



**Xin Point Holdings Limited**

**信邦控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1571

**Global Offering**

Sole Sponsor and Sole Global Coordinator



**BNP PARIBAS**

Joint Bookrunners and Joint Lead Managers



**BNP PARIBAS**



**農銀國際**  
ABC INTERNATIONAL

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## IMPORTANT

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



### Xin Point Holdings Limited

信邦控股有限公司

(incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

Number of Offer Shares in the Global Offering	: 250,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 25,000,000 Shares (subject to adjustment)
Number of International Placing Shares	: 225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$3.42 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.1 per Share
Stock code	: 1571

*Sole Sponsor and Sole Global Coordinator*



**BNP PARIBAS**

*Joint Bookrunners and Joint Lead Managers*



**BNP PARIBAS**



**農銀國際**  
ABC INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and the 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, having attached thereto the documents specified in the section headed "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 21 June 2017 and, in any event, not later than Tuesday, 27 June 2017. The Offer Price will be not more than HK\$3.42 and is currently expected to be not less than HK\$3.13. If, for any reason, the Offer Price is not agreed by Tuesday, 27 June 2017 between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting – The Hong Kong Public Offering – Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

16 June 2017

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Application Forms are available at .....	9:00 a.m. on Friday, 16 June 2017
Latest time for completing electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(3)</sup> .....	11:30 a.m. on Wednesday, 21 June 2017
Application lists open <sup>(2)</sup> .....	11:45 a.m. on Wednesday, 21 June 2017
Latest time to lodge <b>white</b> and <b>yellow</b> application forms .....	12:00 noon on Wednesday, 21 June 2017
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Wednesday, 21 June 2017
Latest time to complete payment of <b>White Form eIPO</b> applications by effecting internet banking transfers or PPS payment transfers .....	12:00 noon on Wednesday, 21 June 2017
Application lists close .....	12:00 noon on Wednesday, 21 June 2017
Expected Price Determination Date <sup>(5)</sup> .....	Wednesday, 21 June 2017
Announcement of:	
<ul style="list-style-type: none"><li>• the Offer Price;</li><li>• the level of applications in the Hong Kong Public Offering;</li><li>• an indication of the level of interest in the International Placing; and</li><li>• the basis of allocation of the Hong Kong Public Offering,</li></ul>	
to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before .....	Tuesday, 27 June 2017
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (Please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus) from ...	Tuesday, 27 June 2017

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Results of allocations in the Hong Kong Public Offering will be available at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> with a “search by ID” function from .....	Tuesday, 27 June 2017
A full announcement of the Hong Kong Public Offering containing the information referred to in the above announcements will be published on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company’s website at <a href="http://en.xinpoint.com/index.html">http://en.xinpoint.com/index.html</a> from .....	Tuesday, 27 June 2017
Share Certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before .....	Tuesday, 27 June 2017
White Form e-Refund payment instruction/refund cheques to be despatched on or before <sup>(6)</sup> .....	Tuesday, 27 June 2017
Dealings in Shares on the Stock Exchange expected to commence on .....	Wednesday, 28 June 2017

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Wednesday, 21 June 2017, the application lists will not open on that day. Please refer to the paragraph headed “How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
- (3) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS – Effect of Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Wednesday, 21 June 2017 and, in any event, not later than Tuesday, 27 June 2017, or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and our Company by Tuesday, 27 June 2017, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.
- (6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

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## CONTENTS

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong 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.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. We have not authorised anyone to provide you with information that is different from that contained in this prospectus. Any information or representation not contained or made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering. Information contained on our website, located at <http://en.xinpoint.com/index.html>, does not form part of this prospectus.*

	<i>Page</i>
EXPECTED TIMETABLE .....	i
CONTENTS .....	iii
SUMMARY .....	1
DEFINITIONS .....	12
GLOSSARY OF TECHNICAL TERMS .....	25
FORWARD-LOOKING STATEMENTS .....	26
RISK FACTORS .....	27
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING ...	52
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING .....	56

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## CONTENTS

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	<i>Page</i>
CORPORATE INFORMATION .....	60
INDUSTRY OVERVIEW .....	62
REGULATORY OVERVIEW .....	73
HISTORY, REORGANISATION AND CORPORATE STRUCTURE .....	100
BUSINESS .....	123
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES .....	181
SUBSTANTIAL SHAREHOLDERS .....	196
SHARE CAPITAL .....	197
FINANCIAL INFORMATION .....	200
FUTURE PLANS AND USE OF PROCEEDS .....	231
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS .....	233
WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES .....	239
CORNERSTONE INVESTOR .....	241
UNDERWRITING .....	243
STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING .....	253
HOW TO APPLY FOR HONG KONG OFFER SHARES .....	261
APPENDIX I – ACCOUNTANTS’ REPORT .....	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION .....	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW .....	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION .....	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION .....	V-1

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading automotive plastic electroplated components supplier in China. Since established in 2002, we have expanded into a global supplier with offices in North America, Europe and Asia serving leading international Tier 1 suppliers and OEMs. Our products are generally applied to the passenger vehicle of globally renowned and luxury automotive brands mainly attributed to our strong reputation, production capability and the high quality products we can supply in the sector. According to the Frost & Sullivan Report, we were the second largest supplier and the largest exporter of automotive plastic electroplated components in the PRC, in terms of revenue in 2016. We believe that our commitment to produce high quality product and production expertise have allowed us to differentiate from our competitors and achieve solid growth during the Track Record Period. From 2014 to 2016, we have achieved a revenue and net profit CAGR of 23.7% and 28.3%, respectively, showing our success in enhancing our leadership position in the industry.

(RMB million)	For the year ended 31 December			CAGR from 2014 to 2016
	2014	2015	2016	
Revenue	1,006.2	1,203.7	1,540.7	23.7%
Net profit	181.2	221.9	298.3	28.3%

Our principal products are automotive interior decorative electroplated components of passenger vehicles such as interior door handles, door trim, shifter bezels, steering wheels components, console parts and cluster rings. We place strong emphases on our one-stop production capability in mould production, plastic injection moulding and electroplating which enables us to achieve an outstanding production performance as demonstrated by our high production yield rate of approximately 90.7% in 2016, which is higher than the industry leading players according to the Frost & Sullivan Report.

### COMPETITIVE STRENGTHS

We believe that the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

- Leading automotive plastic electroplated components supplier in China
- Track record as a global supplier to internationally renowned and luxury automobile brands
- Vertically integrated business model with industrial automation capability in critical production processes
- Expertise in production and electroplating technologies lead to industry-leading production yield rate

## SUMMARY

- Experienced and committed management team with in-depth industry knowledge and experience

For further details of our strengths, please refer to the section headed “Business – Competitive Strengths” in this prospectus.

### STRATEGIES

Our goal is to become a leading solution provider in automotive interior decoration with global production capability by implementing the following strategies:

- Capacity expansion and cost optimization through (i) expansion of our production base in China; (ii) establishment of new production base in Mexico and (iii) acquisition opportunities
- Continue to strengthen our automotive plastic electroplated components customer base
- Enhance our capabilities in R&D, product design and electroplating technology

For further details of our strategies, please refer to the section headed “Business – Strategies and Future Plans” in this prospectus.

### OUR PRODUCTS

The table below sets forth a breakdown of our revenue and their percentage of our total revenue for the periods indicated:

	For the year ended 31 December								
	2014			2015			2016		
	RMB'000	%	Gross profit margin (%)	RMB'000	%	Gross profit margin (%)	RMB'000	%	Gross profit margin (%)
Automotive decorative components	914,439	90.9		1,128,353	93.7		1,503,085	97.6	
Non-automotive components	91,810	9.1	38.5	75,364	6.3		37,581	2.4	
<b>Total</b>	<u>1,006,249</u>	<u>100.0</u>		<u>1,203,717</u>	<u>100.0</u>	37.6	<u>1,540,666</u>	<u>100.0</u>	41.1

The major countries to which we export our products include the US, Canada, Mexico, Germany, Spain, Romania, Czech Republic, Slovakia, Japan and Brazil. The following table sets forth our revenue by geographic segment for the periods indicated:

Geographic segment (Note 1)	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
China (Note 2)	483,323	48.0	571,477	47.5	673,579	43.7
North America	345,772	34.4	381,181	31.7	462,110	30.0
Europe	141,291	14.0	210,087	17.5	348,256	22.6
Others (Note 3)	35,863	3.6	40,972	3.3	56,721	3.7
	<u>1,006,249</u>	<u>100.0</u>	<u>1,203,717</u>	<u>100.0</u>	<u>1,540,666</u>	<u>100.0</u>

*Notes:*

- (1) The revenue by geographic segment is based on the locations of the customers.
- (2) Including all of the revenue from sales of non-automotive components.
- (3) Others include but not limited to Japan and Brazil.



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## SUMMARY

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We manufacture and sell electroplated automotive (i) interior decorative components mainly of passenger vehicles, such as interior door handles, door trim, shifter bezels, steering wheels components, console parts and cluster rings and (ii) exterior decorative components, such as emblem, exterior door handles, fog lamp trim, front grill trim and tail lamp trim. Automotive interior decorative components were our major products segment during the Track Record Period, accounting for 91.9%, 92.9% and 93.6% of our revenue from automotive decorative component segment in 2014, 2015 and 2016, respectively. Our revenue derived from sales of automotive decorative components was RMB914.4 million, RMB1,128.4 million and RMB1,503.1 million in 2014, 2015 and 2016, respectively, representing 90.9%, 93.7% and 97.6% of our total revenue during the same periods.

Apart from automotive decorative components, we also manufactured and sold non-automotive products, such as razor edge and decorative parts of razors, lens rings and function buttons of digital and video cameras, as well as external shells and supporting frames of photocopiers during the Track Record Period. Our revenue derived from this product segment accounted for approximately 9.1%, 6.3% and 2.4% of our total revenue in 2014, 2015 and 2016, respectively. The monetary amount of revenue derived from such product segment also decreased during the Track Record Period. We do not intend to actively expand or market our non-automotive components, except for fulfilling the purchase orders from our existing customers.

### OUR PRODUCTION PROCESS

The diagram below illustrates our one-stop production process of our automotive decorative component products.



For further details, please refer to the section headed “Business – One-Stop Production Process of Our Automotive Decorative Components” in this prospectus.

### MANUFACTURING FACILITIES

Established in 2002 and headquartered in Huizhou, China, our production sites are operating in different strategic locations in southern, eastern and northern China in close proximity to many of the China’s leading Tier 1 suppliers and OEMs. As at the Latest Practicable Date, we had a total of 10 electroplating production lines located in our production bases in Huizhou, Wuxi and Tianjin. The following table sets out the designed production capacity, actual production volume and average utilisation rate of our electroplating production process of each of our production bases for the periods indicated:

	Electroplating Lines			
	Huizhou Production Base	Wuxi Production Base	Tianjin Production Base	Total
	(sq.m’000)	(sq.m’000)	(sq.m’000)	(sq.m’000)
<b>For the year ended 31 December 2014:</b>				
Designed production capacity <i>(Note 1)</i>	1,335.9	609.9	177.8	2,123.6
Actual production volume	971.4	326.7	78.8	1,376.9
Average utilisation rate <i>(Note 2)</i>	72.7%	53.6%	44.3%	64.8%

## SUMMARY

	Electroplating Lines			Total
	Huizhou Production Base	Wuxi Production Base	Tianjin Production Base	
	(sq.m'000)	(sq.m'000)	(sq.m'000)	(sq.m'000)
<b>For the year ended 31 December 2015:</b>				
Designed production capacity ( <i>Note 1</i> )	1,418.0	604.0	125.4	2,147.4
Actual production volume	1,063.3	454.7	69.5	1,587.5
Average utilisation rate ( <i>Note 2</i> )	75.0%	75.3%	55.4%	73.9%
<b>For the year ended 31 December 2016:</b>				
Designed production capacity ( <i>Note 1</i> )	1,418.0	604.0	101.1	2,123.1
Actual production volume	1,195.3	458.0	59.9	1,713.2
Average utilisation rate ( <i>Note 2</i> )	84.3%	75.8%	59.2%	80.7%

*Notes:*

- (1) The designed production capacity in 2014, 2015 and 2016 is calculated on the basis of 312 days per year and 24 working hours per day. The decrease in designed production capacity of Tianjin Production Base during the Track Record Period was mainly due to the retirement of two electroplating production lines in September 2014 and July 2015, respectively.
- (2) Average utilisation rate is calculated based on the actual production volume during the relevant year divided by the designed production capacity.

We have established strong relationships with leading Tier 1 suppliers and OEMs located in China, North America and Europe as a result of our ability to offer high-quality products at competitive prices. As at the Latest Practicable Date, we were the approved supplier for a wide range of internationally renowned OEMs, including 北京奔馳汽車有限公司 and Volvo Cars, and Tier 1 suppliers. With our sound quality control and profound knowledge in the industry, we have been successfully selected as a supplier in the global programmes for a selection of the latest premium car models. Through years of cooperation, we believe that we have become an important strategic partner to many Tier 1 suppliers and global OEMs, thereby consolidating our business flow and market position and enabling us to develop further business relationships with OEMs. In 2016, 30.0% of our revenue was derived from North America, 22.6% was from Europe, 43.7% was from China and 3.7% was from other regions. To maintain close proximity to the global OEMs and enhance our presence in the key global automobile market, we strategically established sales and marketing offices in Germany in 2008 and in the US in 2013. We have also established an indirect wholly-owned subsidiary in Mexico, Xin Point Mexico, in December 2016 as part of our expansion plans in Mexico. With an aim to enhance our global production capacity, we plan to establish a new production base in Mexico in 2018 with all en-compassing capabilities in plastic injection moulding, electroplating, components assembly and storage and logistics.

### OUR CUSTOMERS

Most of our customers during the Track Record Period were Tier 1 suppliers who are suppliers to OEMs. In 2014, 2015 and 2016, 60.9%, 72.9% and 84.1%, respectively, of our revenue from automotive decorative components segment was derived from sales to Tier 1 suppliers. Many of our Tier 1 suppliers customers are the world's leading automotive components suppliers. In 2014, 2015 and 2016, 0.6%, 1.0% and 2.0%, respectively, of our revenue from automotive decorative components segment was derived from direct sales to OEMs.

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## SUMMARY

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We formed a strategic partnership with KPI (Canada) in 2006 to supply automotive decorative components to KPI (Canada) for onward sales to their customers mainly located in North America. KPI (Canada) was our largest customer in 2014, 2015 and 2016, representing 31.2%, 20.6% and 13.4% of our total revenue during the same period. Over the years, we have developed direct business relationships with a number of Tier 1 suppliers in North America and established ourselves as a quality automotive decorative components supplier. With our improved image and presence in North America, we decided to further expand the North American market by ourselves through the establishment of our own office in Troy, Michigan State, the US in March 2013. Therefore, on 28 March 2013, we entered into an agreement with KPI (Canada) to cease our strategic partnership with them on future new vehicle programmes and on 19 October 2015, KPL transferred all its shares in KPI (Canada) to Euroshare as part of the Reorganisation. Our Directors confirmed that such cessation was not related to any product quality issues or loss of orders from competitors. We believe that the cessation of the strategic business relationship partnership with KPI (Canada) will not bring any material adverse impact to our business.

For further details, please refer to the section headed “Business — Customers, Sales and Marketing” in this prospectus.

### OUR SUPPLIERS AND SUBCONTRACTORS

As at the Latest Practicable Date, we had over 926 suppliers, including 75, 53 and 17 suppliers for the provision of plastic resins, electroplating chemicals and metallic components to us. Our major customers would generally provide us with their requirements for raw materials and we select our suppliers on such basis. Some of our customers have specific requirements as to the brands of plastic resins that we use and we shall select suppliers among the distributors of such designated brand of plastic resins.

We mainly engage KP (Suzhou) to handle the mould making and plastic injection moulding processes, for better production schedule management, resource utilisation and cost efficiency purposes, particularly in case of urgent orders from customers. Throughout the Track Record Period and as at the Latest Practicable Date, 30% equity interest of KP (Suzhou) was directly held by Wuxi Jinxin (a member of our Group) and the remaining 70% equity interest was held by a PRC individual who was an Independent Third Party (save for his 70% equity interest in KP (Suzhou) as mentioned above). Neither such PRC individual nor KP (Suzhou) is a connected person of our Company for the purpose of Rule 14A.07 of the Listing Rules.

For further details, please refer to the section headed “Business — Raw Materials, Components and Suppliers” in this prospectus.

### PRODUCT PRICING

We adopt a cost-plus pricing method taking into consideration of raw material and component prices, production volume, production process and technical requirements of the products. In 2014, 2015 and 2016, average selling price for our automotive decorative components was RMB4.0 per unit, RMB4.1 per unit and RMB4.8 per unit, respectively. OEMs generally require their Tier 1 suppliers to meet price reduction initiatives and objectives each year. Accordingly, most of our customers who are Tier 1 suppliers would in turn require step-downs in our component pricing over the period of supply, generally ranging, on average, from 2% to 6% per year during the Track Record Period.

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## SUMMARY

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### OUR SHAREHOLDING STRUCTURE

#### The Controlling Shareholders

Immediately following completion of the Capitalisation Issue and the Global Offering, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Green Pinnacle will directly hold about 71.86% of the issued share capital of our Company. The entire issued share capital of Green Pinnacle is held by Mealth PTC, the trustee of the Mealth Discretionary Trust where Mr. Ma is the settlor. The discretionary objects of the Mealth Discretionary Trust include Mr. Ma himself, the Ma Family Beneficiaries, the Management Beneficiaries and the Other Beneficiaries. Mr. Ma is also the sole shareholder and director of Mealth PTC and the sole director of Green Pinnacle. For the purpose of the Listing Rules, Mr. Ma, Green Pinnacle (being the trust asset of the Mealth Discretionary Trust) and Mealth PTC were the Controlling Shareholders of our Company as at the Latest Practicable Date.

#### Share Option Scheme

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, we conditionally adopted the Share Option Scheme on 5 June 2017. The principal terms of which are summarised in paragraph 4 of Appendix IV to this prospectus.

### SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth a summary of our financial information in 2014, 2015 and 2016, and should be read in conjunction with our financial information and the notes thereto included in Accountants' Report set out in Appendix I to this prospectus. The summary financial information has been prepared in accordance with HKFRSs. For more information, please refer to the section headed "Financial Information" in this prospectus.

#### Consolidated Statements of Comprehensive Income

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Revenue</b>	1,006,249	100.0	1,203,717	100.0	1,540,666	100.0
Cost of sales	(618,381)	(61.5)	(751,224)	(62.4)	(907,354)	(58.9)
<b>Gross profit</b>	387,868	38.5	452,493	37.6	633,312	41.1
Other income and gain	11,435	1.1	24,136	2.0	26,466	1.7
Selling and distribution expenses	(18,412)	(1.8)	(24,161)	(2.0)	(29,425)	(1.9)
Administrative expenses	(151,499)	(15.1)	(176,589)	(14.8)	(218,645)	(14.2)
Other expenses	-	-	(1,668)	-	-	-
Finance costs	(926)	0.0	(1,344)	(0.1)	(628)	0.0
Share of profit and losses of an associate	7	0.0	345	0.0	348	0.0
Profit before tax	228,473	22.7	273,212	22.7	411,428	26.7
Income tax expense	(47,265)	(4.7)	(51,349)	(4.3)	(113,087)	(7.3)
<b>Profit for the year</b>	<u>181,208</u>	<u>18.0</u>	<u>221,863</u>	<u>18.4</u>	<u>298,341</u>	<u>19.4</u>

## SUMMARY

### Selected Consolidated Balance Sheet Items

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>	318,495	389,281	526,471
<b>Current assets</b>	647,385	878,191	991,213
<b>Current liabilities</b>	283,523	439,413	488,698
<b>Net current assets</b>	363,862	438,778	502,515
<b>Non-current liability</b>	-	5,134	1,050
<b>Net assets</b>	682,357	822,925	1,027,936

### Consolidated Statements of Cash Flows

	For the year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	165,661	232,399	311,921
Net cash used in investing activities	(92,744)	(119,238)	(189,033)
Net cash (used in)/from financing activities	(63,226)	2,184	(203,339)
Net increase/(decrease) in cash and cash equivalents	9,691	115,345	(80,451)
Cash and cash equivalents at beginning of year	173,322	183,779	302,230
Effect of foreign exchange rate changes, net	766	3,106	7,869
Cash and cash equivalents at end of year	<u>183,779</u>	<u>302,230</u>	<u>229,648</u>

### Key Financial Ratios

	As at/for the year ended 31 December		
	2014	2015	2016
Gross Profit Margin (%)	38.5	37.6	41.1
Net Profit Margin (%)	18.0	18.4	19.4
Return on equity (%)	26.6	27.0	29.0
Return on total assets (%)	18.8	17.5	19.7
Current ratio	2.3	2.0	2.0
Quick ratio	1.8	1.6	1.6
Gearing ratio <sup>(Note)</sup>	1.2	3.8	0.5

Note:

- (1) Gearing ratio is the total debt as at the respective year end as a percentage of the total equity as at the respective year end.

For further details, please refer to the section headed “Financial Information — Key Financial Ratios” in this prospectus.

Our revenue increased from RMB1,006.2 million in 2014 to RMB1,203.7 million in 2015, and further increased to RMB1,540.7 million in 2016 mainly due to increase in sales of automotive products as a result of increase in both quantities sold and the average selling price. Our growth is mainly attributable to the continuing strong market demands in the PRC and our expansion in the European and North American markets. Our gross profit margin

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## SUMMARY

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remained stable at approximately 38.5%, 37.6% and 41.1% during the relevant period, respectively, despite the increase in staff costs due to increase in the general compensation levels which was largely offset by the general decline of commodity prices globally. For further details of the reasons of fluctuation in our gross profit margin, please refer to the paragraph headed “Financial Information — Review of Historical Results of Operation” in this prospectus.

For fluctuations of the costs of raw materials, please refer to the sensitivity analysis in the paragraph headed “Financial Information — Major Factors Affecting Our Results of Operations — Cost of raw materials and staff cost” in this prospectus.

### RECENT DEVELOPMENTS

In late January 2017, one of our electroplating production lines at the Huizhou Production Bases ceased production and will be dismantled due to long years of operation. To ensure we maintain sufficient production capacity to meet our customers’ demand, a new electroplating production line (M Line) at our Huizhou Production Base commenced full operation starting from early February 2017. The annual designed production capacity of M line is 618,000 sq.m. Further, as part of our strategic expansion plans in Mexico, we have also incorporated Xin Point Mexico, an indirect wholly-owned subsidiary of our Company.

Our business model, revenue structure and cost structure basically remained unchanged, subsequent to the Track Record Period and up to the Latest Practicable Date. Based on the unaudited financial information of our Group, we continued to record growth in our revenue for the four months ended 30 April 2017 as compared to the corresponding period in 2016. Such growth in our revenue was principally driven by the continued revenue contribution by increase in production orders in the North America market and the European market.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for the Listing expenses as disclosed in the paragraph headed “Listing expenses” in this section below, we did not have any significant non-recurrent items in our consolidated statement of profit or loss and other comprehensive income.

Our Directors have confirmed that as of the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 December 2016, and that there has been no event since 31 December 2016 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

### LISTING EXPENSES

The total Listing expenses (based on the mid-point of the Offer Price range) are estimated to be RMB72.3 million. Prior to the Track Record Period, we incurred Listing expenses of RMB0.7 million. During the Track Record Period, we incurred Listing expenses of RMB28.1 million, of which RMB1.2 million, RMB8.5 million and RMB11.9 million, were recognised as expenses in 2014, 2015 and 2016, respectively. By the completion of the Global Offering, we expect to further incur Listing expenses of RMB43.5 million, of which RMB17.3 million is to be recognised as expenses and the remaining is expected to be charged to equity.

