, our Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 14 April 2014, one nil-paid Share was allotted and issued to Sharon Pierson as the initial subscriber, which was transferred to Mr. Yuen on the same date. On 6 November 2015, Mr. Yuen transferred the initial subscriber Share to Guang Ming for cash at par.

(ii) Transfer of Rookwood shares held by Mezzo and the Management Shareholders to Guang Ming

On 6 November 2015, Mezzo and the Management Shareholders transferred their entire shareholding interest in Rookwood to Guang Ming in consideration of Guang Ming crediting as fully paid its ordinary shares which had been nil paid since their allotment and issuance to Mezzo and the Management Shareholders at the time of incorporation of Guang Ming.

(iii) Transfer of Rookwood shares held by Guang Ming to our Company

On 6 November 2015, pursuant to a reorganisation agreement entered into between our Company and Guang Ming, Guang Ming transferred the entire issued share capital of Rookwood to our Company in consideration of the crediting as fully-paid of the one Share held by Guang Ming which is nil-paid and the allotment and issue of 99 Shares by our Company to Guang Ming credited as fully paid.

5. Buy-back by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the buy-back by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy-back their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed buy-backs of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the sole Shareholder on 6 November 2015, the Buy-back Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue. The Buy-back Mandate will expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company as required by the Articles or any applicable laws of the Cayman Islands to be held, or the revocation, variation or renewal of such general mandate by an ordinary resolution of the Shareholders in general meeting, until whichever is the earliest.

(ii) Source of funds

Buy-backs must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum of Association and Articles of Association and the Companies Law. A listed company may not buy-back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under Cayman Islands law, any buy-backs by our Company may only be made out of profits of our Company, or out of the share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the buy-back, or, if so authorised by its Articles of Association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its Articles of Association and subject to the provisions of the Companies Law, out of capital.

(iii) Connected parties

A company is prohibited from knowingly repurchasing securities from a "connected person", that is, a director, chief executive or Substantial Shareholder of our Company or any of their respective associates and a connected person shall not knowingly sell his securities to our Company, on the Stock Exchange.

(b) Reasons for buy-backs

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to buy-back Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such buy-backs will benefit our Company and the Shareholders.

(c) Funding of buy-backs

In buying back securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Buy-back Mandate to such an extent, as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group of the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Buy-back Mandate, on the basis of 600,000,000 Shares in issue immediately after the listing of the Share on the Stock Exchange, would result in up to 60,000,000 Shares being bought-back by our Company during the period in which the Buy-back Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries if the Buy-back Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Buy-back Mandate is exercised.

If, as a result of a securities buy-back, a Shareholders' proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-back Mandate.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material.

- (a) the reorganisation agreement dated 6 November 2015 entered into between our Company and Guang Ming, pursuant to which Guang Ming transferred its entire shareholding interests in Rookwood to our Company in return for (i) the allotment and issue of 99 Shares credited as fully-paid to Guang Ming; and (ii) the crediting of one Share held by Guang Ming as fully paid;
- (b) the Deed of Non-Competition;
- (c) the Deed of Indemnity;
- (d) the Underwriting Agreement; and
- (e) the deed of waiver dated 6 November 2015 entered into between Rookwood and Mezzo pursuant to which Mezzo has agreed to waive a sum of HK\$11,399,087.63 owed by Rookwood in consideration of Rookwood's partial repayment of HK\$20 million to Mezzo.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Registered owner	Class	Place of registration	Trademark no.	Validity period
 MANFIELD	Manfield Coatings	2	Hong Kong	1996B04273	1994.06.24–2025.06.24
 PINEFIELD	Pinefield	2	PRC	678161	2014.02.21–2024.02.20
 PINEFIELD	Pinefield	2	PRC	690124	2014.05.21–2024.05.20
 XUE SONG	MT	2	PRC	3449461	2005.01.28–2025.01.27

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name material to our business:

Domain name	Date of registration	Expiry date
manfieldcoatings.com	18 April 2007	18 April 2019

In addition, our Group owns a domain name for use by CMW, which will expire in January 2019. Our Group registered this domain name on behalf of CMW as part of the management service for which we derive revenue, and which is further detailed in the sections headed “Business” and “Financial information” of this prospectus.

Information contained in the above websites do not form part of this prospectus.