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## SUMMARY

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### GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Capitalisation Issue and the Global Offering have been completed and 250,000,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Shares have been issued pursuant to the Share Option Scheme and (iv) 1,000,000,000 Shares are issued and outstanding following the completion of the Capitalisation Issue and the Global Offering.

	<u>Based on an Offer Price of HK\$3.13</u>	<u>Based on an Offer Price of HK\$3.42</u>
Market capitalisation .....	HK\$3,130 million	HK\$3,420 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(1)</sup> .....	HK\$1.91	HK\$1.98

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, please refer to the section headed “Appendix II – Unaudited Pro Forma Financial Information” in this prospectus.

*Note:*

- (1) The unaudited pro forma adjusted consolidated net tangible assets per Share does not take into account the dividends in the aggregate amount of approximate RMB100.0 million which the Company declared on 5 March 2017 and was fully paid as of the Latest Practicable Date. Had such dividend been taken into account, the unaudited pro forma adjusted consolidated net intangible assets per Share would be RMB1.57 (HK\$1.80) and RMB1.63 (HK\$1.87), assuming the Offer Price range of HK\$3.13 and HK\$3.42 per Share respectively at an exchange rate of RMB1 to HK\$1.147.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$770.1 million (after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering without taking into account any additional discretionary incentive fee), assuming no Over-allotment Option is exercised and an Offer Price of HK\$3.28 per Share, being the mid-point of the indicative Offer Price range of HK\$3.13 to HK\$3.42 per Share. We intend to use the net proceeds we will receive from this Global Offering for the following purposes:

- approximately 35.9% (approximately HK\$276.3 million) will be used for expanding and improving our production facilities in the PRC;
- approximately 40.2% (approximately HK\$309.5 million) for constructing the new production base in Mexico and investing in production facilities and equipment;
- approximately 5.4% (approximately HK\$41.3 million) for reinforcing our market position and enhancing our sales, increasing our direct exposure in the mid-to-high end automobile manufacturing segment as well as our market shares in North America and Europe;
- approximately 5.7% (approximately HK\$43.6 million) for enhancing our product quality, product safety and R&D capabilities;
- approximately 4.8% (approximately HK\$36.7 million) for enhancing our information technology and customer services systems; and

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## SUMMARY

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- approximately 8.0% (approximately HK\$62.7 million) will be used as working capital and general corporate purposes.

In the event of any material changes in the social, economic and political conditions in Mexico and/or trade relationships between US and Mexico and if, after assessing the impacts of such changes, our management forms the view that such changes are likely to adversely impede our expansion of business in North America and/or Mexico, we will internally assess the risks associated with our business and consider adjusting the net proceeds of approximately HK\$309.5 million for constructing the new production base in Mexico. We will issue an announcement if there is any material change in the above proposed use of proceeds. For further details on our future plans and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### DIVIDEND POLICY

In 2014, 2015 and 2016, we declared dividends in the amounts of RMB41.0 million, RMB67.0 million and RMB110.0 million, respectively. On 5 March 2017, we declared dividends in the aggregate amount of approximately RMB100.0 million, which has been paid to our Shareholders as at the Latest Practicable Date. All the dividends declared were paid in cash out of our internally generated resources to the then Shareholders. Our dividend distribution record in the past should not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Following the completion of the Global Offering, we plan to distribute not less than 30% of our distributable and accumulated undistributed profits of each financial year beginning from the year ending 31 December 2017. After completion of the Global Offering, we may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of final dividends shall be formulated by our Board and will be subject to our Shareholders’ approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial conditions, operating and capital expenditure requirements, distributable profits as determined under the HKFRSs and other applicable laws and regulations and other factors that our Board may consider important. For more details, please refer to the section headed “Financial Information – Dividend Policy” in this prospectus.

### RISK FACTORS

There are certain risks relating to investment in the Offer Shares, among which the relatively material risks include (i) we are subject to potential changes in trade policies and legislations in the US; (ii) changes in social, political and government policies in Mexico and implementation of the new laws and regulations in Mexico may have a material adverse effect on our expansion plans, our business, financial conditions, results of operations and prospects; (iii) we are subject to potential impacts of the renegotiation of NAFTA; (iv) our products are subject to continued pricing pressures, customers’ cost reduction initiatives and the ability of our customers to re-source or cancel their order; and (v) increase in costs of raw materials may materially and adversely affect our operations, margins and profitability.

For further details of the risk factors, please refer to the section headed “Risk Factors” in this prospectus.



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## SUMMARY

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### LEGAL PROCEEDINGS AND NON-COMPLIANCE

As at the Latest Practicable Date, no member of our Group were 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 member, that would have a material adverse effect on our results of operations or financial condition of our Group.

During the Track Record Period, we experienced certain instances of material non-compliances in relation to (i) insufficient social insurance fund and housing provident fund contributions; and (ii) illegal use of collective agricultural land and construction without permit with respect to Tianjin Wuqing Land. We have formulated a contingency plan in the event that we are required to relocate from the Tianjin Wuqing Land. Please refer to the paragraph headed “Business – Compliance and Legal Proceedings – Non-compliances” in this prospectus for further details.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.*

“AIC”	Administration of Industry and Commerce* (工商管理機關) in the PRC or, where the context so requires, State Administration for Industry and Commerce of the PRC* (中華人民共和國工商管理總局) or its delegated authority at provincial, municipal or other local level
“Application Forms”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s), or where the context so requires, any of such forms are used in the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 5 June 2017 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“ASP”	average selling price
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in paragraph 1.3 of Appendix IV to this prospectus
“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

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## DEFINITIONS

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<i>“CCASS Participants”</i>	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
<i>“close associate(s)”</i>	has the meaning ascribed to it under the Listing Rules
<i>“Companies Law”</i>	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
<i>“Companies Ordinance”</i>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Company” or “our Company”</i>	Xin Point Holdings Limited (信邦控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 28 August 2014
<i>“connected person(s)”</i>	has the meaning ascribed to it under the Listing Rules
<i>“Controlling Shareholders”</i>	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Mr. Ma, Green Pinnacle and Mealth PTC collectively
<i>“CO (Winding Up)”</i>	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Deed of Indemnity”</i>	the deed of indemnity dated 5 June 2017 entered into between the Controlling Shareholders and our Company for itself and as trustee for its subsidiaries, under which the Controlling Shareholders have given certain indemnities referred to in paragraph 5 of Appendix IV to this prospectus
<i>“Deed of Non-competition”</i>	the deed of non-competition and other undertakings dated 5 June 2017 and made by our Controlling Shareholders in favour of our Company, which contains certain non-compete undertakings and other undertakings given in favour of our Group
<i>“Director(s)”</i>	the director(s) of our Company
<i>“EIT Law”</i>	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
<i>“Euro” or “€”</i>	the lawful currency of the member states of the European Union

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## DEFINITIONS

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<i>“Eurochrome”</i>	Eurochrome Corp. (formerly known as Eurochrome Inc.), a company incorporated in Ontario, Canada, which was the holder of 4,900 class B shares of Euroshare (a shareholder of our Company) as at the Latest Practicable Date; and its (i.e. Eurochrome Corp.’s) issued shares were held, as at the Latest Practicable Date, (i) by Mr. Robert G. Mollenhauer (an Independent Third Party) as to 50 class A common shares (representing 50% of its issued share capital), and (ii) an entity wholly-owned by Mr. Michael James Prokopetz (another Independent Third Party) as to 50 class B common shares (representing 50% of its issued share capital)
<i>“Euroshare”</i>	Euroshare Ltd, a company incorporated on 2 October 2015 in BVI (as part of the Reorganisation), which was owned as to 51% by KP Share (holding 5,100 class A shares) and 49% by Eurochrome (holding 4,900 class B shares) as at the Latest Practicable Date and one of the shareholders of our Company
<i>“Frost &amp; Sullivan”</i>	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
<i>“Germany”</i>	Federal Republic of Germany
<i>“Global Offering”</i>	the Hong Kong Public Offering and the International Placing
<i>“GREEN application form(s)”</i>	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
<i>“Green Pinnacle”</i>	Green Pinnacle Holdings Limited, a company incorporated on 3 October 2015 in BVI, the entire issued share capital of which is the trust asset of the Mealth Discretionary Trust, and one of the Controlling Shareholders of our Company
<i>“Group”, “our Group”, “we”, “our” and “us”</i>	our Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
<i>“HKFRSs”</i>	Hong Kong Financial Reporting Standards promulgated by The Hong Kong Institute of Certified Public Accountants
<i>“HKICPA”</i>	Hong Kong Institute of Certified Public Accountants

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## DEFINITIONS

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“ <i>HKSCC</i> ”	Hong Kong Securities Clearing Company Limited
“ <i>HKSCC Nominees</i> ”	HKSCC Nominees Limited
“ <i>Hong Kong</i> ”	the Hong Kong Special Administrative Region of the PRC
“ <i>Hong Kong Offer Shares</i> ”	25,000,000 Shares (subject to adjustment) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described under the section headed “Structure and Conditions of the Global Offering” in this prospectus
“ <i>Hong Kong Public Offering</i> ”	the issue and offer of the Hong Kong Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee and SFC transactions levy) on and subject to the terms and conditions described in this prospectus and the Application Forms
“ <i>Hong Kong Underwriters</i> ”	the underwriters of the Hong Kong Public Offering named in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“ <i>Hong Kong Underwriting Agreement</i> ”	the underwriting agreement dated 15 June 2017 and entered into by (among other parties) the Company, the Sole Global Coordinator and the Hong Kong Underwriters relating to the Hong Kong Public Offering
“ <i>Hong Kong Share Registrar</i> ”	Computershare Hong Kong Investor Services Limited
“ <i>Huizhou Haoyu</i> ”	惠州市浩瑜科技有限公司 (Huizhou Haoyu Technology Co., Ltd.*), a company established in the PRC on 12 June 2009 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“ <i>Huizhou New Production Base</i> ”	our new production base to be operated by XP (Huizhou) Precision Components located in Huizhou, Guangdong province, the PRC, which is expected to commence operation in October 2017
“ <i>Huizhou Production Bases</i> ”	the seven production facilities operated by us located in Huizhou, Guangdong province, the PRC
“ <i>Huizhou Xinsheng</i> ”	惠州信升科技有限公司 (Huizhou Xinsheng Technology Co., Ltd*), a company established in the PRC on 21 March 2016 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“ <i>Independent Third Party(ies)</i> ”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) our Company or its connected persons

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## DEFINITIONS

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<i>“INED(s)”</i>	independent non-executive director(s) or, in the context of our Company, our independent non-executive Director(s)
<i>“International Placing”</i>	the placing of the International Placing Shares at the final Offer Price to professional, institutional and other investors, as described under the section headed “Structure and Conditions of the Global Offering” in this prospectus
<i>“International Placing Share”</i>	225,000,000 Shares (subject to adjustment and the Over-allotment Option) initially offered by our Company for subscriptions under the International Placing, as described under the section headed “Structure and Conditions of the Global Offering” in this prospectus
<i>“International Underwriters”</i>	the underwriters of the International Placing who are expected to enter into the International Underwriting Agreement
<i>“International Underwriting Agreement”</i>	the underwriting agreement expected to be entered into on or around Tuesday, 27 June 2017 by (among other parties) the Company, the Sole Global Coordinator and the International Underwriters relating to the International Placing
<i>“Issuing Mandate”</i>	a general and unconditional mandate granted to our Directors by the passing by our Shareholders of resolutions referred to in paragraph 1.3 of Appendix IV to this prospectus, pursuant to which our Directors may exercise the power of the Company to allot, issue or otherwise deal in new Shares up to a maximum of 20% of the total number of Shares of the Company in issue as at the Listing Date (excluding any Shares which may be issued upon the exercise of the Over-allotment Option)
<i>“JIL”</i>	Jingxing Industry Ltd. (金信實業有限公司*), a company incorporated on 16 March 2004 in BVI, which was an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“Joint Bookrunners”</i>	BNP Paribas Securities (Asia) Limited and ABCI Capital Limited
<i>“Joint Lead Managers”</i>	BNP Paribas Securities (Asia) Limited and ABCI Securities Company Limited

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## DEFINITIONS

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<i>“Keen Point Europe”</i>	Keen Point (Europe) Inc. (建邦 (歐洲) 有限公司), a company incorporated on 23 October 2007 in BVI, which was an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“Keen Point Germany”</i>	Keen Point (Europe) GmbH, a company incorporated on 7 October 2008 in Germany on the basis of a deed of incorporation dated 15 July 2008, which was an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“Keen Point Malaysia”</i>	Keen Point (M) Sdn. Bhd., a company incorporated on 14 August 2012 in Malaysia and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“Key Apps”</i>	Key Apps Limited (璟傑有限公司), a company incorporated on 16 June 2016 in Hong Kong and an indirectly wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“KP (Huizhou) Electronics”</i>	惠州建邦電子有限公司 (Huizhou Keen Point Electronics Co., Ltd.*), a company established in the PRC on 17 December 2004 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“KP (Huizhou) Precision Plastic”</i>	惠州建邦精密塑膠有限公司 (Huizhou Keen Point Precision Plastic Co., Ltd.*), a company established in the PRC on 22 November 2004 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“KP (Huizhou) Surface Decoration”</i>	惠州建邦表面處理有限公司 (Huizhou Keen Point Surface Decoration Co., Ltd.*), a company established in the PRC on 16 October 2015 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“KP (Suzhou)”</i>	蘇州市建邦精密模具有限公司 (Suzhou City Keen Point Precision Moulding Co., Ltd.*), a company established in the PRC on 29 November 2010 and an indirect 30%-owned associated company of the Company with the remaining 70% equity interest being held by Mr. Jin Jie, an Independent Third Party, as at the Latest Practicable Date
<i>“KP (Wuxi) Electronics”</i>	無錫建邦電子有限公司 (Wuxi Keen Point Electronics Co., Ltd.*), a company established in the PRC on 31 August 2004 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date

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## DEFINITIONS

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<i>“KP (Wuxi) Moulding”</i>	無錫建邦汽車精密模具有限公司 (Wuxi Keen Point Automobile Precision Moulding Co., Ltd.*), a company established in the PRC on 23 June 2014 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“KPI (Canada)”</i>	Keen Point International Inc., a company incorporated in Ontario, Canada and continued and subsisting in Nova Scotia, Canada, was an Independent Third Party as at the Latest Practicable Date; and its issued shares were held, as at the Latest Practicable Date, (i) by an entity wholly owned by Mr. Robert G. Mollenhauer (an Independent Third Party (other than being a shareholder of Eurochrome)) as to 44 class A common shares (representing 46.3% of its issued share capital), and (ii) an entity wholly-owned by Mr. Michael James Prokopetz (another Independent Third Party (other than owning an entity which is a shareholder of Eurochrome)) as to 44 class D common shares (representing 46.3% of its issued share capital)
<i>“KPL”</i>	Keen Point Limited, a company incorporated on 5 May 2004 in BVI and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“KP Share”</i>	KP Share Ltd., a company incorporated on 1 September 2015 in BVI (as part of the Reorganisation), was owned as to 97.272% by Green Pinnacle and 2.728% by Lau Tsz Ching as at the Latest Practicable Date, and was the holder of 5,100 class A shares of Euroshare as at the Latest Practicable Date
<i>“Latest Practicable Date”</i>	6 June 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus
<i>“Listing”</i>	listing of the Shares on the Main Board
<i>“Listing Committee”</i>	the listing sub-committee of the Stock Exchange
<i>“Listing Date”</i>	the date, expected to be on Wednesday, 28 June 2017, on which dealings in our Shares first commence on the Main Board
<i>“Listing Rules”</i>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
<i>“Ma Family Beneficiaries”</i>	Ms. Ma Lingfang (馬玲芳女士), Mr. Shi Longbao (石龍寶先生), Ms. Ma Xiaohong (馬曉紅女士), Mr. Wei



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## DEFINITIONS

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	Longxiang (衛龍祥先生) and Mr. Zhu Pinghua (朱平華先生), being family members or relatives of Mr. Ma and some of the Mealth DT Discretionary Objects
“Main Board”	the Main Board operated by the Stock Exchange
“Maksun”	Maksun Limited (緯益有限公司), a company incorporated on 4 October 2005 in Hong Kong and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Management Beneficiaries”	Mr. He Xiaolu (何曉律先生), Mr. Meng Jun (孟軍先生), Mr. Liu Jun (劉軍先生), Mr. Chen Dong (陳東先生) and Mr. Zhang Yumin (張玉敏先生), being some of our Directors and/or our employees as at the Latest Practicable Date and some of the Mealth DT Discretionary Objects
“Mealth Discretionary Trust”	the discretionary trust established with effect from 19 June 2015, with (i) Mr. Ma as settlor and (ii) whose discretionary objects include the Mealth DT Discretionary Objects
“Mealth DT Discretionary Objects”	in respect of the Mealth Discretionary Trust, includes Mr. Ma, the Management Beneficiaries, the Ma Family Beneficiaries, and the Other Beneficiaries
“Mealth PTC”	Mealth (PTC) Limited, a company incorporated on 1 April 2015 in BVI, a corporate trustee of the Mealth Discretionary Trust managing Green Pinnacle, and one of the Controlling Shareholders of our Company
“Memorandum of Association”	the memorandum of association of our Company (as amended from time to time) adopted on 5 June 2017, a summary of which is set out in Appendix III to this prospectus
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOST”	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
“Mr. Ma”	Mr. Ma Xiaoming (馬曉明先生), the chairman of the Board, an executive Director and one of our Controlling Shareholders
“NAFTA”	North American Free Trade Agreement

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## DEFINITIONS

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“ <i>NDRC</i> ”	the PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“ <i>Nomination Committee</i> ”	the nomination committee of the Board
“ <i>Offer Price</i> ”	the offer price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
“ <i>Offer Shares</i> ”	the Hong Kong Offer Shares and the International Placing Shares
“ <i>Other Beneficiaries</i> ”	Mr. Chen Dingyi (陳定一先生), Mr. Zeng Hongyu (曾洪瑜先生), Ms. Sun Yanhui (孫艷輝女士), Mr. Liu Yonggui (劉永貴先生), Ms. Zhang Xiuqin (張秀芹女士) and Ms. Liu Xinggui (劉興桂女士), being the former shareholders of XPC (other than the Management Beneficiaries and the Ma Family Beneficiaries) prior to the Reorganisation in September 2014, and some of the Mealth DT Discretionary Objects
“ <i>Over-allotment Option</i> ”	the options expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares at the Offer Price, representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to cover the over-allocations (if any) in the International Placing, as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“ <i>PBOC</i> ”	the People’s Bank of China (中國人民銀行), the central bank of PRC
“ <i>PRC Legal Advisers</i> ”	GFE Law Office (廣東恒益律師事務所), our legal advisers as to PRC laws
“ <i>PRC</i> ” or “ <i>China</i> ”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“ <i>Predecessor Companies Ordinance</i> ”	the Companies Ordinance (then Chapter 32 of the Laws of Hong Kong), which was in force before 3 March 2014 and was repealed after the currently prevailing Companies Ordinance had commenced operation on 3 March 2014

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## DEFINITIONS

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<i>“Price Determination Date”</i>	the date, expected to be on or around Wednesday, 21 June 2017 but in any event not later than Tuesday, 27 June 2017, on which the Offer Price will be determined for the purposes of the Global Offering
<i>“Regulation S”</i>	Regulation S under the U.S. Securities Act
<i>“Remuneration Committee”</i>	the remuneration committee of the Board
<i>“Reorganisation”</i>	the corporate reorganisation of the Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
<i>“Repurchase Mandate”</i>	a general and unconditional mandate granted to our Directors by the passing by our Shareholders of resolutions referred to in paragraph 1.3 of Appendix IV to this prospectus, pursuant to which our Directors may exercise the power of the Company to repurchase Shares the aggregate nominal amount of which shall not exceed 10% of the total number of Shares of the Company in issue as at the Listing Date (excluding any Shares which may be issued upon the exercise of the Over-allotment Option)
<i>“RMB”</i>	Renminbi, the lawful currency of the PRC
<i>“R&amp;D”</i>	research and development
<i>“SAFE”</i>	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
<i>“SAT”</i>	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
<i>“SFO”</i>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Shanghai Xinyu”</i>	上海信裕進出口貿易有限公司 (Shanghai Xinyu Import & Export Trading Company Limited*), a company established in the PRC on 12 May 2011 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
<i>“Shanghai Zhiyuan”</i>	上海志源塑膠製品有限公司 (Shanghai Zhiyuan Plastic Products Co., Ltd.*), a company established in the PRC on 12 February 2007 and an indirect wholly-owned subsidiary of our Company prior to the Reorganisation, and which was not a member of our Group as at the Latest Practicable Date

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## DEFINITIONS

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<i>“Share Option Scheme”</i>	the share option scheme conditionally adopted by our Company on 5 June 2017, the principal terms of which are summarised in paragraph 4 of Appendix IV to this prospectus
<i>“Shareholder(s)”</i>	holder(s) of Shares
<i>“Shares”</i>	ordinary share(s) having a par value of HK\$0.10 each in the capital of the Company
<i>“Sole Global Coordinator” or “Sole Sponsor”</i>	BNP Paribas Securities (Asia) Limited
<i>“Stabilisation Manager”</i>	BNP Paribas Securities (Asia) Limited
<i>“State Council”</i>	the State Council of the PRC
<i>“Stock Borrowing Agreement”</i>	the stock borrowing agreement expected to be entered into between Green Pinnacle and the Stabilisation Manager on or about the same date as the International Underwriting Agreement
<i>“Stock Exchange”</i>	The Stock Exchange of Hong Kong Limited
<i>“subsidiary(ies)”</i>	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
<i>“Substantial Shareholder(s)”</i>	has the meaning ascribed to it under the Listing Rules and details of which are set out in the section “Substantial Shareholders” in this prospectus
<i>“Takeovers Code”</i>	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
<i>“Tianjin Jinxin”</i>	天津金信精密塑膠部件有限公司 (Tianjin Jinxin Precision Plastic Components Company Limited*), a company established in the PRC on 17 June 2005 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
<i>“Tianjin Production Base”</i>	the production facilities operated by Tianjin Jinxin located in Tianjin, the PRC
<i>“Tianjin Wuqing Land”</i>	a parcel of land situated at Su Yang Fang, Nan Cai village, Wuqing district, Tianjin (天津武清區南蔡村鎮蘇羊坊村), the PRC, leased by us with a total GFA of approximately 6,845.2 sq.m.
<i>“Track Record Period”</i>	the financial period comprising the three financial years ended 31 December 2014, 2015 and 2016

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## DEFINITIONS

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<i>“Underwriters”</i>	the Hong Kong Underwriters and the International Underwriters
<i>“Underwriting Agreements”</i>	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
<i>“United States”, “USA” or “US”</i>	the United States of America
<i>“US\$” or “USD” or “US dollars”</i>	United States dollars, the lawful currency of the United States
<i>“U.S. Securities Act”</i>	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
<i>“WFOE”</i>	wholly foreign-owned enterprise within the meaning prescribed under the PRC laws
<i>“White Form eIPO”</i>	the application for Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider, <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
<i>“White Form eIPO Service Provider”</i>	Computershare Hong Kong Investor Services Limited
<i>“Wuxi Jinxin”</i>	無錫金信表面處理有限公司 (Wuxi Jinxin Surface Decoration Company Limited*), a company established in the PRC on 14 May 2004 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
<i>“Wuxi New Production Base”</i>	our new production base to be operated by KP (Wuxi) Moulding located in Wuxi, Jiangsu province, the PRC, which is expected to commence operations in August 2017
<i>“Wuxi Production Bases”</i>	the four production facilities operated by us located in Wuxi, Jiangsu province, the PRC
<i>“Xin Point Mexico”</i>	Xin Point México S.DE R.L. DE C.V., a private limited liability company incorporated on 21 December 2016 in Mexico and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“Xin Point Switzerland”</i>	Xin Point Europe AG, a private limited company incorporated on 27 July 2016 in Switzerland and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
<i>“XP (Huizhou) Precision Components”</i>	惠州信邦精密部件有限公司 (Huizhou Xin Point Precision Components Co., Ltd.*), a company established in the

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## DEFINITIONS

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	PRC on 9 October 2014 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“ <i>XP (Huizhou) Surface Decoration</i> ”	惠州信邦表面處理有限公司 (Huizhou Xin Point Surface Decoration Co., Ltd.*), a company established in the PRC on 19 September 2011 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“ <i>XPC</i> ”	Xin Point Corporation, a company incorporated on 22 August 2005 in BVI and a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
“ <i>XPNA</i> ”	Xin Point North America Inc., a company incorporated on 1 March 2013 in the US and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date

*In this prospectus, the English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, awards, certificates and titles etc. marked “\*” are translations from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail. The Chinese names of BVI entities marked “\*” are translations from their English names and are for identification purposes only. If there is any inconsistency between the Chinese names and their English translations, the English names shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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<i>“ABS resin”</i>	a plastic material which is used in a wide range of applications, including the substrate of electroplated automotive interior and exterior decorative components
<i>“cluster rings”</i>	gauge rings that circle the auto meters in an automobile
<i>“console parts”</i>	a raised portion between bucket seats in an automobile, containing storage compartments, switches and controls
<i>“electroplating”</i>	a process by which a thin layer of metal is deposited over an object by applying an electric current while the object is submerged in solution of chemicals (generally known as “electrolytic bath”)
<i>“GFA”</i>	gross floor area
<i>“nylon electroplating”</i>	an advanced electroplating technology involving the use of polyamide
<i>“OEM(s)”</i>	original equipment manufacturer(s), a term generally used in the automotive industry to refer to automotive manufacturers
<i>“PC/ABS resin”</i>	polycarbonate blended with Acrylonitrile butadiene styrene polymer resin is a thermo-plastic resin commonly used for injection moulding application
<i>“shifter bezels”</i>	gear shifters and gear knobs of an automobile
<i>“spray painting”</i>	a painting technique that involves a spraying device, usually an automatic spray gun, spraying a coating of paint or other materials onto a substrate surface
<i>“Tier 1 supplier(s)”</i>	direct supplier(s) to OEMs
<i>“Tier 2 supplier(s)”</i>	supplier(s) to Tier 1 suppliers who fabricate with the parts and components which they manufacture and/or purchase to supply to OEMs
<i>“tonne”</i>	metric tonne, equivalent to 1,000 kilogrammes
<i>“tooling”</i>	manufacturing aids of a specialised nature used for specific production line or the performance of a specific job
<i>“VM electroplating”</i>	non-conductive vacuum metallization electroplating, which involves depositing of a metallic film on a plastic part without any electrical conductivity

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- all other risks and uncertainties described in the section headed “Risk Factors” in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as at the date on which such statement is made and, subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. 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. All forward-looking statements in this prospectus are expressly qualified by reference to the cautionary statements set out in this section.



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## RISK FACTORS

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*You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our operations are conducted in China, the legal and regulatory environment of which may differ from that prevailing in other countries. Our business, financial condition and operating results 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.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

### **RISKS RELATING TO OUR BUSINESS**

#### ***We are subject to potential changes in trade policies and legislations in the US***

During the Track Record Period, North America was our second largest market, accounting for over 30% of our total revenue. It is also our plan to establish a production base in Mexico as an export platform to the US. As a result, our export business is exposed to possible sales interruptions or cancellations and increase in costs in the event of any adverse actions taken by the US or other foreign government agencies with respect to continued trade or enactment of legislation that restricts trade. Following the recent presidential election in the United States, there were speculations over US trade and economic policies, in particular vis-a-vis other jurisdictions such as PRC and Mexico. It remains uncertain whether the PRC and/or Mexico would receive, or continue to receive, any tariff treatment with respect to their exported goods to the US. For details, please refer to the paragraph headed “We are subject to potential impacts of the renegotiation of NAFTA” in this section below.

There is no guarantee that the trade relations between the US and PRC as well as Mexico will remain stable in the future and we cannot predict whether and how any potential change in their relationship will impact our ability to export our products from PRC to the US and/or, as part of our expansion plan, from Mexico to the US, in the future. Any deterioration in their relationships could further increase the costs of our exported products to the US, or limit our ability to export our products to the US, which would materially and adversely affect our sales or financial performance.

#### ***Changes in social, political and government policies in Mexico and implementation of the new laws and regulations in Mexico may have a material adverse effect on our expansion plans, our business, financial conditions, results of operations and prospects***

We plan to establish a new production base in Mexico to satisfy the growing demand from customers in North America and facilitate our expansion of business in North America. We currently plan to spend over HK\$239.8 million for its construction. As a result, we may be subject to changes in social, political and government policies in Mexico. We cannot assure you that our business operations will not be adversely affected by any new policies

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## RISK FACTORS

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and if the Mexican government ceases to implement foreign investment policies favourable to us, our business, financial conditions and results of operations may be adversely affected.

Furthermore, we cannot predict whether changes in the Mexican laws, regulations and policies will have a material adverse effect on our business, results of operations, financial conditions and prospects. The legal system of Mexico follows the civil law tradition and has recently enacted laws and regulations to cover all aspects of economic activities in Mexico. As there are limited volume of published decisions on the new laws and regulations, the interpretation and enforcement of these laws and regulations may involve uncertainties. The legal protection available under the Mexican laws and regulations may be limited. Litigation or regulatory enforcement actions in Mexico may be protracted and may result in substantial costs and the diversion of resources and management attention if regulations are not effectively observed or documented and/or commercial relationships are not properly entered into or documented.

***We are subject to potential impacts of the renegotiation of NAFTA***

Our business operation in Mexico may be affected by any change in the trade policies or legislations in the US with respect to its economic and trading relationship with Mexico. For example, according to the Frost & Sullivan Report, the possibility of the renegotiation of NAFTA may impose tariffs to automobiles produced in Mexico. If the NAFTA renegotiation is materialised and any new policy unfavourable to the exports of products from Mexico to the US is imposed, our export of automobile parts produced in Mexico will be subject to higher cost of sales, which may negatively affect our profitability and competitiveness in the industry. For details, please refer to the paragraph headed “We are subject to potential changes in trade policies and legislations in the US” in this section above.

***Our products are subject to continued pricing pressures, customers’ cost reduction initiatives and the ability of our customers to re-source or cancel their order***

OEMs generally select automotive electroplated components suppliers through a competitive bidding process and require their Tier 1 suppliers to meet price reduction initiatives each year. Accordingly, most of our customers who are Tier 1 suppliers would in turn require step-downs in component pricing over the period of our supply, generally ranging, on average, from 2% to 6% per year. Such downward pricing pressure is expected to continue and may escalate in the future if vehicle manufacturers pursue additional cost-cutting or restructuring initiatives in the event of deteriorating conditions in the global automotive markets. In addition, our customers reserve the right at their discretion to unilaterally terminate their supply contracts under some circumstances, which enhances their ability to obtain price reductions. Since the vehicle programmes typically last for a number of years and are anticipated to encompass large volumes, our customers enjoy significant leverage in price negotiations and are able to negotiate favourable pricing terms. Accordingly, we are subject to substantial continuing pressure from our customers to reduce the price of our products. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our margins and profitability may be materially and adversely affected.

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## RISK FACTORS

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***Increase in costs of raw materials may materially and adversely affect our operations, margins and profitability***

Our major raw materials include plastic resins, electroplating chemicals such as nickel sulphate, and metallic components such as phosphor copper ball. The cost of raw materials as a percentage of our total cost of goods sold was approximately 38.2%, 32.2% and 31.0% in 2014, 2015 and 2016, respectively. A significant volatility in the price level of the raw materials could increase our operating costs and adversely affect our profit margin. Although we attempt to recover nickel and other raw material price fluctuations in the selling prices or through hedging, there is no assurance that we can do so successfully. In fact, we incurred investment loss relating to our hedging activities during the Track Record Period. Our ability to pass on raw material and component cost increases to our customers is substantially limited by competition and market pressure since our customers enjoy significant leverage in price negotiations. In addition, our selling prices were determined at the time when we entered into sales agreement with our customers before production and have been fixed since then. Given that the vehicle programmes in which we are engaged typically last for a number of years, it is difficult for us to pass on the subsequent increase of costs in raw materials and productions to our customers. If the markets move against our hedged positions, we may incur other losses and our business, financial condition and results of operations could be materially and adversely affected.

***Higher labour costs and labour shortages could materially and adversely impact our operations, margins and profitability***

We rely on a significant number of engineers, technicians and skilled workers to support our product development and manufacturing processes. We had 4,025 employees as at 31 December 2016. Our total staff cost represented approximately 23.7%, 24.1% and 23.0% of our total revenue in 2014, 2015 and 2016, respectively. In recent years, average labour costs in the PRC have increased due to higher living standards and the PRC government's recent policies to raise the minimum wage for workers pursuant to the Labour Contract Law of the PRC (中華人民共和國勞動合同法) which became effective on 1 January 2008, and was amended on 28 December 2012 and became effective on 1 July 2013.

There can be no assurance that we will be successful in retaining and recruiting sufficient number of suitably qualified workers in time for our existing and future operations at reasonable cost, or at all, and any prolonged shortage of labour could materially and adversely affect our business, relationship with customers, results of operations and financial condition. Any significant increase in labour costs could adversely affect our margins and profitability to the extent we are not able to pass on such cost increases to our customers. Our ability to pass on such increased costs may be limited by competitive pressure in the market. Unless we are able to identify and employ other appropriate means to reduce our cost of production, our profit margin may decrease and our results of operations and financial condition may be materially and adversely affected.

***Our purchase orders with our customers are generally production requirements-driven contracts, and a decline in the production requirements of any of our customers could materially and adversely affect our business, results of operations and financial condition***

We supply substantially all of our products to our customers pursuant to purchase orders for specific products supplied for particular vehicles, which are governed by terms

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## RISK FACTORS

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and conditions established by each customer. In most instances, our customers agree to purchase specific products but are not required to purchase any minimum quantity of products from us. Some customers may also contract with an alternative supplier for the same vehicle programme. Our customers typically have no obligation to purchase a specific quantity of products, the discontinuation of, or a decrease in demand for, certain key models or group of related models of components sold by our major customers or the ability of a manufacturer to re-source and discontinue purchasing from us, for a particular model or group of models, could have a material adverse effect on us. To the extent that we do not maintain our existing level of business with our major customers because of a decline in their production requirements or because these purchase orders expire, are terminated or are not renewed, we will need to procure orders from new customers or secure new business with existing customers. If we are not able to do so, our business, results of operations and financial condition could be materially and adversely affected.

### *Our expansion plans may not be as successful as we have planned*

Our future plans as described in the sections headed “Business – Strategies and Future Plans” and “Business – Our Future Facilities and New Production Lines” in this prospectus are based on current intentions, assumptions and assessments of our management in determining our business strategies according to their view of the industry trends and market conditions. However, our ability to grow progressively and materialise our future plans will be subject to a wide range of operational and financial requirements, including appropriate allocation of capital investment in implementing the various plans and adequate human resources. We may also be unable to realise our future plans in accordance with the expected timetable or at all due to other risks and uncertainties which include, among others, intensifying competition, our ability to retain key employees and maintain favourable labour relations, our financial stability in terms of profits and cash flow, and our existing business relationships with major customers. The execution of our future plans may also be hindered by other broader factors beyond our control, such as general market conditions, the economic and political environment of Hong Kong, the PRC and the world.

In particular, our expansion plans may involve the following risks:

- We cannot assure you that our expansion plans will materialise within the intended time frame or at all, or will result in increased revenue or profit to our Group as these expansion plans may involve substantial time, costs, cash outflows and market uncertainties. Any failure or delay in implementing any part of these plans may hinder our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations.
- Our actual production volume may vary depending on the demand and purchase orders of different types of our products to be received from our customers which in turn may be affected by market trend, customers’ preferences or other factors which are beyond our control. The demand for our products as well as the purchase orders to be received and the revenue and profits to be generated may not increase in line with our increase in production capacity and we cannot assure you that there will not be over-capacity.
- We expect to incur increased costs, such as direct labour costs and depreciation charges which may significantly increase as a result of our investment in land,

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## RISK FACTORS

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building, machinery and equipment, and further development of our R&D product design and electroplating technologies. Such increased cost could adversely affect our financial performance.

- The process of obtaining the relevant administrative and environmental permits and licences for the construction and operation of the new facility in Mexico will require interactions with federal, state and municipal agencies in Mexico and therefore may be subject to certain bureaucratic delays during the process. For certain permits and licences, the applicant is required to comply with the requirements and restrictions stipulated in the corresponding regulations in force at federal, State and Municipal level. The authority has the power to consider factors such as the existing permits or authorisations for the industrial park<sup>1</sup>, location of the project, existing environmental conditions of the site, restrictions associated with adjacent industries, production processes to be implemented, any risky substances<sup>2</sup> to be used during the operation, any opposition of stakeholders and availability of utilities in the site, in order to impose additional restrictions and conditions that the applicant must observe. In addition, the issuance of certain permits and licences (e.g. water concessions) is subject to the discretion of the authority, which may deny to grant them by justified reasons, regardless of whether the applicant has fully complied with the requirements set forth in the regulations<sup>3</sup>. However, there are legal remedies available for the applicant to contest the decision if the rejection is considered unjustifiable.

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<sup>1</sup> Regarding the Environmental Impact Authorisation (“EIA”) for the construction and operation of the Industrial Park:

- a) The EIA was granted to an entity which is no longer involved in the development of the Industrial Park (“EIA Holder”). Therefore, one of the current developers (the “Industrial Park Developers”), will apply for the assignment of the EIA from the EIA Holder.
- b) The Industrial Park Developers are in the process of applying for an extension of validity of the EIA before the local environmental ministry as the EIA was not renewed before its expiration date. The Environmental Impact Director of the local environmental ministry confirmed in a physical meeting on 26 April 2017 and in a correspondence on the same date that it is feasible to remediate the situation by means of an extemporary application notwithstanding that the extension of validity was not applied on time, and that the Industrial Park Developers meet the renewal requirements of EIA.

The remediation process described in paragraphs (a) and (b) above regarding the EIA may take, at least, 40 business days in Mexico from 8 May 2017.

<sup>2</sup> The Industrial Park does not have authorisation to allow facilities within its borders to conduct highly risky activities (that involve the use of certain established kinds and amounts of risky substances). Having said that, our proposed production processes in our new production base in Mexico does not involve highly risky activities.

<sup>3</sup> The State Board for Economic Development (“CEPE”) is in the process of obtaining by means of an assignment of rights, a concession title to extract 570,000 m<sup>3</sup> of underground water per year which is subject to the approval of the National Water Commission (“CONAGUA”), without such it is not able to extract underground waters for use and supply in the Industrial Park. The application for obtaining the approval was submitted on 9 March 2017 and CONAGUA shall issue an official decision authorising or denying the assignment of rights within 60 working days; however, CONAGUA may take longer to issue an official decision (in some situation, it may take around a year). Since this application only involves a transfer of an existing concession title instead of obtaining a new concession title, if CEPE complies with all the requirements set forth by law on its application, it is likely that the assignment of rights would be approved by CONAGUA. Alternatively, we may consider obtaining our own concession title from CONAGUA, by means of an assignment of rights, which is also subject to similar application procedures as the aforesaid in the event that CEPE fails to obtain approval from CONAGUA.

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## RISK FACTORS

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*Some of our leased land and properties in the PRC are subject to certain specific risks including those arisen from defective titles and non-registration and we may be required to relocate or pay fines*

The landlords of certain of our leased properties in the PRC were unable to provide the construction works planning permits or property ownership certificates covering the whole or certain parts of the properties to prove their authority to lease the relevant properties. As advised by our PRC Legal Advisers, the relevant leases may be deemed as invalid if challenged by third parties and we may be forced to vacate from the properties if the relevant landlords are not the legal owners of the properties and do not have the authority to lease the properties to us. As at the Latest Practicable Date, we had not been aware of any third party challenging the validity of the lease agreements or ownership of these properties. However, in the event that any third parties claim to be the legal owners of any such properties, we may need to relocate to other places within a short period of time, which may adversely affect our business operation and financial position.

In addition, under the relevant PRC laws, lease agreements in relation to properties on state-owned land are required to be registered with the local housing bureau. As at the Latest Practicable Date, certain of our lease agreements with respect to the properties we leased in the PRC had not been registered with the local authorities. As advised by our PRC Legal Advisers, the non-registration of the lease agreements does not affect the validity of our leases. However, we may be required by the relevant PRC authorities to register the lease agreements within a specific time period and subject to a fine ranging from RMB1,000 to RMB10,000 for each failure to register a lease within the prescribed time period. Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any fine imposed or any administrative action taken by the relevant PRC authorities or any third party claim against us regarding the non-registration of these lease agreements. However, there is no assurance that the relevant authority will not take any actions or impose fine on us in the future.

In particular, the Tianjin Wuqing Land we leased from the committee of Su Yang Fang, Nan Cai village, Wuqing district, the PRC (天津武清區南蔡村鎮蘇羊坊村委員會) (the “**Tianjin Land Owner**”) has the following issues: (i) usage of part of the land in contravention of the permitted use for agricultural purposes; (ii) construction of production facilities thereon without the required permits; and (iii) lack of ownership certificate from the Tianjin Land Owner. As advised by our PRC Legal Advisers, if any of the above defects is challenged by any authorities or third parties, we may no longer be able to occupy and use such land. In addition, we may be subject to penalties, demolition notices and/or confiscation orders imposed by the PRC government for failing to obtain the relevant construction permits and for changing the permitted use of the land from agricultural to industrial use without prior approval from the relevant PRC governmental authorities.

Although we plan to relocate our production facilities on the Tianjin Wuqing Land by the end of August 2017, we may not be able to move to the new site in accordance with our schedule due to delay in completion of the renovation of our new plant or other reasons beyond our control. In the event that we receive an enforcement notice from the PRC governmental authorities or any third party seeks to challenge the title ownership of the Tianjin Wuqing Land prior to our relocation, we will need to resort to our contingency plan, i.e., to increase the capacity of our other unaffected production plants, which may interrupt our existing business operation and adversely affect our financial condition.

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## RISK FACTORS

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For further details relating to the defects of our land and properties in the PRC and our plans to resolve the related risks, please refer to the section headed “Business – Properties” in this prospectus.

***Our business operation may be adversely affected if we fail to renew the lease agreements***

As at the Latest Practicable Date, we leased a number of properties in the PRC, Germany and Hong Kong for our production plants, offices, warehouses, dormitory and workshops. The lease agreements we entered into with the landlords are for a fixed duration subject to an expiry date. It is possible that we may not secure the renewal of such lease agreements upon its expiry. If we fail to renew the leases, we may not be able to find suitable locations to relocate our production facilities in a timely manner and on commercially acceptable terms, or at all, which could result in temporary disruption to our operation and loss of business due to the decreased production capacity of our Group. For details of our leased properties, please refer to the section headed “Business – Properties – Leased properties” in this prospectus.

***We have discontinued our strategic partnership with our largest customer during the Track Record Period who is expected to cease to be our customer after 2020, which may result in a decline of our export sale to North America***

We have discontinued our strategic partnership with KPI (Canada) in March 2013. Under the strategic partnership, we supply automotive decorative components to KPI (Canada) for onward sales to their customers mainly located in North America. KPI (Canada) was our largest customer in 2014, 2015 and 2016. Our revenue generated from sales to KPI (Canada) amounted to approximately RMB313.5 million, RMB248.4 million and RMB206.8 million in 2014, 2015 and 2016, representing approximately 31.2%, 20.6% and 13.4% of our total revenue during the same periods, respectively. After March 2013, we ceased to enter into any sales agreement with KPI (Canada) in relation to new vehicle programmes, except that we, subject to any programme extension by KPI (Canada)’s customers, would continue to supply products to KPI (Canada) and its customers for the remaining term of the existing vehicle programmes that we were engaging in with them, most of which are expected to be completed in or before 2020. As at the Latest Practicable Date, our total sales amount under the vehicle programmes involving KPI (Canada) which have not been completed is expected to be approximately RMB285 million. Our Directors foresee that we would not receive any new purchase orders for new vehicle programmes from KPI (Canada) in the foreseeable future.

Our sales to KPI (Canada) have decreased since the termination of strategic partnership in March 2013 and would continue to decrease in the future as we complete the remaining term of the existing vehicle programmes with KPI (Canada). If we are unable to increase our sales to other existing customers or establish business relationships with new customers, the termination of the strategic partnership with KPI (Canada) will cause a significant drop in our revenue and this will bring material and adverse effect to our results of operations, our financial condition and business prospects. For further details, please refer to the section headed “Business – Customers, Sales and Marketing – Strategic partnership with KPI (Canada)” in this prospectus.

Furthermore, the discontinuation of our strategic partnership with KPI may result in a decrease in our exports to North America. Our sales to KPI (Canada) attributed to a significant percentage of our export sales to North America, representing approximately

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## RISK FACTORS

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90.7%, 65.2% and 44.8% of our total export sales to North America in 2014, 2015 and 2016, respectively. North America was also our largest export market, attributable to approximately 34.4%, 31.7% and 30.0% of our revenue during the same periods. We established our US sales office in Troy, Detroit, State of Michigan in 2013. With a short operational history in the US, we have not developed an established strong sales network and market recognition in the US market independent from KPI (Canada). If we are unable to develop our own sales network in the US successfully, our export sales to North America will decline and this may affect our market foothold in the North America's market. This may also cause us to place stronger reliance on other markets.

Our strategic partnership with KPI (Canada) could be one of the major factors that our customers, in particular those located in the US, purchased products from us. The discontinuation of the strategic partnership with KPI (Canada) may adversely affect our competitiveness in the US market and customers' trust in our products. In addition, we face competition from KPI (Canada) which now also procures automotive decorative components from other PRC manufacturers and supplies to a similar clientele in the US market after our strategic partnership was terminated. As such, our business and results of operations could be materially and adversely affected.

***The commodity futures contracts entered into by us may materially and adversely affect our financial condition and results of operations***

Nickel and its compound products are one of the major raw materials used in our production process. During the Track Record Period, we entered into certain commodity futures contracts to hedge against the risks associated with the volatility in nickel price.

According to the accounting policies applicable to us, gain or loss on fair value changes in derivative financial instruments will be recognised in the combined income statement. Such treatment of gain or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations. In 2014, 2015 and 2016, we recognised investment gain/(loss) arising from our hedging activities of approximately RMB0.5 million, RMB(1.7) million and RMB0.3 million, respectively. In the future, we intend to continue to conduct nickel price hedging activities, and have adopted the hedging management policy including, among others, appointment of the finance department to closely monitor our hedging positions. However, we cannot assure you that the management policy will be successful in reducing or eliminating the risks relating to our hedging transactions and any loss resulting from such transactions may materially and adversely affect our results of operations and financial condition. For further details of our hedging policies and activities, please refer to the sections headed "Business – Hedging" and "Financial Information – Description of Certain Items of Consolidated Statements of Financial Position – Derivative financial instruments" in this prospectus.