(c) Patent

As at the Latest Practicable Date, our Group has the following registered patents:

Patent	Patent owner	Type of patent	Patent number	Place of registration	Validity period
紫外線固化油墨組合物及其應用	Pinefield	Invention patent	ZL2004 1 0102930 4	PRC	31 December 2004 to 30 December 2024
硝基醋聚酯型漆	Pinefield	Invention patent	ZL2008 1 0067319	PRC	21 May 2008 to 20 May 2028
雙組分聚氨酯漆	Pinefield	Invention patent	ZL2008 1 0067318.6	PRC	21 May 2008 to 20 May 2028

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

3. Related party transactions

Save as disclosed in Note 29 of the notes to financial information to the Accountants' Report set out in Appendix I to this prospectus and the section headed “Connected transactions” of this prospectus, our Group has not entered into any related party transactions within the two years immediately preceding the date of this prospectus.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Particulars of Directors' services contracts and letters of appointment*

Executive Directors

Each of our executive Directors has entered into a service contract with our Company on 6 November 2015 pursuant to which he has agreed to act as an executive Director for a fixed term of three years with effect from the dates of the service contract subject to a right of early termination by serving a three-months written notice by either party to the other party.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual review in accordance with the amount fixed in each year by the Remuneration Committee and approved by majority of the Board), which is payable on the last business day of every calendar month on a pro-rata basis.

Each of Mr. Yuen and Mr. Ko is entitled to a bonus in respect of the year ending 31 December 2015. In the event that the audited combined profit of our Group after taxation but before payment of bonuses of our Group for the year ending 31 December 2015 is greater than HK\$40,000,000, each of Mr. Yuen and Mr. Ko shall be entitled to a bonus equal to 5% of the amount exceeding HK\$40,000,000. Payment of such bonus shall be made within two months after the announcement of the audited financial accounts of the Group for the year ending 31 December 2015. In respect of each of the other years during the term of their employment, each of Mr. Yuen and Mr. Ko is entitled to a discretionary bonus. Mr. Ng Kai On is entitled to a discretionary bonus in respect of each year during the term of his employment. The amount of the discretionary bonus is subject to the decision by the Remuneration Committee and at the discretion and approval by majority of the Board taking into account of the performance of our Group and such executive Director.

An executive Director may not vote on any resolution of our Directors nor shall that executive Director be counted as quorum should a meeting be held for considering the amount of the annual salary or discretionary bonus payable to him.

Name	Annual salary (HK\$)
Executive Directors	
Mr. Yuen	2,382,840
Mr. Ko	2,382,840
Mr. Ng Kai On	1,442,640

Non-executive Directors

Dato' Wong Peng Chong, being our non-executive Director, has entered into a letter of appointment with our Company on 6 November 2015. The letter of appointment is for a term commencing on the date of the letter of appointment and shall continue thereafter for a period of three years unless terminated by either party by giving one month's notice in writing. Dato' Wong Peng Chong is entitled to an annual director's fee of HK\$120,000.

Mr. Kong Muk Yin, being our non-executive Director, has entered into a letter of appointment with our Company on 6 November 2015. The letter of appointment is for a term commencing on the date of the letter of appointment and shall continue thereafter for a period of three years unless terminated by either party by giving one month's notice in writing. Mr. Kong Muk Yin is entitled to an annual director's fee of HK\$120,000.

Independent non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on 6 November 2015 pursuant to which he has agreed to act as an independent non-executive Director for a term of commencing on the date of letter of appointment and shall continue thereafter for a period of one year subject to a right of early termination by serving a one-month's written notice by either party to the other party, and is entitled to a basic salary as set out below, which is payable on the last day of every calendar month on a pro-rata basis.

Name	Annual salary (HK\$)
Dr. Chui Hong Sheung, JP	120,000
Mr. Cheung Chi Wai Vidy	120,000
Mr. Yue Kwai Wa Ken	120,000

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Directors' remuneration

- (a) The aggregate sums of approximately HK\$6.0 million, HK\$7.2 million, HK\$4.6 million, HK\$2.1 million and HK\$2.0 million were paid to our Directors as remuneration (including benefits in kind) by our Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2014 and 2015, respectively. Further information in respect of our Directors' remuneration is set out in the Accountants' Report in Appendix I to this prospectus.

- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$4.3 million will be paid to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any Director) by our Group for the year ending 31 December 2015.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2014, and the six months ended 30 June 2015 respectively for (a) the loss of office as director of any member of our Group or of any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively.
- (e) After Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

(c) Interests in Shares

Immediately following completion of the Share Offer and the Capitalisation Issue, there are no interests or short positions of our Directors in the Shares, underlying Shares and debentures of our Company and the associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

2. Substantial Shareholders

Interests in Shares

Immediately following completion of the Share Offer and the Capitalisation Issue, so far as our Directors are aware, the following persons are expected to have interests or short positions in the Shares or underlying shares of our Company which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Name	Capacity/nature of interest	Number of Shares	Percentage of shareholding
Mr. Lee Seng Hui	Interest in controlled corporation (<i>Note 1</i>)	450,000,000	75%
Ms. Chew Wai Ling	Family interest (<i>Note 2</i>)	450,000,000	75%
Mezzo	Interest in controlled corporation (<i>Note 3</i>)	450,000,000	75%
Guang Ming	Beneficial owner	450,000,000	75%

Notes:

- (1) The entire issued share capital of Mezzo is beneficially owned by Mr. Lee Seng Hui. Mezzo owns 51% of the issued share capital of Guang Ming. Therefore, Mr. Lee Seng Hui is deemed to be interested in all the Shares held by Guang Ming.
- (2) Ms. Chew Wai Ling is the spouse of Mr. Lee Seng Hui and is therefore deemed to be interested in all the Shares held/owned by Mr. Lee Seng Hui (by himself and/or through Mezzo or Guang Ming) by virtue of the SFO.
- (3) Mezzo owns 51% of the issued share capital of Guang Ming. Therefore, Mezzo is deemed to be interested in all the Shares held by Guang Ming.

3. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Share Offer and the Capitalisation Issue, have an interest or a short position in Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company;

- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor any of the parties listed under the paragraph headed “D. Other information — 6. Consent of experts” in this Appendix V is interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in the paragraph headed “D. Other information — 6. Consent of experts” in this Appendix V is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreement, none of the parties listed in the paragraph headed “D. Other information — 6. Consent of experts” in this Appendix V:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries; and
- (f) none of our Directors or their associates or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our Company’s issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION**1. Estate duty, tax and other indemnities**

Each of Mr. Yuen, Mr. Ko, and our Controlling Shareholders (collectively the “Indemnifiers”) has entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) being one of the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in this Appendix V to provide indemnities on a joint and several basis in respect of, among other matters, the following:

- (a) any duty which is or hereafter becomes payable by any member of our Group by virtue of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (“Estate Duty Ordinance”) under the provisions of section 43 of the Estate Duty Ordinance by reason of the death of any person and by reason of the assets of our Group members;
- (b) any amount recovered against any member of our Group under provisions of section 43(7) of the Estate Duty Ordinance in respect of any duty payable under section 43(1)(c) or 43(6) of the Estate Duty Ordinance by reason of the death of any person and by reason of the assets of our Group members;
- (c) any amount of duty which any member of our Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance;
- (d) any liability for tax which might be incurred by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date;
- (e) any and all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties (“Costs”) in connection with any failure, delay or defects of corporate or regulatory non-compliance under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional (“Effective Date”);
- (f) any and all Costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any failure to obtain the necessary licences, consents or permits under the Hong Kong Laws for any Group member’s valid and legal establishment and/or operation on or before the Effective Date;
- (g) any and all Costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with the relocation of PRC operations and production facilities on or before the Effective Date;

- (h) any and all Costs which any of our Group members may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with MT's manufacture of certain of the products listed in the Catalogue as referred to in the "Regulations of the PRC on the Administration of Production Licences for Industrial Products" (《中華人民共和國工業產品生產許可證管理條例》) without a Production Licence on or before the Effective Date;
- (i) any and all Costs which any of our Group members may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any regulatory non-compliance of Kesite under, or any breach of any applicable PRC laws and regulations prior to the acquisition of Kesite by Springfield if our Group members are unable to transfer such loss to the previous owners of Kesite; and
- (j) any and all Costs in connection with any errors, discrepancies or missing documents in the statutory record of any member of our Group on or before the Effective Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.

Under the Deed of Indemnity, the Indemnifiers have given indemnities to our Group on a joint and several basis in relation to the amount of any and all taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date.

The Deed of Indemnity does not cover any taxation claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that full provision or reserve has been made for such taxation in the combined audited accounts of our Group or the audited accounts of the relevant member of our Group for each of the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 (the "Accounts Date"), as set out in Appendix I to this prospectus and any previous audited accounts of any member of our Group;
- (b) to the extent that provision will be made in the audited combined accounts of our Group or the audited accounts of any member of our Group covering the period from 1 July 2015 to the date of the Deed of Indemnity;
- (c) to the extent that such taxation or liability would not have arisen but for some act or omission by any member of our Group voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than in the ordinary course of business after the Effective Date;

- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2015 which is finally established to be an over-provision or an excessive reserve;
- (e) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws rules or negotiations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority coming into force after the Effective Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect;
- (f) to the extent that such taxation or liability arises as a result of any member of our Group being in breach of any provision of the Deed of Indemnity; or
- (g) such taxation or liability for which any member of our Group is primarily liable as a result of transactions entered into in the ordinary course of business after the Accounts Date.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by our Company and/or other relevant members of our Group (i) as a result of directly or indirectly or in connection with, or as a consequence of any non-compliance with or breach of any applicable laws, rules or regulations in any jurisdiction by any member of our Group on or before the Effective Date; (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) the members of our Group, their respective directors and/or authorised representatives or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, the members of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Effective Date.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any claim to the extent that provision has been made for such claim in the combined audited accounts of our Group or the audited accounts of the relevant member of our Group up to 30 June 2015.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our results of operations or financial condition.

3. Sponsor

The Sponsor made an application on our Company's behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. All necessary arrangements have been made by our Company to enable such Shares to be admitted into CCASS. The Sponsor fee is HK\$3.6 million. The Sponsor is independent of our Company pursuant to Rule 3A.07 of the Listing Rules.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company will appoint Altus Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full year after the Listing Date.

5. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Altus Capital Limited	a licensed corporation to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
ETR Law Firm	PRC legal adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Asset Appraisal Limited	Property valuer

6. Consent of experts

Each of Altus Capital Limited, Deloitte Touche Tohmatsu, ETR Law Firm, Conyers Dill & Pearman and Asset Appraisal Limited has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of Altus Capital Limited, Deloitte Touche Tohmatsu, ETR Law Firm, Conyers Dill & Pearman and Asset Appraisal Limited has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

7. Promoters

Our Company has no promoters for the purposes of the Listing Rules.

8. Preliminary expenses

Our Company's estimated preliminary expenses are approximately HK\$43,000 and are payable by our Company.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Miscellaneous Provisions Ordinance so far as applicable.

10. Share Registrars

Our Company's principal Cayman Share Registrar is Codan Trust Company (Cayman) Limited and a branch register of members will be maintained by Tricor Investor Services Limited, our Company's branch share registrar in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with, and registered by, our Company's branch registrar in Hong Kong which may not be lodged for registration with the principal share registrar in the Cayman Islands.

11. Taxation of holders of Shares**(a) The Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold an interest in land in the Cayman Islands.

(b) Hong Kong**(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15% on unincorporated businesses. Gains from sales of Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by the Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance, and Shares are regarded as Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(c) Consultation with professional advisers

Intended holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable except for the commission payable to the Underwriters, for submission of, agreeing to subscribe or procuring subscription of any shares of our Company or any of our subsidiaries; and
 - (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Our Directors confirm that:

- (i) there has been no material development occurring after the Track Record Period and no material adverse change in the financial or trading position or prospects of our Group since 30 June 2015 (being the date to which the latest audited combined financial statements of our Group were made up);
- (ii) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (iii) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (iv) our Group has no outstanding convertible debt securities.

(c) Save as disclosed in this prospectus, neither our Company nor any of its subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares.

(d) Save as disclosed in this prospectus, none of the persons named in the paragraph headed “D. Other information — 5. Qualifications of experts” in this Appendix V is interested beneficially or non-beneficially in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any share of any member of our Group or has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) None of our Directors or the experts named in the paragraph headed “D. Other information — 5. Qualifications of experts” in this Appendix V has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE**, **YELLOW** and **PINK** Application Forms;
- (b) the written consents referred to in the paragraph headed “D. Other information — 6. Consent of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG

Copies of the following documents will be available for public inspection at the offices of Robertsons at 57th Floor, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the consolidated audited accounts of Rookwood and its subsidiaries for each of the three years ended 31 December 2014 and the six months ended 30 June 2015;
- (d) the report prepared by Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters, summary of values and valuation certificates relating to the property interests of our Group prepared by Asset Appraisal Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman, legal adviser to our Company as to Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the Cayman Companies Law;
- (h) the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (i) the service contracts and the letters of appointment referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders” in Appendix V to this prospectus;

- (j) the written consents referred to in the paragraph headed “D. Other information — 6. Consent of experts” in Appendix V to this prospectus; and
- (k) the legal opinions issued by the PRC Legal Adviser.



Manfield Chemical Holdings Limited
萬輝化工控股有限公司