***A drop in the market share or changes in product mix offered by our customers can affect our revenue***

We primarily sell our products to Tier 1 suppliers and are dependent on the continued growth, viability and financial stability of our customers. The automotive industry is subject to rapid technological change, intense competition, short product life cycles and cyclical consumer demand patterns. When our customers and the OEMs that they supply products to are adversely affected by any of these factors, we may be adversely affected as well to the



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## RISK FACTORS

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extent that our customers reduce the volume of orders for our products. Moreover, if the relationships between our customers and the OEMs that they supply products to deteriorate, our sales to our customers may also be affected.

As the purchase orders with our customers are typically based on specific models, the mix of vehicle offerings by their OEM customers also affects our sales. A decrease in consumer demand for specific types of vehicles for which we have traditionally provided significant quantity of components could have a material adverse effect on our business, results of operations and financial condition.

***Product recalls by OEMs or Tier 1 suppliers could negatively affect their production levels and therefore have a material adverse effect on our business, results of operations and financial condition***

In the past, there have been significant product recalls by some of the world's largest OEMs. Recalls may result in decreased production levels due to: (i) an OEM focusing its efforts on addressing the problems underlying the recall, as opposed to generating new sales volume; and (ii) consumers electing not to purchase vehicles manufactured by the OEM initiating the recall, or by OEMs in general, which such recalls persist. Any reductions in OEM's or our customers' production volumes could have a material adverse effect on our business, results of operations and financial condition.

In addition, if any of our products are or are alleged to be defective, we may be required to participate in a recall involving such products. Any negative publicity arising from a recall could adversely affect our reputation. Also, each OEM and Tier 1 supplier has its own practices regarding product recalls relating to its suppliers. However, as suppliers have become integrally involved in the vehicle design process and assume more of the vehicle assembly functions, OEMs and Tier 1 suppliers may look to their suppliers for contribution when faced with recalls. There was no recall on our products during the Track Record Period but there is no assurance that one will not occur in the future. Accordingly, any recall claim brought against our customers or us could have a material adverse effect on our business, results of operations and financial condition.

***We are dependent on limited sources of supply for certain raw materials and components***

We are dependent on limited sources of supply for certain key components used in manufacturing our products, such as plastic resins, electroplating chemicals and metallic components. We source key raw materials and components which are designated by our customers from a limited group of suppliers in the PRC in order to ensure timely supply and consistent quality of our products. Unexpected increases in demand, capacity limitations or other problems experienced by our suppliers may result in shortages or delays in their supply of raw materials and components. Furthermore, our suppliers may experience financial or operational difficulties due to factors such as increased labour costs, unavailability or higher cost of financing, disruptions in the supply of raw materials used by such suppliers, changes in relevant government policies or other factors. There can be no assurance that financial or operational difficulties faced by our suppliers will not have an impact on our business in the future. If we experience a significant or prolonged shortage of critical raw materials and components from any of our key suppliers and cannot procure them from other sources with the approval given by our customers, we would be unable to meet our production schedules for some of our key products and to transport such products to our customers in a timely

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## RISK FACTORS

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fashion, which would adversely affect our sales, profitability and customer relations. Furthermore, there can be no assurance that surcharges and other cost increases or financial support to our suppliers will not be necessary to ensure the continued financial viability of key suppliers, especially in difficult market conditions, which may reduce our earnings.

***We may be exposed to the credit risks of our customers and risks of write-offs arising from significant inventory balances***

We generally grant a credit term ranging from 30 to 90 days to our customers. In 2014, 2015 and 2016, our trade and bills receivables amounted to RMB261.6 million, RMB319.6 million and RMB445.1 million, respectively. As at 31 December 2016, trade and bills receivables of RMB8.4 million were past due but not impaired. In addition, we generally keep significant inventory level to meet the demand of our customers. In 2014, 2015 and 2016, our inventory amounted to RMB148.5 million, RMB179.8 million and RMB218.8 million, respectively. As at 31 December 2016, approximately 55.4% of the total inventory was the finished goods stocked up in preparation for increased demand in the US and European markets to be delivered in early 2017. Despite the subsequent settlement of trade and bills receivables and inventories balance of 95.4% and 93.6%, respectively, as at 31 March 2017, if our customers do not adhere to the credit terms and if we are unable to minimise excessive inventories, we may be exposed to credit risks of our customers and risks of higher level of write-offs.

***We may not be able to protect our patents or other intellectual property and we may face claims in relation to infringement of intellectual property rights from third parties which may affect our business and reputation***

Our commercial success depends in part on our ability to obtain and maintain patents and other intellectual property rights for our products, technologies, designs and know-how as well as our ability to successfully protect our intellectual properties and to defend ourselves against third-party challenges. If we fail to protect our intellectual property rights, we may lose our competitiveness, or be required to incur additional development or production costs to maintain our competitiveness. For further details of our intellectual property, please refer to the section headed “Business – Intellectual Property”.

We rely on confidentiality agreements to safeguard proprietary know-how that is not patentable or for which patents are difficult to enforce, and we cannot assure you that we will be able to enter into new confidentiality agreements where necessary or desirable or renew the existing ones upon their expiration. For example, we have entered into confidentiality agreements with our management members and employees relating to our confidential proprietary information. Departure of any of our management members or employees in possession of our confidential proprietary information, or breach by any management member or employee of his or her confidentiality and non-disclosure undertaking to us, could compromise the protection of our intellectual property.

In addition, the protection of our intellectual property rights in the PRC may not be as effective or certain as in more developed countries. Although the PRC has established laws and regulations to protect intellectual property rights, the enforcement of such laws and regulations may still be insufficient to render adequate protection to our intellectual property rights. Our business may be adversely affected if we are unable to effectively protect our patents from unauthorised use by third parties. In addition, if third parties unlawfully

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## RISK FACTORS

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infringe our intellectual property rights, we may face difficulties and costly litigation in enforcing such rights. Moreover, we cannot assure you that any patent or registered trademark owned by, or licensed to, us will be enforceable or will not be invalidated, circumvented or otherwise challenged in the PRC or foreign countries or that the rights granted will provide competitive advantages to us or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all.

Furthermore, we have historically obtained, and may continue to obtain, technologies and other intellectual properties from third parties through acquisition or licensing arrangements. We may not be familiar with the laws and regulations with respect to intellectual properties of foreign jurisdictions, and we cannot assure that there will not be any dispute between us and a foreign vendor of technologies, which may have a material and adverse effect on our business prospects, results of operations and financial conditions. If we cannot use any of such technologies or intellectual properties as we expect, there could be a material adverse effect on our ability to keep up with technological developments. In addition, if we fail to maintain or renew any significant technology or other intellectual property licensing arrangements for any reason, our business, results of operations and financial condition will be materially and adversely affected.

We may face claims from time to time that our products infringe upon the intellectual property rights of third parties, including our competitors. Defending such claims may require significant attention from our management and may be costly. If any legal proceeding against us for infringement of intellectual property rights is successful, we may be ordered to be responsible for the losses incurred by the claiming parties. Any of these claims, regardless of its merits, could result in substantial costs and diversion of resources which could materially and adversely affect the Group's business and operating results.

***We are subject to environmental, health and safety regulations and we may be subject to fines or restrictions that could cause our operations to be interrupted or result in significant compliance expenses***

Our manufacturing operations generate a variety of chemicals, gases and other emissions and wastes, and we are subject to certain regulations in the PRC relating to the use, storage, discharge and disposal of such chemicals and gases and other emissions and wastes. While we believe that we have adopted anti-pollution measures for the effective maintenance of environmental protection standards consistent with the practice of the plastic electroplating industry in the PRC, there is no guarantee that we will not be subject to environmental, health or safety liabilities or litigation that could result in an assessment of damages, imposition of fines, suspension of production or cessation of operations. In addition, changes in environmental, health or safety regulations or requirements could require us to acquire costly equipment, obtain certificates modify our operations or to incur other significant compliance expenses that may materially and negatively affect our results of operations and financial condition. For further information in relation to the environmental, health and safety regulations applicable to us, please refer to the section headed "Regulatory Overview" in this prospectus.

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## RISK FACTORS

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***We have not fully complied with the relevant social insurance and housing provident fund contribution laws and regulations in the PRC, which could lead to imposition of fines and penalties***

### *Social insurance fund*

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) which became effective on 1 July 2011, an employer shall make contributions to social insurance fund for its employees.

According to the abovementioned social insurance law, if a company fails to pay the full amount of social insurance as scheduled, the relevant authorities may order the employer to make the social insurance payment or make up the difference within a stipulated period and levy a surcharge equal to 0.05% of the overdue social insurance for each day from the date on which the social insurance became overdue, and if payment is not made within the stipulated period, the relevant administration department may impose a fine of one to three times the amount of overdue social insurance on the employer. During the Track Record Period, we failed to make any or full contributions to the social insurance fund in compliance with the relevant laws and regulations in the PRC for some of our employees. In 2014, 2015 and 2016, the amount of outstanding social insurance contributions was approximately RMB27.8 million, RMB28.7 million and RMB44.3 million, respectively. For further details, please refer to the section headed “Business – Compliance and Legal Proceedings – Non-compliances – Under-contribution of social insurance for some of our PRC employees” in this prospectus.

### *Housing provident fund*

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), an employer shall go through housing provident funds registration with the local housing fund administration centre and open housing fund accounts for its employees in the bank. If an employer fails to complete the abovementioned registration and accounts opening, he may be subject to an order to handling within a time limit. If an employer fails to handle within the prescribed time limit, it shall be imposed the penalty ranging from RMB10,000 to RMB50,000. Where an employer fails to pay up housing provident funds within the time limit, the housing fund administration centre shall order it to make payment within certain period of time, if the employer still fails to do so, the housing fund administration centre may apply to the court for enforcement of the unpaid amount. During the Track Record Period, we failed to pay the housing provident fund in full and comply with the formalities relating to the opening of housing provident fund accounts in accordance with the relevant laws and regulations in the PRC for some of our employees. In 2014, 2015 and 2016, the amount of outstanding housing provident fund contribution was approximately RMB4.7 million, RMB4.2 million and RMB6.4 million, respectively. For further details, please refer to the paragraph headed “Business – Compliance and Legal Proceedings – Non-compliances – Under-contribution of housing provident fund for some of our PRC employees” in this prospectus.

We cannot assure you that we will not be subject to penalties or fines imposed by the relevant PRC authorities or orders to rectify such incidents of non-compliance in the future. Furthermore, we cannot assure you that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. If we are required to make additional payments in relation to such social

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## RISK FACTORS

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security insurance and housing provident funds contributions, our operating expenses will increase and this could adversely affect our financial condition and results of operations.

***We may not be able to keep pace with changes in technology and regulatory standards or adapt to evolving customer needs on a timely basis, which may adversely affect our business***

We believe that our ability to anticipate and keep pace with changes in technology and regulatory or industry standards will be a significant factor to remain competitive. If we do not anticipate and keep pace with such changes and develop new and enhanced products on a timely and cost-efficient basis, we may not be able to produce products that the automotive parts markets in the PRC and elsewhere demand at competitive prices. Current and anticipated trends in the automotive industry include greater consumer and regulatory focus on the safety, fuel efficiency and environmental impact of automobiles and increased electronic content and electronics integration in vehicles. Moreover, in order to simplify vehicle design and assembly processes and reduce their costs, vehicle manufacturers increasingly look to their suppliers to provide fully engineered combinations of automotive parts in systems and modules rather than individual components. We have devoted, and plan to continue to devote, substantial resources to R&D and engineering activities focusing on key industry trends in the PRC.

However, we cannot provide assurance that such efforts will lead to the successful development and launch of new products that meet our customers' demands, or that we will keep pace with technological changes in the market in the future. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to perform as expected.

***Disruption of production facilities could have a material and adverse effect on our business***

We operate an integrated business model, in which we control key stages of our operation chain such as mould production, plastic injection and electroplating. All of our products are produced at our production facilities located in Huizhou, Wuxi and Tianjin in the PRC.

Our production facilities are subject to operational risks, including mechanical and information technology system failure, power shortage, work stoppage, increase in transportation costs, natural disasters, fire and disruption to supplies of raw materials and parts. If any of these events occurs, we may be forced to shut down part of or the entire operations of our production facility for a certain period of time during which we have to suspend our production. In case of the operation of any of our production facilities being substantially disrupted, we may not be able to replace the equipment or inventories at such facility, or use a different facility or a third party contractor to continue our production in a legal, timely and cost-effective manner or at all. Any interruption of our activities in our manufacturing, assembling or warehouse facilities in the PRC due to these or other events could disrupt the operation of and the stable supply of our products to our sales and distribution network, which could have a material adverse effect on our business, results of operations and financial condition. Any future problems of our production facilities as a result of, among others, capacity constraints, upgrading or expanding existing facilities or

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## RISK FACTORS

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changes in production technologies may cause delays in our production and delivery schedules, which could temporarily reduce our manufacturing capacity and affect our ability to provide products to our sales and distribution network and our customers in a timely manner.

***Our business may be adversely affected if we lose our key senior management and employees or if we are unable to hire and retain qualified personnel***

Our future business and results of operations depend to a significant extent on the continued services of our senior management and key R&D, engineering and other specialised personnel, and on our ability to continue to attract, retain and motivate such key employees. Turnover in our senior management or loss of key personnel could impair our operations, result in the loss of major customers or a decrease in our level of business with such customers or otherwise harm our business. We do not carry key personnel insurance for any of our employees and there is substantial competition within the automotive parts industry for highly qualified personnel. Although we have not had difficulty in recruiting and retaining qualified key personnel in the past, we cannot assure you that this will continue to be the case in the future. If we are unable to continue to attract and retain qualified personnel, our business may be materially and adversely affected.

***Our results of operations are subject to exchange rate fluctuations***

There has been volatility in foreign exchange rates in recent years, including rates between the Renminbi and the US dollar, the Euro and other major foreign currencies. To the extent that we incur costs in one currency and generate sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. While our purchases of raw materials, components and equipment are denominated mainly in Renminbi, a large portion of our sales and purchases are denominated in other currencies, including US dollars and Euros. In 2016, approximately 56.3% of our total revenue were denominated in currencies other than the Renminbi. Accordingly, fluctuations in exchange rates, in particular between US dollar and Renminbi, may adversely affect our profit margins and our operating and pre-tax income.

An appreciation of Renminbi against a foreign currency decreases the cost in Renminbi terms of any imported raw materials, components and equipment which are denominated in such foreign currency, but on the other hand causes our export products to be less competitive by raising our prices in terms of such foreign currency and reduces Renminbi value of our export sales. Because our overseas sales and accounts receivable denominated in US dollars or Euros outweigh our raw material, component and equipment purchases and accounts payable in such currencies, an appreciation of Renminbi against US dollar or Euro generally has a net negative impact on our results of operations while a depreciation of Renminbi against such currencies generally has the opposite effect. It is difficult to predict how Renminbi exchange rates will change in the future. In the event that Renminbi appreciates against US dollar or other major foreign currencies, this may adversely affect our results of operations.

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## RISK FACTORS

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### RISKS RELATING TO OUR INDUSTRY

***The cyclical nature of automotive sales and production may result in volatility in our results of operations and adversely affect our business***

Automotive sales and production are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences as well as changes in interest rate levels, consumer confidence, fuel costs and the availability of consumer financing. In particular, our results of operations are affected by general market conditions in the PRC automotive market. Automotive sales and production in the PRC and elsewhere are also significantly impacted by government policies, regulations and initiatives. These conditions and factors may change suddenly and dramatically. In addition, our sales are affected by vehicle inventory levels, and it is often difficult for us to predict with any degree of certainty when our vehicle manufacturer customers will decide to either build or reduce inventory levels or whether new inventory levels will approximate historical inventory levels. This may result in volatility in our results of operations and financial condition. Uncertainty regarding production and inventory levels, and the resulting volatility in our results of operations, may be exacerbated by favourable consumer financing programmes initiated by vehicle manufacturers in periods of low consumer demand, which may have the effect of accelerating vehicle sales that otherwise would occur in future periods. Our sales would also decline in the event of any scheduled shutdowns of production facilities by our vehicle manufacturer customers or shutdowns resulting from unforeseen events. If we were to experience any significant decline in our sales and production, we would be forced to take actions in order to reduce costs. However, our high levels of fixed costs may make it difficult to adjust our cost base to the extent necessary or to make such adjustments on a timely basis. As a result, our results of operations and financial condition may be adversely affected during any prolonged periods of low or declining vehicle production, and uncertainty or significant fluctuations in demand in the automotive industry in the PRC could have a material adverse effect on our business.

***The automotive parts industry in the PRC is highly competitive, and there is no guarantee that we will be able to continue to compete successfully***

The automotive parts industry in the PRC is highly competitive, with a significant number of other manufacturers capable of producing products that are competitive with ours. Vehicle manufacturers operating in the PRC, including the PRC operations of global vehicle manufacturers as well as local PRC vehicle manufacturers, rigorously evaluate us and other suppliers based on a diverse set of criteria such as quality, cost competitiveness, system and product performance, reliability and timeliness of delivery, technology, flexibility in operations, customer service and overall management capability. Some of our principal competitors are more diversified in terms of product range, have lower operating costs and/or have greater market share or financial, technological or other capabilities and resources than we do, and may be better positioned to withstand cyclical downturns in the automotive industry. Vehicle manufacturers may also prefer awarding bids to suppliers that are larger than us or which have a longer track record than ours, particularly in light of the increased focus of vehicle manufacturers on the financial strength and viability of their supply base following the global economic downturn in recent years. Moreover, such scrutiny of suppliers may accelerate a general contraction in the supply base and consolidation of suppliers in the automotive parts industry, and some of the automotive parts suppliers resulting from this consolidation may, by virtue of their increased size and resources, provide greater competition for us.

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## RISK FACTORS

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In addition, the automotive industry in the PRC is experiencing, and may continue to experience, substantial production overcapacity relative to market demand due to aggressive capacity expansions in recent years by local PRC automotive companies, including established manufacturers as well as new market entrants, and there can be no assurance that such trends will not negatively affect the automotive parts industry in the PRC. Increased competition, continuing consolidation and overcapacity may lead to price erosion and decreased margins and negatively impact our ability to gain or hold market share, resulting in a material adverse impact on our future profitability. Our ability to compete successfully depends on factors both within and outside our control, including product pricing, performance and reliability, successful and timely investment and product development, the effectiveness of our customers in marketing their brands and products, component and raw material supply costs and general economic and industry conditions. We cannot provide assurance that we will be able to compete successfully with our competitors on these fronts or that we will be able to sustain or improve our current market position.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

#### ***Changes in economic, political and social conditions and government policies in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects***

Substantially all of our business, operations and assets are located in the PRC. As a result, we are subject to political, economic, legal and regulatory risks specific to the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, the uniformity in implementation and enforcement of laws, control of foreign exchange and allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, though we cannot assure you that this growth will continue or continue at the same pace.

In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. As such, we cannot assure you that we will not be adversely affected by the measures that are under continuous adjustments. Also, the PRC government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall economy of the PRC, but may also have a negative impact on the automotive parts industry or on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

Furthermore, we cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have a material adverse effect on our business, results of operations, financial condition and prospects. In particular, our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. The PRC government has recently articulated the need to control economic growth, and to limit inflation. The PRC government implemented a series of



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## RISK FACTORS

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macro-economic policies which included raising the benchmark interest rates, increasing the PBOC statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of restricting loans to certain industries. Certain of these macro-economic policies and stricter lending policies in the PRC may have a material adverse effect on our results of operations, financial condition and our ability to obtain financing, thus reducing our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending, or that, if any such measure is implemented, it will not have a material adverse effect on our future results of operations or profitability. Furthermore, we cannot assure you that our historical economic and market conditions will continue, or that we will be able to sustain our growth.

***Uncertainties with respect to the PRC legal system could have a material adverse effect on us***

Our business and operations are primarily conducted in the PRC and are governed by PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC. Prior court decisions may be cited for reference but have limited weight as precedents. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investment in the PRC. However, the PRC has not developed a fully-integrated legal system, and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

***Government control over currency conversion may affect the value of our Shares and limit our ability to utilise our cash effectively***

Around 43.7% of our sales are denominated in Renminbi in 2016. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or make other payments to us or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to

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## RISK FACTORS

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our Shareholders. In addition, since a substantial majority of our future cash flow from operations is likely to continue to be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

***As a holding company, we rely on the distribution by our PRC subsidiaries for funding***

We are a holding company incorporated in the Cayman Islands, and we operate our business through our operating subsidiaries in the PRC. We rely on the distribution to us by our PRC subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. PRC laws permit dividends to be paid by our PRC subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles (“**PRC GAAP**”), which differ from the accounting principles and standards generally accepted in many other jurisdictions. PRC laws also require each of our PRC subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP, up to a maximum of 50% of its registered capital. Any of our PRC subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and reservation in accordance with PRC laws. These reserve funds are not available for distribution as cash dividends. Where the losses of a foreign invested enterprise in previous accounting years have not been made up, it shall not make profit distribution. Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our PRC subsidiaries’ ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our PRC subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes.

***The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect the value of your investment in our Company***

On 3 February 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises’ Equity Transfer Income (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) (“**Circular 698**”) and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on 10 December 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC

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## RISK FACTORS

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Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, the value of your investment in our Shares may be adversely affected.

***We may be deemed as a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income***

Under the EIT Law, enterprises established under the laws of jurisdiction other than China may be considered as a PRC tax resident provided that their “de facto management body” are located within China. Implementation rules of the EIT Law (企業所得稅法實施條例) interprets “de facto management body” as a body that exercises substantial and comprehensive management or control over the business, personnel, finance and properties of an enterprise. Through a circular promulgated in April 2009 and amended in November 2013 (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), the PRC State Administration of Taxation further clarified the criteria for determining whether an enterprise has a “de facto management body” within China. As most of our management is currently based in China and many may remain in China in the future, we and our non-PRC subsidiaries may be treated as PRC tax residents and a number of unfavourable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC enterprise income tax reporting obligations. Any income sourced by us from outside China, such as interest on offering proceeds held outside China, would be subject to PRC enterprise income tax at a rate of 25%. While the EIT Law provides that dividend income between “qualified resident enterprises” is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC tax residents. In addition, if we are treated as PRC tax residents under PRC laws, capital gains realised from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within China. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC resident Enterprise Shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual Shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

***Dividends paid by our PRC subsidiaries to us are subject to PRC withholding taxes***

Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC resident enterprise nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. In addition, on 27 August 2015, the SAT promulgated the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), which became effective on 1 November 2015 and replaced the Administrative

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## RISK FACTORS

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Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial). Under the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, a non-PRC resident enterprise which considers itself qualified for and entitled to the treatment under taxation treaties shall indicate the same and provide the relevant statements and materials. Where the non-PRC resident enterprise provides all the required materials to the relevant tax authorities by itself or via the withholding agent and the conditions for enjoying the treatment under the taxation treaty are met based on the information in the relevant statements, a non-PRC resident enterprise will enjoy the treatment or the withholding agent shall withhold tax in accordance with the treaty and the competent tax authority will subsequently administer the non-PRC resident enterprise enjoying the treatment under the treaty.

***Current PRC regulations on loans provided by, and foreign direct investment by, an offshore holding company to Chinese companies may delay or prevent us from using the proceeds from the Global Offering to fund our business operations in China***

Any loans or capital contributions that we, as an offshore entity, make to our PRC subsidiaries that are foreign-invested enterprises, including with the proceeds of the Global Offering, are subject to Chinese laws and regulations. Foreign-invested enterprises must register with SAFE or its local counterpart in order to obtain shareholder loans from the foreign investors. The aggregate amount of these foreign loans must not exceed statutory limits. Furthermore, the foreign-invested enterprises must register with SAFE or its local counterpart for repayment of the foreign loans. In addition, foreign investors may obtain approvals or filings from MOFCOM or its local counterpart and register with SAIC or its local counterpart to make capital contributions to the foreign-invested enterprises. We cannot assure you that we can obtain the required government approvals or registrations or complete filing on a timely basis, or at all, with respect to loans or capital contributions that we may make to our PRC subsidiaries. If we fail to obtain the approvals or registrations or complete filing, our ability to use the proceeds from the Global Offering to fund our operations in China would be negatively affected, which would materially and adversely affect our liquidity and our ability to expand our business.

The SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“SAFE Circular No. 16”) on 9 June 2016, which stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises and the foreign exchange incomes of capital accounts and the capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for certain purposes. Violations of SAFE Circular No. 16 could result in administrative penalties. Circular No. 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from this offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business or to acquire other companies in the PRC.

***Inflation in the PRC could materially and adversely affect our profitability and growth***

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices

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## RISK FACTORS

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for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business, results of operations and financial condition as well as prospects.

**It may be difficult to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgements obtained from non-PRC courts against, us or our management who reside in the PRC**

Most of our management reside in the PRC and a significant portion of our assets and the assets of our management are located in the PRC. Accordingly, it may be difficult for you to effect service of process in connection with disputes brought in the courts outside the PRC on, or to enforce judgements obtained from non-PRC courts against, us or our management who reside in the PRC.

Furthermore, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements awarded by courts in the BVI, the Cayman Islands and most other western countries. Hence, the recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

***Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing dividends and could expose us and our Shareholders who are PRC residents to liability under PRC laws.***

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-Trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (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) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on 14 July 2014, requires a PRC resident including a PRC entity or a PRC individual to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing. Following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any change of a PRC resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered investment amount capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s PRC subsidiary to distribute dividends to its overseas parent.

SAFE Circular No. 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 75”). SAFE further enacted the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies

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## RISK FACTORS

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for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (“SAFE Circular No. 13”), effective from 1 June 2015, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

As SAFE Circular No. 37 was recently promulgated, it is unclear how this regulation and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategies. As at the Latest Practicable Date, the entire issued share capital in Green Pinnacle, a Shareholder of the Company, was held by Mealth PTC as trustee of the Mealth Discretionary Trust and the Mealth DT Discretionary Objects include PRC residents. For further details on the Mealth Discretionary Trust, please refer to the section headed “History, Reorganisation and Corporate Structure – Change in Issued Share Capital and/or Owners of our Company – The Mealth Discretionary Trust” in this prospectus. As advised by our PRC Legal Advisers, the beneficiaries of the discretionary trust which includes PRC residents are currently not qualified for registration required by Circular No. 37. However, we cannot assure you that the relevant authorities would not interpret or regulate the registration in another way. In addition, we cannot assure you that all of our Shareholders or beneficiaries who were or are PRC residents or entities have made or obtained or will in the future make or obtain any applicable registrations or approvals required by SAFE regulations. Any failure by our PRC resident Shareholders or beneficial owners to make the registrations or updates with SAFE may subject the relevant PRC resident shareholders or beneficial owners to fines or legal sanctions, restrict our overseas or cross-border investment activities and our ability to contribute additional capital to our PRC subsidiaries, limit our PRC subsidiaries’ ability to make distributions or pay dividends, or affect our ownership structure and capital inflow from our offshore subsidiaries. As such, our business, financial condition, results of operations and liquidity as well as our ability to pay dividends or make other distributions to our Shareholders may be materially and adversely affected.

### RISKS RELATING TO THE GLOBAL OFFERING

***There has been no prior market for our Shares and the market price of our Shares may decrease after the Global Offering***

Before the Global Offering, there was no public market for our Shares. While we have applied to list our Shares on the Stock Exchange, we cannot provide any assurance that an active public market for our Shares will develop or be sustained.

The Offer Price for our Shares will be determined through negotiations between the Sole Global Coordinator (on behalf of the Underwriters) and us, and it may not necessarily be indicative of the market price for the Shares after the Global Offering is completed. The price and trading volume of our Shares after the Global Offering will be determined by the marketplace and may be highly volatile, as they may be influenced by many factors including:

- our financial results;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future sales and cost structures;

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## RISK FACTORS

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- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- any volatility in the Hong Kong and international securities markets.

You may be unable to resell your Shares at or above the Offer Price and, as a result, you may lose all or part of your investment.

### ***Potential conflict of interests between the Controlling Shareholders and other minority Shareholders***

Immediately following the Capitalisation Issue and the Global Offering, our Controlling Shareholders will beneficially hold an aggregate of 71.86% of the Shares in issue (assuming that the Over-allotment Option and options which may be granted under the Share Option Scheme are not exercised at all). The interests of the Controlling Shareholders may differ from the interests of the other Shareholders. There is no assurance that the Controlling Shareholders will act in our best interests or that of the minority Shareholders. If there is any conflict of interests between the Controlling Shareholders and the minority Shareholders, the Controlling Shareholders may have 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.

### ***Because the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will experience immediate and substantial dilution***

If you purchase Shares in this offering, you will pay more for each Share than the corresponding amount paid by existing Shareholders for their Shares. As a result, you will experience immediate and substantial dilution upon purchase of the Shares in the Global Offering. In addition, you may experience further dilution to the extent that our Shares are issued upon the exercise of share options.

### ***Future sales of our securities in the public market could adversely affect the prevailing market price of our Shares***

The market price of the Shares could decline as a result of future sale of substantial amount of the Shares or other securities relating to the Shares in the public market or the issuance of new Shares or other securities, or the perception or speculation that such sales or issuances may occur. Further sale of substantial amounts of our securities including any future offerings, or the perception or speculation that such sale other issuances may occur. Future sale of substantial amounts of our securities, including any future offerings, or the perception that such sales are likely to occur, may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem to be appropriate.

In addition, the Shares held by our Controlling Shareholders are subject to a lock-up period, details of which are set out in the paragraph headed “Underwriting – Undertakings – Undertakings Given to the Stock Exchange Pursuant to the Listing Rules – (B) Undertaking by the Controlling Shareholders” in this prospectus. While we are not aware of any intentions of these Shareholders to dispose of significant amount of their Shares after the completion of the lock-up periods, we are not in a position to give any assurances that they will not dispose of any Shares they may own. Future sales of our Shares by our Controlling Shareholders following the completion of the relevant lock-up periods could materially and adversely affect the prevailing market price of our Shares.

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## RISK FACTORS

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***Purchasers of our Shares in the Global Offering may experience dilution if we issue additional Shares in the future***

With a view to expanding our business, we may consider issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

***Due to a gap of approximately five business days between the pricing and the commencement of trading of our Shares on the Stock Exchange, the initial trading price of our Shares could be lower than the Offer Price***

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is generally expected to be approximately five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during such period, and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

***We may not be able to pay any dividends on our Shares***

Our Company is a holding company established in the Cayman Islands with operating subsidiaries in the PRC. Therefore, the availability of funds for us to pay dividends to our Shareholders and to service our indebtedness will depend heavily upon dividends received from our production subsidiaries in the PRC. If these subsidiaries incur debt or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted. For further information regarding our declaration and payment of dividends, please refer to the section headed “Financial Information – Dividend Policy” in this prospectus.

Our ability to declare dividends in relation to our Shares will also depend on our future financial performance, which in turn depends on our success in implementing our business strategy and expansion plans and on financial, competitive, regulatory and other factors, general economic conditions, demand for and prices of our products, costs of raw materials and other factors specific to our industry, many of which are beyond our control. The receipt of dividends from our operating subsidiaries may also be affected by the adoption of new laws and regulations, or changes in the interpretation or implementation of existing laws and regulations, and other events out of our control. For further details, please refer to the paragraph headed “Risks Relating to Conducting Business in the PRC – As a holding company, we rely on the distribution by our PRC subsidiaries for funding” in this prospectus. In addition, restrictive covenants in our credit facilities or other agreements that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may affect our ability to pay dividends to our Shareholders.

***We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under Hong Kong law, you may have less protection of your shareholder rights than you would under Hong Kong law.***

Our corporate affairs are governed by our Memorandum of Association and Articles and by the Cayman Companies Law and common law of the Cayman Islands. The rights of



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## RISK FACTORS

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Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions, such as Hong Kong. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. For further details, please refer to the section headed "Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law" in this prospectus.

As a result of all of the above, our public Shareholders may have more difficulty in protecting their interests through actions against our management, Directors or major Shareholders than would shareholders of a corporation incorporated in Hong Kong.

***Investors should not place undue reliance on industry and market information and statistics derived from third party sources contained in this prospectus***

This prospectus contains information and statistics relating to the automotive industry and market. While we have exercised reasonable care in compiling and reproducing the information and statistics derived from various governmental or official sources and publications and commissioned reports, such information and statistics have not been independently verified by us or any of our affiliates or advisors, nor by the Underwriters or any other parties involved in the Global Offering or their respective affiliates or advisors. Such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Furthermore, we cannot assure you that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. None of us, the Underwriters or any other parties involved in the Global Offering makes any representation as to the accuracy or completeness of such information or statistics. Prospective investors should not place undue reliance on any such information and statistics contained in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **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 Listing Rules, the CO (Winding Up) and the Securities and Futures (Stock Market Listing) Rules for the purpose of giving information with regard to our Group. 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 matters the omission of which would make any statement herein or this document misleading.

### **INFORMATION ABOUT THIS PROSPECTUS**

The Hong Kong Offer Shares are offered 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 to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances 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 sale 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.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Shares and any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options to be granted under the Share Option Scheme.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought in the near future.

Under section 44B(1) of the CO (Winding Up), any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Placing Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

For details of the structure and conditions of the Global Offering, please refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

For details of the application procedures for the Hong Kong Offer Shares, please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on 28 June 2017. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 1,000 Shares each. The stock code of the Shares is 1571.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION 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.

### **REGISTERS AND HONG KONG STAMP DUTY**

Our Company's principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering 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, and dealing in the Offer Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified, conversion of RMB into HK\$ in this prospectus is based on the exchange rate set out below:

RMB1 to HK\$1.147, being the exchange rate prevailing on Tuesday, 6 June 2017 published by PBOC.

The translation is provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **ROUNDING**

Certain amounts and percentage figures included in this prospectus has been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of figures preceding them.

### **TRANSLATION**

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

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Directors</b>		
Mr. MA Xiaoming (馬曉明)	Flat RA, 71/F Tower 9 La Splendeur, Le Prestige LOHAS Park, Tseung Kwan O New Territories Hong Kong	St. Kitts and Nevis
Mr. MENG Jun (孟軍)	20-2A Weilanhaian, Phase II Houhai Road Nanshan District Shenzhen, PRC	Chinese
Mr. ZHANG Yumin (張玉敏)	Room 1102, Fengwuge No. 45 Eling South Road Huicheng District Huizhou, Guangdong Province, PRC	Chinese
Mr. LIU Jun (劉軍)	Room 105, Block 9 Olympic Road, Huibo Yanjiang Roadside Jiangbei, Huicheng District Huizhou, Guangdong Province, PRC	Chinese
Mr. HE Xiaolu (何曉律)	Room 3A01, Block T26, No. 88 Longhuwan Huishadi 2nd Road Huicheng District Huizhou, Guangdong Province, PRC	Chinese
Mr. JIANG Wei (蔣巍)	Room 1701 No.2, 515 Alley, Xujiahui Road Huangpu District Shanghai, PRC	Chinese
<b>Independent Non-Executive Directors</b>		
Mr. TANG Chi Wai (鄧智偉)	Flat RA, 47/F Tower 5, R Wing (Water Lilies) Le Prestige, LOHAS Park Tseung Kwan O New Territories Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. GAN Weimin (甘為民)	Room501, No. 43, Block 16 Shuguangxincun Xihu District Hangzhou Zhejiang Province, PRC	Chinese
Prof. CAO Lixin (曹立新)	Room 1702, Faculty Building B of Harbin Institute of Technology (Weihai) No.2 Wenhua West Road Weihai City Shandong, PRC	Chinese

Further information is disclosed in the section headed “Directors, Senior Management and Employees” in this prospectus.

### **PARTIES INVOLVED**

#### **Sole Sponsor and Sole Global Coordinator**

**BNP Paribas Securities (Asia) Limited**  
59/F-63/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

#### **Joint Bookrunners**

**BNP Paribas Securities (Asia) Limited**  
59/F-63/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

**ABCI Capital Limited**  
11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

#### **Joint Lead Managers**

**BNP Paribas Securities (Asia) Limited**  
59/F-63/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

**ABCI Securities Company Limited**  
10/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

#### **Co-manager**

**Pacific Foundation Securities Limited**  
11/F, New World Tower Two  
16-18 Queen’s Road Central  
Hong Kong

#### **Legal advisers to our Company**

*As to Hong Kong law*  
**Chiu & Partners**  
40/F, Jardine House  
1 Connaught Place  
Central, Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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*As to United States law*

**Hogan Lovells US LLP**

875 Third Avenue  
New York, NY10022

*As to German law*

**Hogan Lovells International LLP**

Untermainanlage 1  
60329 Frankfurt am Main  
Germany

*As to Malaysian law*

**Foong & Partners**

13-1 Menara 1MK  
Kompleks 1 Mont' Kiara  
No. 1 Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur  
Malaysia

*As to PRC law*

**GFE Law Office**

Units 3409-3412 Guangzhou CTF Finance  
Center  
No 6 Zhujiang Road East  
Zhujiang New Town  
Guangzhou  
PRC

*As to Cayman Islands law*

**Conyers Dill & Pearman**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to Mexican law*

**Basham, Ringe y Correa, S.C.**

Paseo de los Tamarindos 400-A  
Piso 9 Bosques de las Lomas 05120  
Mexico. D.F.

**Legal advisers to the Sole Sponsor and  
the Underwriters**

*As to Hong Kong law*

**Deacons**

5th Floor, Alexandra House  
18 Chater Road  
Central, Hong Kong

*As to PRC law*

**Haiwen & Partners**

2605, Jing An Kerry Centre Tower 1  
No. 1515 Nan Jing West Road  
Shanghai  
China



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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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<b>Reporting accountants and independent auditor</b>	<b>Ernst &amp; Young</b> 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
<b>Compliance adviser</b>	<b>Somerley Capital Limited</b> 20/F, China Building 29 Queen's Road Central Hong Kong
<b>Tax advisers to the Company</b>	<b>RSM Tax Advisory (Hong Kong) Limited</b> 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay, Hong Kong
<b>Receiving banker</b>	<b>The Bank of East Asia, Limited</b> 10 Des Voeux Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business in the PRC</b>	Keen Point Hi-tech Industrial Park Xikeng, Huicheng District Huizhou Guangdong, China
<b>Principal place of business in Hong Kong</b>	Unit 1503, 15/F Midas Plaza 1 Tai Yau Street San Po Kong Kowloon, Hong Kong
<b>Company's website</b>	<a href="http://en.xinpoint.com/index.html">http://en.xinpoint.com/index.html</a> <i>(the information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Au Wai Keung (區偉強先生) <i>fellow of HKICPA</i> Flat G, 12/F Block 1, Aquamarine 8 Sham Shing Road Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Ma Xiaoming (馬曉明先生) Flat RA, 71F, Tower 9 La Splendeur, Le Prestige LOHAS Park, Tseung Kwan O New Territories Hong Kong  Mr. Au Wai Keung (區偉強先生) Flat G, 12/F Block 1, Aquamarine 8 Sham Shing Road Kowloon Hong Kong
<b>Audit Committee</b>	Mr. Tang Chi Wai (鄧智偉先生) ( <i>Chairman</i> ) Mr. Gan Weimin (甘為民先生) Prof. Cao Lixin (曹立新教授)
<b>Remuneration Committee</b>	Prof. Cao Lixin (曹立新教授) ( <i>Chairman</i> ) Mr. Ma Xiaoming (馬曉明先生) Mr. Tang Chi Wai (鄧智偉先生)

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## CORPORATE INFORMATION

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<b>Nomination Committee</b>	Mr. Ma Xiaoming (馬曉明先生) ( <i>Chairman</i> ) Prof. Cao Lixin (曹立新教授) Mr. Gan Weimin (甘為民先生)
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17 <sup>th</sup> Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Cayman Islands share registrar and transfer office</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
<b>Principal bankers</b>	The Hongkong and Shanghai Banking Corporation Limited 4/F, HSBC Building 82-84 Nathan Road, Tsim Sha Tsui Kowloon, Hong Kong  Bank of China (Zhongkai Development Zone Sub-branch) No. 108-109A, C District Jinbao Chuangye Jiayuan, Hechang Five Road High-Tech Industry Development Zone Zhongkai District, Huizhou Guangdong Province, PRC

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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this prospectus relating to the automobile component industry in the PRC are derived from various government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the “**Frost & Sullivan Report**”). The information extracted from the Frost & Sullivan Report should not be considered as a basis for investments in the offer shares or as the opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties involved in the Global Offering or their respective directors, officers, employees, advisers, agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics.*

### SOURCES OF INFORMATION

This section includes information from the Frost & Sullivan Report, a report commissioned by us as we believe such information imparts a greater understanding of the industry. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. We have agreed to pay a total of RMB1,850,000 in fees for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan. In preparing the Frost & Sullivan Report, Frost & Sullivan conducted both primary and secondary research to obtain information from various sources. Primary research involved conducting interviews with leading industry participants and industry experts; and secondary research involved reviewing company reports, independent research reports and data from Frost & Sullivan’s research database. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan assumed that (i) the PRC’s economy is likely to maintain steady growth in the next decade, (ii) the PRC’s social, economic and political environment is likely to remain stable in the forecast period, and (iii) key industry drivers are likely to continue to drive the growth of the global and China’s automobile market, the global and China’s automotive components market and China’s automotive electroplated components market. For the projection of total market size, Frost & Sullivan plotted available historical data against macroeconomic data as well as data with respect to related industry drivers.

We are of the view that sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent market research company with extensive experience in their profession. Some of the analytical conclusions extracted from the Frost & Sullivan Report cover future forecasts. We and the Sole Sponsor consider the future forecasts, and the associated major bases and assumptions to be reliable, accurate and not misleading.

Our Directors confirm that after making reasonable enquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict, misrepresent or otherwise have an adverse impact on the accuracy and completeness of the information in this section in material respects.

### OVERVIEW OF AUTOMOBILE MARKET

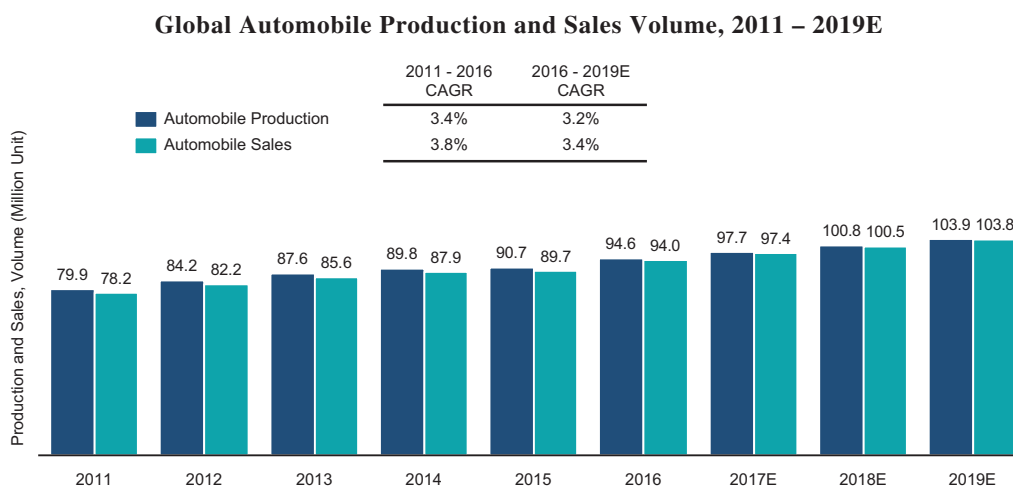
#### The Global Automobile Market

The global sales of new automobiles grew from 78.2 million units in 2011 to 94.0 million units in 2016, representing a CAGR of 3.8%. It is forecasted to achieve moderate growth to reach 103.8 million units in 2019, mainly driven by the economic recovery in the United States and

## INDUSTRY OVERVIEW

Europe, as well as the growing demand for automobile in Asia Pacific. Associating with the sound growth of automobile sales, the industry supply, represented by the global automobile production, has witnessed a similar growth from 79.9 million units in 2011 to 94.6 million units in 2016, representing a CAGR of 3.4%, and is expected to continue to grow to 103.9 million units in 2019.

The following chart sets forth the historical and forecasted global automobile production and sales volume for the periods indicated.



Source: Frost & Sullivan Report

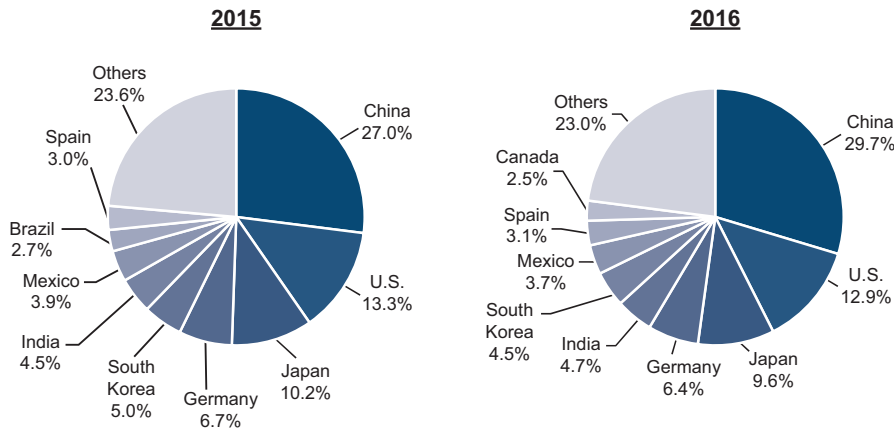
The automobile market development in major geographic regions are as follows:

- **North America:** The automobile sales grew from 15.6 million units in 2011 to 21.2 million units in 2016, representing a CAGR of 6.3%, and it is forecasted to further grow to reach 22.9 million units in 2019. The automobile production grew from 13.5 million units in 2011 to 18.2 million units in 2016, representing a CAGR of 6.2%, and it is forecasted to further grow to reach 19.8 million units in 2019.
- **Europe:** The automobile sales slightly increased from 19.7 million units in 2011 to 19.9 million units in 2016, representing a CAGR of 0.2%, and it is forecasted to reach 20.1 million units in 2019. The automobile production slightly increased from 21.0 million units in 2011 to 21.5 million units in 2016, representing a CAGR of 0.5%, and it is forecasted to maintain a moderate growth to reach 22.4 million units in 2019.
- **Asia Oceania:** The automobile sales grew from 35.4 million units in 2011 to 48.5 million units in 2016, representing a CAGR of 6.5%, and it is forecasted to further grow to reach 55.8 million units in 2019. The automobile production grew from 40.6 million units in 2011 to 51.2 million units in 2016, representing a CAGR of 4.7%, and it is forecasted to further grow to reach 58.7 million units in 2019.

Automobile manufacturers continued to shift their production facilities from developed countries such as the US, Japan and Germany to emerging markets such as China and India, in order to increase efficiency, lower cost and customise offerings to local preference. China has become the largest automobile manufacturer in the world in terms of vehicle production volume, with 28.1 million units in 2016. In terms of market share, China accounted for 27.0% and 29.7% market share in the world in 2015 and 2016, respectively. The charts below sets forth the automobile production breakdown by region in 2015 and 2016.

## INDUSTRY OVERVIEW

### Automobile Production Breakdown by Region in 2015 and 2016

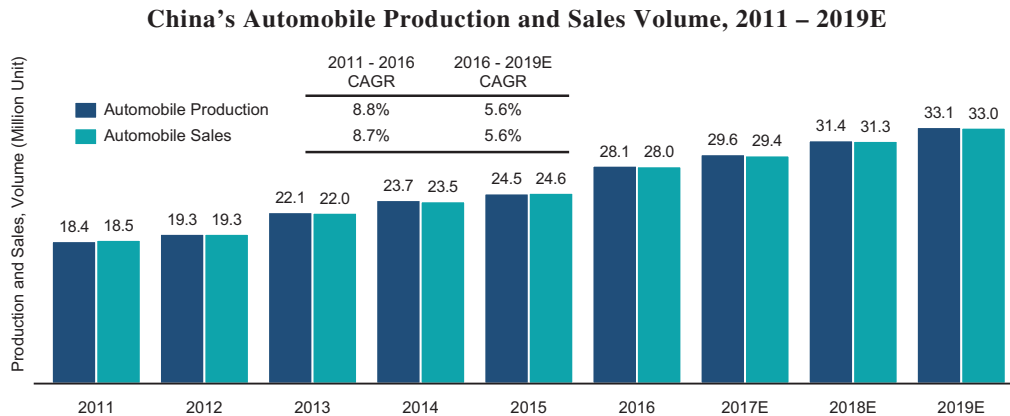


Source: Frost & Sullivan Report

### China's Automobile Market

According to the Frost & Sullivan Report, the growth rate of China's automobile market in terms of production volume and sales volume from 2011 to 2016 has doubled that of the global market. China's automobile sales grew from 18.5 million units in 2011 to 28.0 million units in 2016, representing a CAGR of 8.7%, and are expected to grow to 33.0 million units in 2019, representing a CAGR of 5.6% from 2016 to 2019. Similarly, China's automobile production grew at a CAGR of 8.8% from 2011 to 2016 and is expected to further grow at a CAGR of 5.6% from 2016 to 2019.

The following chart sets forth the historical and forecasted automobile production and sales volume in China for the periods indicated.



Source: China Association of Automobile Manufacturers (CAAM), National Bureau of Statistics of China, Frost & Sullivan Report

The fast growth of China's automobile market is mainly attributable to the following key drivers:

- Rapid economic and disposable income growth;
- Accelerating urbanisation;
- Rising investment in transportation infrastructure;

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## INDUSTRY OVERVIEW

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- Technological development and innovation; and
- Supportive government policies on the industry upgrade and automation

In addition, the number of vehicles in use in China has also experienced a significant growth, increasing from 93.6 million units in 2011 to 194.0 million units in 2016, representing a CAGR of 15.7%. However, according to Frost & Sullivan Report, the motorisation rate in China is still very low compared to that of developed countries, indicating potential for long-term growth of China's automobile market.

### Mexican Automobile Market

According to the Frost & Sullivan Report, Mexico has become the world's seventh largest automobile manufacturer, recording 3.6 million units of production in 2016. Mexico is also one of the world's largest automobile exporters. The export volume of the automobile products from Mexico increased from 2.1 million units in 2011 to 2.8 million units in 2016, recording a CAGR of around 5.9%. The US, Canada, Germany, China and Brazil are the major exporting destinations.

The automobile and automotive components sectors in Mexico are driven by the presence of the top ten OEMs in the world. Most of the OEMs in Mexico have automotive components companies located around their vehicle plants to comply with supply and delivery deadlines.

The following table sets forth the historical automobile production volume, sales and export value for the periods indicated.

#### *Automobile production, sales and export value in Mexico*

	Unit	2011	2012	2013	2014	2015	2016	2011/2016 CAGR
Automobile Production <sup>(Note)</sup> . . . .	Million Units	2.7	3.0	3.1	3.4	3.6	3.6	6.1%
Automobile Sales <sup>(Note)</sup> . . . . .	Million Units	0.9	1.0	1.1	1.1	1.4	1.6	11.4%
Automobile Export Volume . . . .	Million Units	2.1	2.4	2.4	2.6	2.7	2.8	5.9%

*Note: The difference between automobile production and sales in each of the years between 2011 to 2016 indicates the net export of automobiles to the world from Mexico. Net export is calculated by export minus import.*

*Source: The International Organisation of Motor Vehicle Manufacturers (OICA), United Nations Comtrade Database, Frost & Sullivan*

### Competitive landscape of Mexico's automobile manufacturing industry

According to the Frost & Sullivan Report, the total automobile production in Mexico was approximately 3.6 million units in 2016. According to Mexican Automotive Industry Association (AMIA), the 2016 top five automobile manufacturers in Mexico were Nissan, General Motor, FCA Mexico, Volkswagen and Ford Motor, and their aggregate production reached 78% of the overall automobile production in Mexico in 2016.

### Impact of the policies of the current US administration to Mexico's automotive industry

According to the Frost & Sullivan Report, as at the Latest Practicable Date, the United States has not announced or imposed any trade measures that could negatively affect the overall automobile industry of Mexico. However, following the recent presidential election in the United States, there are potential risks of changes in the US trade policies and legislations. The

## INDUSTRY OVERVIEW

possibility of the renegotiation of NAFTA may impose tariffs treatment to automobiles produced in Mexico. Such new policies unfavourable to the exports to the US may affect the automotive components manufacturers in Mexico.

### OVERVIEW OF THE AUTOMOTIVE COMPONENTS MARKET

The automotive components market is a crucial and essential segment of the automobile industry, primarily due to the increasing diversification of automotive components and the outsourcing trend. The automotive components are mainly supplied to the original equipment manufacturers (OEMs) principally for installation on new vehicles, and the aftermarket suppliers for replacement purposes.

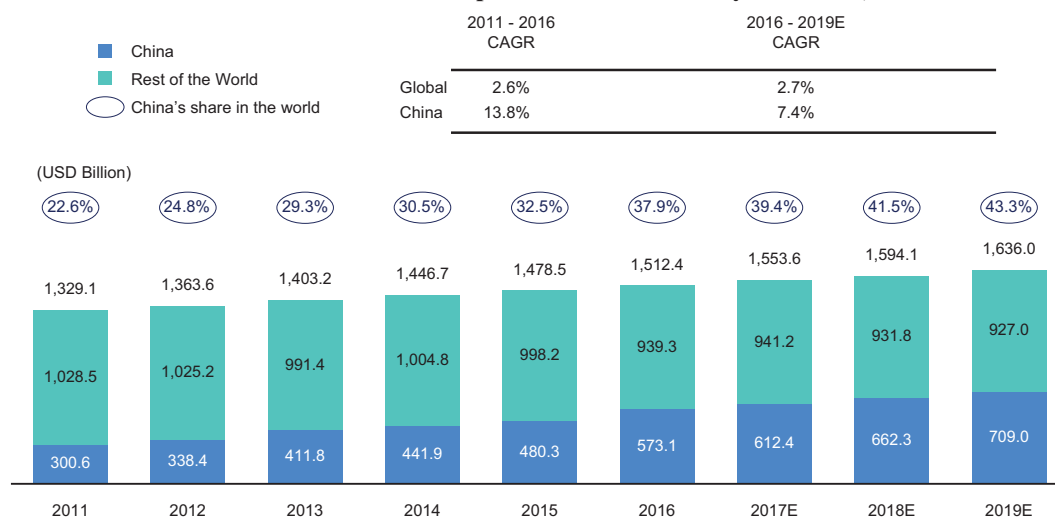
The turnover of the global automotive components market increased from US\$1,329.1 billion in 2011 to US\$1,512.4 billion in 2016, representing a CAGR of 2.6% during the period, mainly driven by the increasing demand from emerging markets, technological developments fueled by the growing demand for advanced features, and tightened regulatory framework that facilitated industry upgrade. According to the Frost & Sullivan Report, the global automotive components market is expected to maintain a moderate growth with a CAGR of 2.7% from 2016 to 2019.

The turnover of China's automotive components market grew at a CAGR of 13.8% from 2011 to 2016 and is expected to further grow at a CAGR of 7.4% from 2016 to 2019, outpaced the global market growth during the respective periods, showing the increasing competitiveness of China's automotive components in the global market.

China's contribution in the global automotive components turnover significantly increased from 22.6% in 2011 to 37.9% in 2016, mainly attributable to China's increasing importance as one of the new global manufacturing centres of automobiles and the significant development of Chinese local automobile brands during the period. In 2016, China ranked first in terms of turnover of automotive components, followed by other developed countries such as Japan, the United States and Germany. China's contribution in the global automotive components market is forecasted to reach 43.3% in 2019.

The following chart sets forth the historical and forecasted global and China's automotive component market size for the periods indicated.

**Global and China's Automotive Components Market Size by Turnover, 2011 – 2019E**



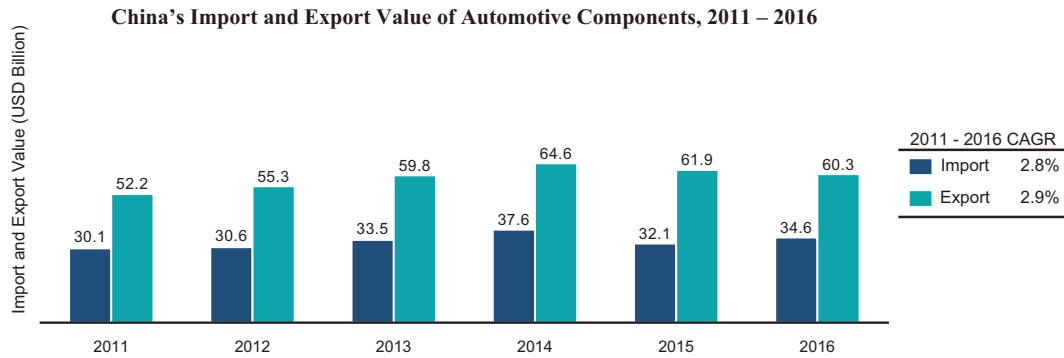
Source: Frost & Sullivan Report

Furthermore, China is increasingly important as a global leading exporter of automotive components. The improving manufacturing and innovation capabilities of Chinese local



## INDUSTRY OVERVIEW

manufacturers has facilitated local production of more and more crucial components and parts. Further, cost and sourcing advantages have attracted components manufacturers to relocate from developed countries to China. As a result, the export value of automotive components increased steadily from US\$52.2 billion in 2011 to US\$60.3 billion in 2016, representing a CAGR of 2.9%. Meanwhile, the import value remained stable with a CAGR of 2.8% during the same period, and the imported automotive components primarily comprise highly technology-intensive parts such as engine system and automatic gearbox.



Source: Frost & Sullivan Report

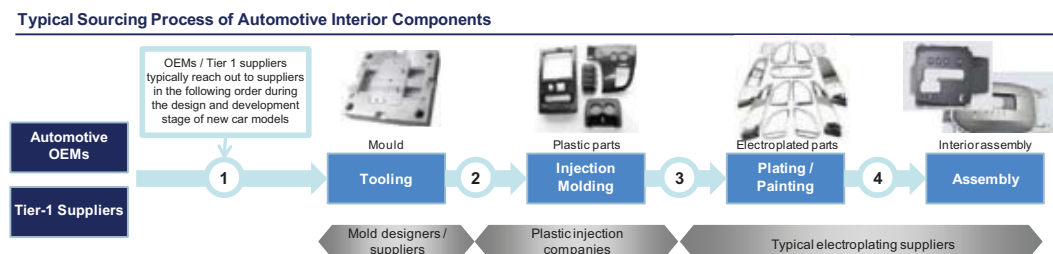
### China's Automotive Components Market Value Chain

According to Frost & Sullivan Report, the automotive components industry value chain consists of upstream (supply of raw material), midstream (automotive components manufacturing) and downstream (automotive OEM and aftermarket) segments. The midstream segment is relatively long with the participation of two tiers of manufacturers. Tier 1 manufacturers (Tier 1 suppliers) supply directly to OEMs, providing components that include engine parts, steering and suspension systems, air conditioning systems, electronic components, etc. Tier 2 manufacturers (Tier 2 suppliers) supply to Tier 1 suppliers, providing equipment and specialised products such as forged parts, stamped parts, die casting, plastic parts and machined parts. A company could be a Tier 1 supplier to one company and at the same time a Tier 2 supplier to another company.

There are two major procurement models for automotive components, one is OEM-lead procurement and the other one is Tier 1-lead procurement, and the adoption of each is mainly based on the importance level of the components.

In terms of typical sourcing process of automotive interior components, major participants include mould designers/suppliers, plastic injection companies, and typical electroplating suppliers. OEMs and/or Tier 1 suppliers, typically reach out to suppliers in the order from mould designers and suppliers that manage the tooling process to plastic injection companies which manage injection moulding, and then to typical electroplating suppliers with the roles in plating, painting, laser carving and assembly.

The following flow chart sets out the typical sourcing process of automotive interior components.



Source: Frost & Sullivan Report

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## INDUSTRY OVERVIEW

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### Competitive landscape of Mexico's automotive components industry

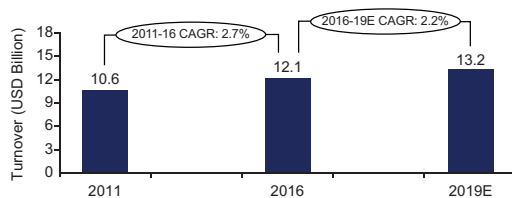
According to the Frost & Sullivan Report, the total production of automotive components in Mexico was approximately US\$85 billion in 2015. There are over 1,000 automotive manufacturers in Mexico, and more than half of them are foreign-owned companies mainly from the US, Japan and Germany. Major automotive manufacturers in Mexico are Robert Bosch GmbH (BOSCH), Magna International Inc. (MAGNA), Delphi Automotive LLP. (DELPHI), Denso Corporation (DENSO) and Hitachi Automotive Systems, Ltd. (Hitachi).

### OVERVIEW OF THE AUTOMOTIVE ELECTROPLATED COMPONENTS MARKET

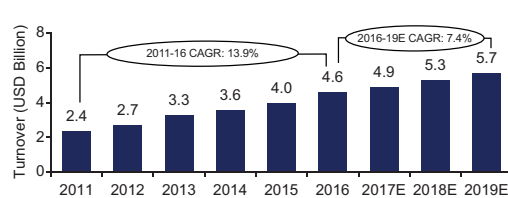
Automotive plastic electroplated components are mainly applied in interior and exterior decoration, which is a part of automobile body and accessories market and a sub-segment of the overall automatic component industry. Typical applications of plastic electroplated components in automobiles include a wider range of components products such as door panel, centre console, instrument panel and steering wheel, etc. Unit price for such products vary, depending on the components, function and size, but in general, plastic electroplated components have much higher unit prices than ordinary plastic materials. There are increasing trend of using plastic electroplated components primarily for reducing the weight of the automobile, improving the aesthetics and catering for the increasing demand for luxury appearance and comfortable features. According to Frost & Sullivan Report, the global turnover of automotive plastic electroplated components increased from US\$10.6 billion to US\$12.1 billion from 2011 to 2016, representing a CAGR of 2.7%, and is expected to reach US\$13.2 billion in 2019 with a CAGR of 2.2% from 2016 to 2019.

Automotive plastic electroplated components, being widely-adopted materials for interior and exterior decoration, also showcase a strong growth in China in the past few years thanks to its position as an important manufacturer for automotive components. According to Frost & Sullivan Report, from 2011 to 2016, the turnover of China's automotive plastic electroplated components market had grown from US\$2.4 billion to US\$4.6 billion with a CAGR of 13.9%, a higher growth rate than the overall automotive components market in China. The automotive plastic electroplated components market is expected to maintain a high growth in the coming years, reaching US\$5.7 billion in 2019, with a CAGR of 7.4% from 2016 to 2019, according to the same source due to the following reasons: (i) the application of plastic electroplated components reduces automobiles' weight and improves the aesthetics which are widely used in mid to high-end automobiles; and (ii) with the rising disposable income and living standard in China, there is an increasing demand for mid to high-end automobiles in China.

**Global Automotive Plastic Electroplated Components Market Size, 2011-2019E**



**China Automotive Plastic Electroplated Components Market Size, 2011-2019E**



Source: Frost & Sullivan Report

### Importance of Manufacturing, Knowhow and Yield Rate

High yield rate or low defective rate is a key success factor in the automotive electroplated components market, which can effectively improve the profit margin of automotive electroplated components manufacturers.

Leading industry players are usually able to keep their yield rate at a relatively high level, which is largely attributable to their dedication to the optimisation of production process,

## INDUSTRY OVERVIEW

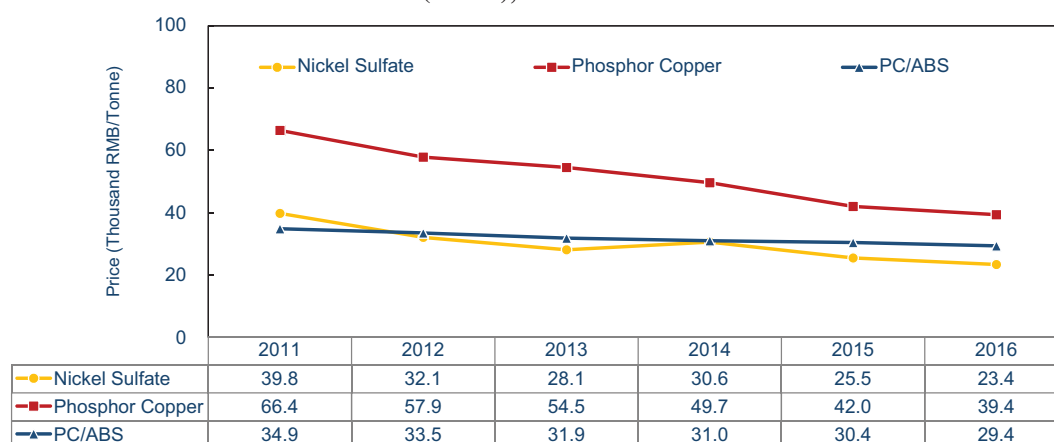
enhancement of industrial automation, and technology improvement. According to Frost & Sullivan Report, the yield rates of leading Chinese automotive electroplated components manufacturers generally range from around 80.0% to 90.0% and the overall industry average yield rate is estimated to be no more than 80.0%. The large amount of small-scaled manufacturers hardly achieved such high yield rate like these leading players.

### Historical Price of Raw Materials

Key raw materials of automotive electroplated components include nickel sulphate, phosphor copper, and PC (Poly Carbonate)/ABS (acrylonitrile-butadiene-styrene).

As the growth of China's economy gradually slowed down in recent years, prices of the key raw materials for automotive electroplated components have generally declined. Prices of nickel sulphate dropped from approximately RMB39,800 per tonne in 2011 to approximately RMB23,400 per tonne in 2016. During the same period, prices of phosphor copper and PC/ABS decreased from approximately RMB66,400 per tonne and approximately RMB34,900 per tonne to approximately RMB39,400 per tonne and approximately RMB29,400 per tonne, respectively. The following chart shows the annual average prices of the key raw materials in China from 2011 to 2016. The decline of raw material prices resulted in the decreasing production cost of automotive electroplated components companies while had limited impact on the product price given that the price of electroplated components varied due to their customisation characteristics.

**Raw Materials Prices Analysis of Automotive Electroplated Components Market  
(China), 2011 – 2016**



Source: Wind, Frost & Sullivan Report

### Competitive Landscape of China's Automotive Electroplated Components Market

China's automotive plastic electroplated components market is relatively fragmented and decentralised with more than ten thousand automotive electroplated plastic component manufacturers, most of which are small and medium enterprises and private companies. According to Frost & Sullivan Report, geographically, most of the industry players are located in close proximity to the major automotive OEMs' locations such as Shanghai, Guangzhou and Changchun regions of the PRC. According to the Frost & Sullivan Report, the market consolidation activities have continued and leading market players have been gaining market shares from their competitors due to their close association with OEMs and technical know-how. We have achieved a revenue CAGR of 23.7% (2014-2016) which is significantly higher than the growth of global automobile sales of CAGR 3.4% (2014-2016), demonstrating our advantageous position to compete with our competitors and ability to obtain greater market share in the industry we operate in.

In 2016, according to Frost & Sullivan Report, the top five players of China's automotive plastic electroplated components market accounted for 19.7% of the market share in terms of

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## INDUSTRY OVERVIEW

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turnover. We ranked second in terms of total turnover of automotive electroplated components with a market share of approximately 5.0%. Our export revenue accounted for 57.0% of our automotive plastic electroplated components business in 2016. The export revenue as a percentage of the respective total turnover from automotive electroplated components business of the other top five leading players ranged from approximately 15% to 30% in 2016. According to Frost & Sullivan Report, we ranked first in China's automotive plastic electroplated components market in terms of export revenue in 2016. Furthermore, we achieved the highest yield rate of around 90.7% in 2016 among the leading players, benefiting from our industrial automation level, technology expertise and vertically integrated capabilities (from tooling to electroplating / assembly), which are the key to achieve the industry leading yield rate. The other four companies among the top five leading players had yield rates ranging from approximately 85% to 89% in 2016. According to the Frost & Sullivan Report, production yield is of extreme importance to decorative component players involved in moulding/plating activities, because most of the defect products and products in process are non-recyclable. The scale advantage is also our key competitiveness.

The market shares in terms of our turnover and export revenue proportion and our competitors in 2016 are set out below.

### Top 5 Automotive plastic electroplated components provider in China (ranked by turnover in 2016)

Ranking	Company	Turnover market share (%)	Export revenue proportion (%)
1	Company A	5.2%	29%
2	<b>Our Group</b>	<b>5.0%</b>	57%
3	Company B	3.4%	20%
4	Company C	3.2%	30%
5	Company D	2.9%	15%

*Source: Frost & Sullivan Report*

### Key growth drivers of China's automotive electroplated components market

According to the Frost & Sullivan Report, key drivers of China's plastic electroplated components market include:

- *Steady development of the PRC's economy*: the steady growth of the PRC's economy has resulted in increasing disposable incomes of Chinese households and accelerated urbanisation, which gives rise to an increasing demand for automobiles. In addition, existing automobile owners are expected to upgrade their vehicles, leading to an additional demand for medium to high-end automobiles. These in turn increase the demand for automotive components.
- *Use of light plastic materials in the manufacture of automotive components*: adoption of light materials to reduce the weight of automobiles is the current trend in the industry. Lighter vehicles especially electric vehicles, offer a number of advantages including stronger output power, noise reduction, handling improvement, efficacious economisation of energy and reduction of environmental pollution. They also have better acceleration performance and shorter braking distance. The trend of lightweight automobiles is expected to bring about increasing demand for plastic materials, including the electroplated plastics. Furthermore, plastic components are generally cheaper than metal components, which encourages the use of plastic electroplated components for cost-saving purpose.
- *Supporting initiatives from the PRC government on the automotive industry*: the PRC government is actively promoting industrial upgrading and modernisation of the PRC's manufacturing industries, including the automotive industry which currently enjoys a series of supporting incentives from the PRC government. The Automotive Industry Restructuring and Revitalization Plan (汽車產業調整和振興規劃) encourages

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## INDUSTRY OVERVIEW

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leading automotive component companies to expand through merger and acquisition. The Opinion on Promoting Sustained and Healthy Development of Export of Automotive Products (關於促進我國汽車產品出口持續健康發展的意見) proposes that by 2020, the export value of automobiles and automotive components from the PRC will maintain a steady growth, accounting for nearly 10% of the global trade value.

- *Increasing frequency of car model upgrade:* due to the fierce competition in the automotive industry in recent years, automobile manufacturers launch new car models in the market more frequently to attract customers. As the disposable incomes increase, the demand for a variety of automobiles in the PRC also increases, driving the manufacturers to further expand their products lines. Upgrading the interior decoration is a common practice for automobile manufacturers to diversify their car models. In the electric vehicles, the advanced electric and electrical systems requires more application of high quality electroplated components. As a result, the consumption of electroplated components, which are commonly used as interior decorative materials, is also expected to sustain growth in the coming years.

### Entry Barriers

According to the Frost & Sullivan Report, the key entry barriers to the automotive plastic electroplated components market are:

- *Government Approval:* the electroplating industry is a high-pollution industry which produces polluted industrial wastewater during the production process. The PRC government has implemented stringent environmental protection requirements on the electroplating industry. Examples of relevant governmental policies and regulations include “Emission Standard of Pollutants for Electroplating (《電鍍污染物排放標準 (GB21900-2008)》)” and “Technical Specifications for Electroplating Industry Wastewater Treatment” (《電鍍廢水治理工程技術規範 (HJ2002-2010)》) promulgated by the Ministry of Environmental Protection in 2008 and 2010 respectively. Market players need to achieve certain minimum standards in environmental protection to obtain government certification for operation. In view of the rising environmental concerns in recent years, the PRC government has set a rigorous barrier for the approval.
- *Technology Barrier:* new entrants will have to overcome technological issues in both electroplating processing and industrial wastewater treatment. Moreover, in the PRC’s automotive electroplated components market, new entrants should also possess advanced manufacturing technology to meet the increasing standard set by OEMs.
- *Sales Network & Customer Relationship:* most of the OEMs in the PRC’s automotive electroplated components market have established a reliable and stable business relationship with selected qualified automotive component suppliers. Thus, new entrants will face difficulties in developing their own sales network and customer relationship.
- *Capital Investment:* a large amount of initial and operating capital is required for the automotive electroplated components industry for the acquisition of production equipment, establishment of industrial wastewater treatment system, staff hiring, rental of plant and procurement of raw materials.

### Threats and Challenges

Automotive electroplating components manufacturers are expected to face various threats and challenges to their business operation and financial performance as follows.

- *More stringent environmental protection policies:* the PRC government has been putting more emphasis on environmental protection recently. Because of the pollution associated with the electroplating industry, it is foreseen that increasingly rigorous government policies in China’s automotive electroplating components industry will be implemented. As a result, the market participants are likely to face more challenges in complying with the more stringent regulations, increasing their setting up and

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## INDUSTRY OVERVIEW

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operation costs. Nevertheless, large market players can likely be benefited from the vigorous regulatory environment as they are in a better financial position to meet those environmental requirements than the smaller manufacturers, which are expected to be gradually merged with the bigger players and wiped out from the market in the future.

- *Alternative materials:* in light of the pollution issue and potential government policies risk, automotive electroplating components may be replaced by other advanced processing technology with less environmental concerns such as PVD (Physical Vapor Deposition) craft and IMD (In-Mould-Decoration) craft in the future.
- *Increasing costs:* China's automotive electroplating components market is a perfectly competitive market and therefore the price competition is fierce. Raw materials cost is regarded as the major part of manufacturing cost of the automotive electroplating components. In particular, the prices of ABS and PC-ABS, two major raw materials of automotive electroplating components, have been increasing in recent years. The rise in labour cost and land rental cost also contributes to the increasing total production cost of automotive electroplating components, reducing the profit margin of the manufacturing companies in the market.

### **Future Prospects**

Looking forward, it is expected that the PRC's automotive electroplating components market will further consolidate through vertical and horizontal integration. Market players will also increase their investment on wastewater treatment facilities as well as R&D of environmental-friendly production technologies and new materials for the production of automotive components. This is also a recent trend that automobile manufacturers unify the interior design styles of different car series in order to strengthen their brand identity and save costs by concentrating their sourcing system.

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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS OF THE PRC

#### A. REGULATIONS AS TO FOREIGN INVESTMENT

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”), which was amended and promulgated by MOFCOM and NDRC on 10 March 2015. The Catalogue, as amended, became effective on 10 April 2015 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Any industry not listed in the Catalogue is a permitted industry, and is generally open to foreign investment unless specifically prohibited or restricted by the PRC laws and regulations.

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), which was promulgated on 12 April 1986 and amended on 31 October 2000, and implementation regulations under the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 December 1990 and newly amended on 19 February 2014, and effective as from 1 March 2014.

The Wholly Foreign-owned Enterprise Law has been further revised by the Standing Committee on 3 September 2016 and has become effective from 1 October 2016. According to the amendments, for wholly foreign-owned enterprise which the special entry management measures does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for recordal. The special entry management measures stipulated by the State shall be promulgated or approved to be promulgated by the State Council. Pursuant to a notice issued by NDRC and MOFCOM on 8 October 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Catalogue in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and qualifications of senior management. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated by MOFCOM on 8 October 2016, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities.

#### B. REGULATIONS AS TO FIXED ASSET INVESTMENT PROJECTS

Pursuant to the Catalogue of Investment Projects Subject to the Approval of Government (政府核准的投資項目目錄(2016年本)) (the “**Catalogue of Governmental Approval**”) promulgated by the State Council on 12 December 2016 and the Administrative Measures on Approval and Filing for Foreign Investment Projects (外商投資項目核准和備案管理辦法) (the “**Measures on Approval and Filing of FIP**”)

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## REGULATORY OVERVIEW

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promulgated by NDRC on 27 December 2014, foreign investment projects are subject to approval by or filing with NDRC or its local counterparts. Foreign investment projects which are subject to approval include:

- (i) investment projects falling into the categories of restricted foreign-invested industries according to the Catalogue with a total investment (including increase in the total investment amount) for and/or over USD300 million shall be approved by NDRC (projects of total investment (including increase in the total investment amount) for and/or over USD2 billion shall, in addition to the said approval, be filed with the State Council);
- (ii) projects of a total investment (including increase in the total investment amount) less than USD300 million falling into the categories of restricted foreign-invested industries shall be approved by provincial government; and
- (iii) foreign investment projects other than the above but which are included in Section one to Section ten of the Catalogue of Governmental Approval shall be approved in accordance with the Catalogue of Governmental Approval.

Any other foreign investment projects shall be filed with the local counterparts of NDRC.

If such foreign investment project is not properly approved or filed, the relevant authorities shall not process the relevant governmental formalities and financial institutions shall not provide credit support to the relevant enterprise. In addition, on 16 July 2004, the State Council promulgated the Decision of the State Council on Reform of the Investment System (國務院關於投資體制改革的決定) (the “**Decision on Reform**”), which provides that foreign investment projects undertaken by enterprises without utilising government funds are subject to approval and filing systems in different circumstances. Further, NDRC or its local counterparts in charge of investment may order a halt to the construction activities involved in foreign investment projects which do not conform to industrial policies or industrial entry standards, or to the construction activities which have commenced without the obtaining approvals or complying with licencing formalities. The relevant enterprise and personnel may therefore be subject to legal liabilities.

### C. REGULATIONS AS TO RECOGNITION OF HIGH AND NEW TECH ENTERPRISE

Pursuant to the Administrative Measures for Determination of High and New Tech Enterprises (高新技術企業認定管理辦法) (the “**Measures**”), jointly promulgated on 29 January 2016 by MOST, MOF and SAT and became effective on 1 January 2016, eight high and new technology fields are deemed to be supported primarily by the PRC government, which include: (1) electronic information; (2) biology and new medical; (3) aerospace and aeronautics; (4) new materials; (5) high technology services; (6) new energy and energy conservation; (7) resources and environment; and (8) advanced manufacture and automation. The Measures was enacted to elaborate the high and new tech enterprise recognition procedures stipulated under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例). Under the aforesaid laws and regulations, enterprises which have been registered in the PRC for more than one year that meet the requirements stipulated in the Measures may apply to the applicable governmental authority



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## REGULATORY OVERVIEW

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for the High and New Tech Enterprises Certificate, which will be valid for three years from the date of issuance. A PRC-based enterprise that has obtained such certificate and recognised as a High and New Tech Enterprise may apply to the applicable tax authority to obtain applicable tax exemptions and certain reductions.

### D. REGULATIONS AS TO ENVIRONMENTAL PROTECTION

The main PRC environmental protection laws and regulations applicable to us include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), which was promulgated by the Standing Committee on 26 December 1989 and whose amendments were made on 24 April 2014 and became effective on 1 January 2015, the Appraising of Environmental Impacts Law of the PRC (中華人民共和國環境影響評價法) (the “**Appraising of Environmental Impacts Law**”) promulgated by the Standing Committee on 28 October 2002, effective as from 1 September 2003 amended on 2 July 2016 and effective as from 1 September 2016, the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) promulgated by the State Council and effective as from 29 November 1998, the Prevention and Control of Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法) (the “**Atmospheric Pollution and Prevention Law**”) promulgated by the Standing Committee on 5 September 1987, amended on 29 August 1995, 29 April 2000 and 29 August 2015, and effective as from 1 January 2016, the Prevention and Control of the Water Pollution Law of the PRC (中華人民共和國水污染防治法) (the “**Water Pollution and Prevention Law**”) promulgated by the Standing Committee on 11 May 1984, amended on 15 May 1996 and 28 February 2008, and effective as from 1 June 2008, the Prevention and Control of the Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法) (the “**Noise Pollution and Prevention Law**”) promulgated by the Standing Committee on 29 October 1996 and effective as from 1 March 1997, the Prevention and Control of the Solid Waste Pollution Law of the PRC (中華人民共和國固體廢物污染環境防治法) (the “**Solid Pollution and Prevention Law**”) promulgated by the Standing Committee on 30 October 1995 and newly amended on 24 April 2015 and 7 November 2016, the Rules on the Administration of Acceptance Inspection of Construction Project Environmental Protection (建設項目竣工環境保護驗收管理辦法) (the “**Rules on Acceptance Inspection**”) promulgated on 27 December 2001 and amended on 22 December 2010 and other relevant laws and regulations.

In accordance with the Environmental Protection Law, the competent administrative department of environmental protection under the State Council shall formulate national environmental quality standards. The people’s governments of provinces, autonomous regions and municipalities directly under the central government may formulate local environmental quality standards for matters not specified in national environmental quality standards.

Any enterprise which causes environmental pollution and discharges other polluting materials that endanger the public should incorporate environmental protection methods and procedures into their business operations and establish environmental protection systems. This may be achieved by setting up a system of accountability within the company’s business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The facilities for pollution prevention and control of a

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## REGULATORY OVERVIEW

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construction project shall be designed, constructed and put into production simultaneously with the main part of the project. The facilities for pollution prevention and control shall meet the requirements of the approved environmental impact assessment documents and shall not be dismantled or left idle without authorisation. Any company or enterprise which disposed environmental pollutants shall pay discharge for disposing pollutants.

In accordance with the Appraising of Environmental Impacts Law and the Regulations on Administration of Construction Project Environmental Protection, the development of each construction project is subject to the environmental impact assessment, and the construction entity should submit to the relevant environmental protection authorities the environmental impact statement which assess the pollution the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. Only after the assessment has been completed and approval from the relevant environmental protection authorities has been obtained, the construction can commence. In accordance with the Rules on Acceptance Inspection, after completion of the project, the construction entity shall also apply to the relevant environmental protection authorities for checks and acceptance of the corresponding environmental protection facilities. The said construction project may be put into operation or use only after the completion of the said checks and acceptance procedures. The main part of the construction project and the environmental protection facilities must be put into operation or used simultaneously. If a trial production is required, the main part of the construction project and the environmental protection facilities must be put into trial operation simultaneously.

The PRC government has promulgated a series of laws on discharge of atmospheric pollutants, waste water, solid wastes and noise to the environment, including the Atmospheric Pollution and Prevention Law, the Water Pollution and Prevention Law, the Noise Pollution and Prevention Law and the Solid Pollution and Prevention Law, which have respectively specified the prevention and control and supervision and administration of atmospheric pollution, water pollution and pollution from noise and solid wastes. Pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water body, and/or produce noise or solid wastes, the relevant enterprise shall comply with the above regulations concerning administration of construction project environmental protection and make pollutant discharge declaration according to law and discharge pollutants in accordance with regulations.

With regard to enterprises violating the aforesaid laws, the relevant environmental protection authorities may impose administrative penalties on them in accordance with laws and regulations. Any enterprise that has caused an environmental pollution hazard shall be responsible for eliminating it and compensating the entities or individuals directly damaged.

In addition, on 30 November 2012, the Department of Environmental Protection of Guangdong Province (廣東省環境保護廳) promulgated the Circular on the Enforcement of National Discharge Standard of Special Emission Limits on Water Pollutants Within the Pearl River Delta Region (廣東省環境保護廳關於珠三角地區執行國家排放標準水污染物特別排放限值的通知) (the “**Circular 83**”). Pursuant to the Circular 83, the current projects of the electroplating industry shall implement the special emission limits of water pollutant stipulated in the Discharge Standard of Electroplating Pollutants (電鍍污染物排放標準 (GB 21900-2008)) since 31 December 2012. On 9 April 2014, the Department of Environmental Protection of Guangdong Province further enacted the Opinion to the Enforcement of the Discharge Standard of Electroplating Water Pollutants within the Pearl River Delta Region

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## REGULATORY OVERVIEW

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(廣東省環境保護廳關於珠三角地區執行電鍍水污染物排放標準的意見). According to the aforesaid opinion, with regard to the existing projects, six items of water pollutants, including total quantities of nickel, copper, ammonia nitrogen, nitrogen, phosphorus and chemical oxygen demand, should temporally follow the water pollutants emission limits which is stipulated in the Discharge Standard of Electroplating Pollutants (GB 21900-2008), and the rest fourteen types water pollutants should follow the relevant provisions provided in the Circular 83. On 3 June 2015, the Administration of Quality and Technology Supervision of Guangdong Province and the Department of Environmental Protection of Guangdong Province promulgated the Approved Promulgation of Notice about the Standard of Guangdong Province (廣東省地方標準批准發布公告) (the “**Notice 154**”). Pursuant to the Notice 154, the Discharge Standard of Electroplating Pollutants (DB44/1597-2015) was enforced from 20 August 2015.

Further, in order to reinforce the supervision of pollutant source and regulate the permit of discharge, the Government of Guangdong Province promulgated the Administrative Measures of Pollutant Discharge Permits of Guangdong Province (廣東省排污許可證管理辦法) (the “**Administrative Measures**”) on 27 January 2014. By coming into effect on 1 April 2014, the Administrative Measures has regulated the conditions and procedure of the application of discharge permit, as well as its supervision and administration. Any enterprises discharge pollutant without a permit, or discharge beyond the range of discharge permit allowed, may be imposed fines and penalties, revoke discharge permit, cease operations or even criminal liability in severe situations.

### E. REGULATIONS AS TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) (the “**Production Safety Law**”) promulgated by the Standing Committee on 29 June 2002 and newly amended on 31 August 2014, any production and business operation entity with more than 100 employees shall establish an administrative body of safe production or have full-time personnel for the administration of safe production. If the enterprise has fewer than 100 employees, it shall have full-time or part-time personnel for the administration of safe production. Production and business operation entities shall provide labour protection articles that meet the national standards or industrial standards for the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules. Production and business operation entities shall arrange funds for buying labour protection articles and organising trainings on production safety. Production and business operation entities shall pay work-related injury insurance premiums for the employees according to laws and regulations. The safety facilities of a production or business operation entity for projects to be built, renovated or expanded (hereinafter collectively referred to as construction projects) shall be designed, constructed, and put into operation and utilisation simultaneously with the main part of the projects. Investments into safety facilities shall be included in the budgetary estimates for the construction projects. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, or even criminal liability in severe cases.

The Regulations on the Administration of Precursor Chemicals (易製毒化學品管理條例) (the “**Regulations on Precursor Chemicals**”) which was promulgated by the State Council on 26 August 2005, became effective on 1 November 2005 and amended on 29 July 2014 and 6 February 2016, classifies precursor chemicals into Category I, Category II and Category III. Category I includes the major materials that can be used for producing drugs.

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## REGULATORY OVERVIEW

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Categories II and III include the chemical agents that can be used for producing drugs. Under the Regulations on Precursor Chemicals, a purchaser is required to obtain purchase licence from competent administrative authority to purchase Category I precursor chemicals. A purchaser that is to purchase any Category II or III precursor chemical shall, prior to the purchase, file the information about the types and quantities in demand for record, with local public security bureau.

Where a purchaser, in violation of the provisions of the Regulations on Precursor Chemicals, purchases precursor chemicals without purchase licence or filing relevant materials for record, forges application materials to cheat for the purchase licence, use other's licence or a forged, altered or invalid licence, the public security bureau shall confiscate the precursor chemicals illicitly purchased and the equipments and tools for the illicit purchase of the precursor chemicals; and it shall impose a fine of 10 to 20 times of the value of the precursor chemicals illicitly purchased. The relevant illicit gains, if any, shall be confiscated. If the violator has a business licence, such business licence shall be revoked by the AIC. Further, the violator might be prosecuted for criminal liabilities in accordance with applicable laws. The competent administrative authorities may, for the 3 year period starting from the date when administrative punishment is made, cease accepting the violator's application for the purchase licence of precursor chemicals.

Pursuant to the Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法) promulgated by the Standing Committee on 27 October 2001, amended on 31 December 2011 and 2 July 2016, and the Measures for the Declaration of Projects with Occupational Hazards (職業病危害項目申報辦法) promulgated by the State Administration of Work Safety on 27 April 2012 and became effective on 1 June 2012, in the event of any hazard factors of occupational diseases listed in the occupational disease catalogue occurring in an employer's workplace, the employer shall report the hazardous items timely and truthfully to the local competent authority in charge of safe production supervision and regulation. In case an employer does not report hazard factors timely and truthfully, the employer shall be ordered to rectify within a certain period of time, given a warning, and may be imposed fines ranging from RMB50,000 to RMB100,000.

The Measures for the Administration and Supervision over the Simultaneity of Construction Projects Regarding Occupational Disease Protective Facilities (建設專案職業病防護設施“三同時”監督管理辦法) which was promulgated by the State Administration of Work Safety on 9 March 2017 and became effective on 1 May 2017, requires that the building projects, rebuilding projects, extending projects, technological transformation and technology introduction projects within the responsibility of the work safety supervision department (hereinafter collectively referred to as the construction projects) which may cause occupational hazards shall be subject to the pre-evaluation of the occupational hazards, the design of protective facilities and the evaluation of the control effect of the occupational hazards and its relating assessment, the acceptance inspection of the protective facilities, the establishing and the perfecting of the management system and archives of occupational health. For a construction project which causes ordinary or heavy occupational hazards, the person in charge or his designated person of a construction unit shall organise the intermediate or above level technical titled personal with the occupational health-related professional background or the registered safety engineer who also has the occupational health-related professional background (hereinafter collectively referred to as the occupational health professionals) to evaluate the pre-evaluation report on occupational

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## REGULATORY OVERVIEW

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hazards, the design of the protective facilities against occupational hazards and the evaluation report of control effect of occupational hazards and to check and accept the protective facilities. In addition, if the construction project may cause severe occupational hazards, the person in charge or his designated person shall organise the occupational health professionals from other units to participate the evaluation and acceptance work and form an assessment and acceptance opinion. The construction unit shall form a written report for the evaluation of the control effect of occupational hazards and the process of the acceptance inspection of the protective facilities. For the construction project which causes severe occupational hazards, a written report shall be submitted to the supervised and administrative department of work safety that administers the construction project within 20 days from the date on which the acceptance inspection is completed.

### F. REGULATIONS AS TO LABOUR

The main PRC employment laws and regulations applicable to us include the Labour Law of the PRC (中華人民共和國勞動法) (the “**Labour Law**”), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labour Contract Law**”), the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) and other relevant laws and regulations.

According to the Labour Law (as promulgated by the Standing Committee on 5 July 1994, became effective on 1 January 1995 and amended on 27 August 2009), employers should enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The policy of the wages shall be paid according to the performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Law also requires employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Employers are also required to pay for their employees’ social insurance premium.

According to the Labour Contract Law of the PRC (as promulgated by the Standing Committee on 29 June 2007 and amended on 28 December 2012 and effective as from 1 July 2013) and its implementing regulations, enterprises established in PRC shall enter into employment agreements with their employees to provide for the term of employment agreement, job duties, work time, holidays and statutory payments, labour protection, working condition and occupational hazard prevention and protection and other essential contents. Both employers and employees shall duly perform their duties. Meanwhile, the Labour Contract Law of the PRC also provides for the scenario of rescission and termination. Except for certain situations explicitly stipulated in the Labour Contract Law which are not subject to economic compensation, economic compensation shall be paid to the employee by the employer for the rescission or termination of the employment agreement.

Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

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## REGULATORY OVERVIEW

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Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the Standing Committee on 28 October 2010 and became effective on 1 July 2011, the PRC established social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the nation and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Several Provisions on Implementing the Social Insurance Law of the PRC (實施<中華人民共和國社會保險法>若干規定) (the “**Provisions**”), which was promulgated by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) on 29 June 2011 and became effective on 1 July 2011, insurance premium which should be paid by the employees shall be withheld and paid by the employers. Where an employer fails to withhold and pay the premiums in accordance with the Provisions, the social insurance premium collection institution shall order the employer to remit within time limit and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date of default as late payment penalty. The employers shall not require employees to pay for the late payment penalty.

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which was promulgated by the State Council on 3 April 1999 and became effective on 3 April 1999 and as amended on 24 March 2002, the employers shall go through housing provident funds registration with the local housing fund administration centre and open housing fund accounts for its employees in the bank. The contribution rate of housing provident funds of an employee and employer shall not be less than 5% of the monthly average salary in the previous year, and cities with good conditions may properly raise the contribution rate. Failure to complete the abovementioned registration and accounts opening, an employer may be subject to order to rectify within a time limit. If an employer fails to rectify within prescribed time limit, it shall be imposed the penalty ranging from RMB10,000 to RMB50,000. Where an employer fails to pay up housing provident funds within the time limit, the housing fund administration centre shall order it to make payment in certain period of time, if the employer still fails to do so, the housing fund administration centre may apply to the court for enforcement of the unpaid amount.

### G. REGULATIONS AS TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 5 August 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) which was promulgated by PBOC on 20 June 1996 and became effective on

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## REGULATORY OVERVIEW

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1 July 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is 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 direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterpart is obtained.

Foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary).

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“**SAFE Circular No. 16**”). The SAFE Circular No. 16 unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretionary Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%.

Furthermore, SAFE Circular No. 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

- (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
- (2) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- (3) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- (4) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Roundtrip Investments Conducted by Domestic Residents through Special Purpose Vehicles (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) (“**SAFE Circular No. 37**”) promulgated by SAFE on 14 July 2014 requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update

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## REGULATORY OVERVIEW

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their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including changes of such PRC citizens or residents, names and operation terms), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. Remedial registration applications made by PRC residents that previously failed to comply with SAFE Circular No. 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

SAFE Circular No. 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which has been revoked. SAFE further enacted the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) effective from 1 June 2015, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

### H. REGULATIONS AS TO TAXATION

#### Income tax

According to the EIT Law, which was promulgated on 16 March 2007 and amended on 24 February 2017, the enterprise income tax for both domestic and foreign-invested enterprises has been at the same rate of 25% effective since 1 January 2008. In addition, with regard to the high and new technology enterprises which are deemed to be supported primarily by the state, they will be qualified to enjoy a preferential income tax rate at 15%.

In addition, on 22 April 2009, SAT promulgated the Circular of the SAT on the Issues Concerning Implementation of the Preferential Enterprise Income Tax Treatment for High and New Technology Enterprise (國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知), which has further specified the application of tax preference to high and new technology enterprises.

#### Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) reduced the rate from 20% to 10%, effective from 1 January 2008.



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## REGULATORY OVERVIEW

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### Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on 13 December 1993 and amended on 5 November 2008 and 6 February 2016, and the Implementation Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例實施細則), which was promulgated by MOF and SAT on 15 December 2008 and became effective on 1 January 2009 and as amended on 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (“VAT”). Unless provided otherwise, the rate of value-added tax is 17%.

### 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) enacted by the State Council on 10 November 2008 and became enforceable on 1 January 2009 and its Implementation Rules on the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by MOF on 28 October 2011 and be enforceable as at 1 January 2009, the tax rate for the transportation industry, construction industry, culture and sports industry and postal and telecommunications industry is 3% and the tax rate for the recreation industry is 5% – 20%; the tax rate for the service industry, the sale of real estate industry and the transfer of intangible assets is 5%.

On 23 March 2016, the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (“Circular 36”), was promulgated by the Ministry of Finance and the State Administration of Taxation. Circular 36 had superseded previous circulars regarding the collection of value-added tax in lieu of business tax and had also incorporated appendixes including the Implementing Measures for Pilot Collection (營業稅改徵增值稅試點實施辦法), the Provisions on Matters Concerning the Pilot Collection of Value-Added Tax in Lieu of Business Tax (營業稅改徵增值稅試點有關事項的規定), the Provisions on the Transit Policies for the Pilot Collection of Value-Added Tax in Lieu of Business Tax (營業稅改徵增值稅試點過渡政策的規定) and the Provisions on VAT Zero Rate and Tax Exemption Policy Applicable to Cross-border Taxable Acts (跨境應稅行為適用增值稅零稅率和免稅政策的規定).

Under the Implementing Measures for Pilot Collection, the provision of property management service, agency service, human resource service, educational and medical service, tourism and entertainment service, catering and accommodation service, as well as leasing service will be included in the replacement of the business tax with a VAT and be subject to VAT. Furthermore, pursuant to the Implementing Measures for Pilot Collection, the tax rate of VAT is:

- (i) 11% for the provision of the service of transportation, posting, basic telecommunications construction and leasing real estate, the sale of real estate and the transfer of land use right;
- (ii) 17% for the provision of the service of leasing tangible movables;

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## REGULATORY OVERVIEW

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- (iii) nil for cross-border taxable activities provided by units and individual within the PRC; and
- (iv) 6% for industry other than disclosed above.

### **Environmental Protection Tax**

The Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) (the “Environmental Protection Tax law”) was promulgated by the Standing Committee on 25 December 2016 and shall come into force on 1 January 2018. According to the Environmental Protection Tax Law, within the territory of the PRC and other sea areas under the jurisdiction of the PRC, the enterprises, public institutions and other producers or operators that directly discharge taxable pollutants to the environment such as air pollutants, water pollutants, solid wastes and noises as prescribed in the Schedule of Tax Items and Tax Amounts of Environmental Protection Tax and the Schedule of Taxable Pollutants and Equivalent Values shall pay environmental protection tax. However, an enterprise, a public institution or any other producer or operator falls under any of the following circumstances, it shall not be deemed as directly discharging pollutants to the environment and shall be exempt from the environmental protection tax on the corresponding pollutants:

- (i) It discharges taxable pollutants to a centralised sewage or domestic garbage treatment site established in accordance with law.
- (ii) It stores or disposes solid wastes at a facility or site that meets the national and local environmental protection standards.

### **I. LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY**

Producers and sellers of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (中華人民共和國民法通則), which became effective on 1 January 1987 and was amended on 27 August 2009, a defective product which causes property damage or physical injury to any person could subject the producers or sellers of such product to civil liability for such damage or injury.

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) which was promulgated on 22 February 1993 and amended on 8 July 2000 and 27 August 2009, it is prohibited to produce or sell products that do not meet the standards or requirement for safeguarding human health and ensuring human and property safety. Products shall be free from unreasonable dangers threatening human and property safety. For products which, if improperly used, may cause damage to the products or may endanger human or property safety, the products or their packaging shall be marked with warning marks or warning statements in Chinese. Producers are liable for the quality of the products they produce. Where a defective product causes physical injury to a person or damage to property, the aggrieved party may claim compensation against the producer or the seller of such product. Where anyone produces or sells products that do not comply with the relevant national or trade standards safeguarding the health or safety of the person and property, the related authority will order it to cease the production or sale, confiscate the products produced or for sale, and impose a fine higher than the value of the products and less than three times of the value of the products. Where illegal earnings are found, the earnings will be confiscated concurrently. Where the case is serious, the business licence will be revoked. Where the activities constitute a crime, the offender will be prosecuted.

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## REGULATORY OVERVIEW

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Pursuant to the Tort Law of the PRC (中華人民共和國侵權責任法) (as promulgated on 26 December 2009 and implemented on 1 July 2010), a producer shall be responsible for the quality of the products it produces. Where any harm is caused by a defective product, the victim may claim for compensation either from the producers or sellers. If the liability lies on the producers and the compensation has been paid by the sellers, the sellers have the right to recover their losses from the producers. If the liability lies on the sellers and the compensation has been paid by the producers, the producers have the right to recover their losses from the sellers.

### J. REGULATIONS AS TO INTELLECTUAL PROPERTY RIGHTS

The Patent Law of the PRC (中華人民共和國專利法) (the “**Patent Law**”) was promulgated by the Standing Committee on 12 March 1984 which became effective on 1 April 1985 and amended on 4 September 1992, 25 August 2000 and 27 December 2008. The Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則) was promulgated by the State Council on 15 June 2001 which became effective on 1 July 2001 and was amended on 28 December 2002 and 9 January 2010. The purpose of the Patent Law and the Implementation Rules of the Patent Law of the PRC are to protect and encourage invention, foster applications of invention and promote the development of science and technology. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper licence from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

The PRC government also set legislations to ensure the exclusive rights of a registered trademark and the copyrights along with a written work, such as the Trademark Law of the PRC (中華人民共和國商標法) and the Copyright Law of the PRC (中華人民共和國著作權法), as both promulgated by the Standing Committee of NPC and last amended on 30 August 2013 and 26 February 2010 respectively.

### LAWS AND REGULATIONS OF THE UNITED STATES

This section summarises key current law and regulations in the United States that are relevant to our business and operations.

The Company has an indirect wholly-owned subsidiary in the United States, XPNA. XPNA is a corporation incorporated under the laws of the state of Michigan. The Michigan Business Corporation Act (“**MBCA**”) governs various corporate actions including the formation, registration and dissolution of for-profit corporations formed in the state of Michigan. XPNA is a for-profit corporation located in Michigan that engages in the business of selling and marketing our products to US-based suppliers and is therefore subject to such state and federal laws.

#### A. OVERVIEW OF THE UNITED STATES LEGAL SYSTEM

The US legal system consists of federal, state and local laws and regulations. On the federal level, Congress passes legislation while the President approves the legislation which

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## REGULATORY OVERVIEW

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then becomes established federal law. State and local government bodies can also pass legislation, which then becomes the law of that state or locality. On that basis, the US legal system is a dual court system that operates at both the federal level and the state and local level. The US legal system is also a common law system, which places significant emphasis on precedents established through formal adjudications. Additionally, the interaction between the various levels of government is complex, but there is a general system of checks and balances that guards against the concentration of power being possessed by any one particular individual or group.

### **B. PRODUCT LIABILITY LAWS**

The law of products liability governs the allocation of fault for harm resulting from the use of a product. As the law of products liability is largely a matter of state law, the precise contours of the law varies from state to state. As such, this section is a general summary of the law. A potential defendant's exposure under US products liability law can be broad as such laws allow consumers to sue a party, or parties, along the supply chain (i.e. those who design, manufacture, sell, or supply a product with an existing defect that causes harm to others). There are four basic theories of recovery when dealing with a product alleged to be defective: strict liability, negligence, breach of warranty, and fraud/misrepresentation. Pursuant to each of these theories, a claimant has the burden of demonstrating that the product purchase and/or use proximately caused bodily injuries or some other type of damage.

A strict liability claim is commonly asserted in lawsuits involving allegedly defective products. This may be due in part to the relative straightforwardness of the claim as the analysis depends upon whether the product was defective at the time it left the "hands" of the manufacturer. Generally speaking, any and all entities in the supply chain of a product may potentially be held liable. For example, liability under the strict liability theory covers all injuries that result from a defective product, which may include a defective component part that was supplied by a party other than the manufacturer of the product that incorporated the component part. In each claim made on the basis of the strict liability theory, the claimant must establish that the product was defective. There are three types of product defects:

- (i) **Design Defects** – A product is defectively designed when both the foreseeable risks presented by the product could have been reduced or avoided by employing a reasonable alternative design, and failure to use an alternative design renders the product unreasonably dangerous. Generally, the claimant has the burden of proving that a reasonable alternative design was available at the time of distribution.
- (ii) **Manufacturing Defects** – A product has a manufacturing defect when it fails to meet its intended design specifications despite the exercise of due care. The claimant must prove that the product was defective when it left the manufacturer. If a defect arises during shipment or storage due to the alteration of the product, a distributor in the chain of commerce responsible for the product alteration may be held liable similar to if the product were defectively manufactured.
- (iii) **Warning Defects** – A product contains a warning defect when both the foreseeable risks of the product could have been reduced or avoided by providing reasonable warnings or instructions, and due to the absence of such information, the product becomes unreasonably dangerous. While most warnings are generated by

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## REGULATORY OVERVIEW

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manufacturers, sellers and distributors must provide warnings when doing so is reasonable. Claimants must prove that adequate warnings or instructions were not provided.

In a lawsuit based on negligence, a defendant may be held liable for failing to use due care in respect of a product's introduction into the marketplace, including in the design or manufacture of the product or the design of any warnings and instructions. Specifically, negligence actions require that a plaintiff demonstrate (1) the defendant owed the plaintiff a duty of due care, (2) the defendant breached that duty in furnishing a defective product, and (3) the defendant's breach of said duty caused the plaintiff's injury. The duty to exercise reasonable care extends to each phase of a product's journey to the consumer and, accordingly, may draw in for purposes of determining liability all parties in the chain of distribution; not, simply, product designer and the manufacturer. Such a broad basis for liability indicates that a product introduced to the market should be inspected and tested at appropriate stages during the design, manufacturing, distribution and sales process. The product should be made from appropriate (safe and non-defective) materials, comply with all applicable rules and regulations, and be assembled with appropriate care. The product's container or packaging should also be inspected, should contain appropriate warnings and directions for use and not be inherently dangerous or defective itself. An otherwise non-defective product can become unsafe if it does not contain or exhibit adequate instructions for its safe use.

Injured claimants may also bring a claim based on fraud or misrepresentation. A tortious affirmative misrepresentation claim is similar to the theory of liability based on a breach of warranty insofar as it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. A fraudulent concealment claim typically alleges that a defendant failed to disclose an allegedly material fact. The rules governing fraud and misrepresentation are generally derived from case law and state consumer protection statutes and vary from state to state. Some state consumer protection statutes go further and prohibit such things as unfair business practices. Claims based on fraud, misrepresentation, and unfair business practices are often alleged in class action lawsuits seeking economic damages.

In some states, the standard for a breach of warranty claim alleging physical injuries is the same as for strict liability. In other states, a cause of action on the basis of a breach of warranty is governed by contract law. Article 2 of the Uniform Commercial Code (the "UCC"), generally speaking, applies to transactions in goods, including contracts for goods. The UCC has been adopted in every state of the US. Under the UCC, there are two kinds of warranties: (1) an express warranty and (2) an implied warranty. An express warranty can be created through a representation made by the seller, or by any sample or model which is made part of the basis of the bargain thus creating an expectation that the goods shall conform to the sample or the model. An implied warranty of merchantability, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the agreement for purchase and sale. Breach of warranty claims are similar to misrepresentation claims in that they seek to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury to another party.

Although the Group currently is not subject to any legal actions, proceedings and claims in the US that relate to product liability, or to any safety recall campaigns in the US,

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## REGULATORY OVERVIEW

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it is possible that in the future the Group may become subject to such actions, proceedings, claims and campaigns (“**Product Liability Claims**”). Such Product Liability Claims may contain allegations of personal injury and property damage that may expose us to substantial pecuniary damage awards and/or fines. The results of any future Product Liability Claims in the US cannot be predicted or calculated with exact certainty. The outcome of any such future claims and any connected litigation or related settlement could be material for a specific fiscal period, or periods, insofar as calculating and representing our costs, losses and expenses.

### C. PRODUCT SAFETY REGULATIONS

The law of product safety is regulatory law and is governed primarily by the United States Consumer Product Safety Commission (“**CPSC**”), an administrative agency of the federal government that regulates certain classes of products sold to the public. There are a broad range of products, which are subject to the jurisdiction of the CPSC and as advised by our US legal advisers, we reasonably believe that our products, which include interior door handles, door trim, shifter bezels, steering wheel components, console parts, cluster rings, exterior door handles, fog lamp trim, front grill trim and tail lamp trim may fall under the CPSC’s jurisdiction.

Product safety law operates in a manner, which is intended to prevent the materialisation of product-related accidents, injury and disease. The Consumer Product Safety Improvement Act of 2008 (“**CPSIA**”) was passed by Congress in 2008 and was intended to improve upon and modernise the features of the Consumer Product Safety Act of 1972 (“**CPSA**”). As such, products imported into the US that fail to comply with CPSIA’s requirements are subject to confiscation, and the importer and/or distributor in the US may be subject to civil penalties and fines as well as possible criminal prosecution. However, while the CPSC works closely with US Customs agents, its jurisdiction does not extend beyond the territorial limits of the US.

Under the CPSIA, a “general conformity certification” is required for any consumer product imported into the US that is subject to a consumer product safety rule issued under the CPSA, or a similar rule, standard, regulation, or ban issued by the CPSA or under any statute issued by the CPSC. The requirement applies to all manufacturers and importers of goods. Those parties must test certain products and certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the CPSC. Such laws include, without limitation, the CPSA, the Federal Hazardous Substances Act, and the Poison Prevention Packaging Act. The CPSIA specifies that certification must be based on a “test of each product or a reasonable testing programme.” The certificate must accompany the product or shipment of products and a copy must be furnished to each distributor or retailer. The certification must also be furnished to United States Customs. And, if requested by the commission, a copy must be furnished to the CPSC. Where there is more than one manufacturer or importer for a product, the party providing the certification should be the importer for imported products.

In addition, automotive safety matters in the United States are governed by the Motor Vehicle Safety Act (“**MVSA**”), administered by the National Highway Traffic Safety Administration (“**NHTSA**”). Under the MVSA and implementing regulations, a motor vehicle equipment manufacturer can be liable for defects in its products, if the defect poses an unreasonable risk to safety. Whether a defect is safety-related is a case-by-case

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## REGULATORY OVERVIEW

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determination and depends, in part, on the severity of the consequences when a failure occurs. If NHTSA or a manufacturer determines that a defect exists, the manufacturer must conduct a recall and remedy the defect. Reporting requirements also apply.

### D. OCCUPATIONAL HEALTH AND SAFETY

The United States Occupational Safety and Health Act (“OSHA”) and the regulations adopted pursuant to OSHA, and similar statutes and regulations adopted by the states and other local governments that concern occupational health and safety, require employers to, among other things, (i) provide a workplace that is free from serious recognised hazards, (ii) comply with applicable safety standards and regulations, (iii) make certain that employees have and use safe tools and equipment, (iv) provide safety and health training and develop operating procedures that facilitate employee compliance with safety and health requirements, (v) keep records of work-related injuries and illnesses, and (vi) obtain information, keep records and develop a written programme regarding hazardous chemicals to which its employees are exposed and provide such information to employees as well as the relevant government authorities upon request.

### E. TRADE REGULATIONS

There are a range of trade laws in the US which address the issue of imports which may injure or threaten industries in the US. Pursuant to Title VII of the Tariff Act of 1930, the United States International Trade Commission (“USITC”) and the United States Department of Commerce (“Commerce Department”) concurrently conducts investigations into whether dumping or subsidisation is occurring in products brought into the US market and whether such imports are causing, or threaten to cause, material injury to the U.S. industry producing a “like product.” A significant proportion of such investigations in recent years have been in relation to imports from China. Whether an item is being dumped, or not, is assessed on the basis of whether it is being sold at less than fair value in the US. This generally means that it is being sold below the producer’s sales price in its home market, or at a price which is lower than the normal value constructed on the basis of cost of production. Subsidisation occurs when a government directly or indirectly provides financial assistance to benefit production, manufacturing and/or the exporting of a good. There is (1) an assessment made by the Commerce Department that dumping or subsidisation is occurring above *de minimus* amounts, (2) a calculation of the estimated margin of dumping or amount of the subsidy, and (3) a determination by USITC as to whether or not there is a material injury or threat to the US industry. If such injury or a threat of injury is found, the Commerce Department will issue an antidumping duty and/or countervailing duty order for the purpose of offsetting the negative effect of subsidies provided by the Chinese government on the products that are found to be harming domestic producers. When such an order is imposed, the United States Customs and Border Protection (“CBP”) requires importers to post cash deposits of estimated antidumping and/or countervailing duties at rates specified by the Department of Commerce. Final amounts of antidumping and/or countervailing duties are later determined and retroactively assessed based upon whether an annual “administrative review” is conducted by the Department of Commerce covering the imports. If no administrative review is conducted of the imports, the imports are generally retroactively assessed final antidumping and/or countervailing duties at the duty amounts originally deposited by the importer. If an administrative review is conducted by the Commerce Department, the imports are retroactively assessed antidumping and/or countervailing duties (and interest) at the duty amounts determined in the administrative review, which may be higher or lower than the

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## REGULATORY OVERVIEW

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amounts originally deposited by the importer. After an order has been issued, there is an automatic “sunset” review no later than five years after the order is issued, which is conducted to assess whether a revocation of the order would lead to the continuation or recurrence of dumping or subsidies and of material injury within a reasonably foreseeable time. Section 337 measures are imposed on imports by the U.S. International Trade Commission (ITC). Such measures are ordinarily imposed to address findings of intellectual property right infringement (but may broadly cover other forms of “unfair” practices in import trade such as misappropriation of trade secrets, trade dress infringement, passing off, false advertising, and violations of the antitrust laws). Section 337 investigations are conducted initially before administrative law judges at the ITC, with findings affirmed by the Commission as a whole. The investigation can result in the issuance of an exclusion order prohibiting importation of the article or a “cease and desist” order directing parties to cease certain actions. The orders are enforced by U.S. Customs and Border Protection (CBP).

### **F. FOREIGN CORRUPT PRACTICES ACT**

The Foreign Corrupt Practices Act (“FCPA”) is a US statute that prohibits companies and individuals (anywhere in the world) subject to US jurisdiction, including, among others, companies incorporated in the US or publicly traded on a US stock exchange and their officers, directors, and employees, from corruptly offering, authorising, promising, directing, or providing anything of value, to any “foreign official” (as defined below) for the purpose of influencing or inducing the foreign official to obtain or retain business or secure an improper business advantage. Individuals and companies may also be penalised if they order, direct, authorise, or assist someone else to violate the anti-bribery provisions or if they conspire to violate those provisions. The US government also asserts jurisdiction over foreign entities and individuals who take any act in furtherance of an FCPA violation while in the territory of the United States.

Under the anti-bribery provisions of the FCPA, any individual who willfully violates the FCPA may be liable for up to US\$16,000 in civil fines and up to US\$250,000 in criminal fines per violation and may be imprisoned for up to five years per violation. The FCPA prohibits indemnification of such individuals by companies. Companies may be liable for civil fines up to US\$16,000 and criminal fines up to US\$2 million per violation. In addition, companies that committed FCPA violations could suffer other adverse consequences such as suspension or debarment from US government contracts, revocation or suspension of export licence privileges, shareholder lawsuits, disgorgement, and significant damage to the company’s and individual’s good-will and reputation.

The FCPA prohibits payments or the offer of payments. A payment need not be consummated in order for liability to be imputed to an actor or actors under the FCPA. The mere offer or promise of a payment with the requisite intent to commit a violation can lead to a violation of the statute. The FCPA prohibits payment of money or anything of value. Thus, even a payment not transacted in cash may be the subject of an FCPA violation. Additionally, there are no minimum threshold or materiality requirements for such payments to be considered unlawful.

Additionally, the FCPA prohibits both direct and indirect payments. While direct payments to foreign officials are unlawful, even indirect payments through an agent, partner, consultant, contractor, or any other third party may also give rise to liability. The FCPA prohibits payments to any person if there is knowledge that any part of these proceeds will



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## REGULATORY OVERVIEW

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be provided to or otherwise used to influence the acts of a non-US official. Furthermore, it is not a valid defence to remain willfully “blind” to an FCPA violation in order to avoid possessing actual knowledge of such violation. Moreover, it is also not a valid defence to argue that the bribes or improper payments are customary to a particular industry or country.

The FCPA broadly defines “foreign officials” as those who act as an officer or employee of any foreign government, or any department, agency or instrumentality thereof, or of a public international organisation, or any person acting in an official capacity or on behalf of any such government, department, agency, or instrumentality or for, or on behalf of, any such public international organisation. In particular, employees of state-owned enterprises or government-controlled entities qualify as foreign officials.

The FCPA however does set forth narrow exemptions for certain payments made to foreign officials. For instance, the FCPA permits small-value payments to low-level foreign officials where the purpose of the payment is to expedite a “routine” government action. “Routine” government action refers only to those non-discretionary actions that are “ordinarily and commonly performed” by government officials. These payments cannot be made to influence any discretionary decision by an official and such payments must not be prohibited under local laws. The FCPA also narrowly permits payments to foreign officials for “reasonable and bona fide expenses” directly related to the promotion, demonstration, or explanation of a company’s products and services.

### **G. TAXATION IN THE UNITED STATES**

XPNA, our subsidiary operating in the United States, is subject to U.S. federal, state, and local tax rules. Both federal and state taxation authorities in the United States impose the collection of certain annual income and other applicable taxes.

#### *Income/Business Taxes*

Under applicable laws, XPNA is subject to a top marginal tax rate of 35% at the federal level and may also be subject to income tax at the state level.

The primary business tax in the State of Michigan is the Corporate Income Tax (“CIT”). The CIT imposes an income tax of six percent (6%) on C corporations and any entity that elects to be taxed as a C Corporation for federal income tax purposes. Income is apportioned based on a C corporation’s sales in the State of Michigan divided by its total sales everywhere. A C corporation (other than an insurance company or financial institution) with less than \$350,000 of apportioned gross receipts or less than \$100 in liability is not required to file or pay the CIT. Some Michigan cities also levy a city income tax.

Every employer in the State of Michigan who is required to withhold federal income tax under the Internal Revenue Code, must also be registered for and withhold Michigan income tax.

#### *Sales and Use Taxes*

Individuals or businesses that sell tangible personal property to the final consumer are required to remit a six percent (6%) sales tax on the total price (including shipping and handling charges) of their taxable retail sales to the State of Michigan. The State of Michigan does not allow city or local units to impose sales tax.

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## REGULATORY OVERVIEW

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The use tax is a companion tax to the sales tax. A use tax of six percent (6%) must be paid to the State of Michigan on the total price (including shipping and handling charges) of all taxable items brought into the State of Michigan or purchases through the internet, by mail or by phone from out-of-state retailers that do not collect and remit sales or use tax from their customers. Credit is given for tax paid to other states. Use tax is also applied to certain services such as telecommunications and hotel/motel accommodations. Michigan does not allow city or local units to impose use tax.

### *Property Taxes*

Local governments in the State of Michigan levy property taxes. Since property tax rates vary by locality, it is important to consult each local city, township or village for specific information. The local treasurer's office can also provide information about other local taxes that may apply along with information about registration and payment requirements.

### *Taxation of dividend distributions*

XPNA will be required to withhold tax on distributions made to the Company to the extent such distributions constitute "dividends" for U.S. federal income tax purposes. A distribution generally will constitute a dividend for U.S. federal tax purposes to the extent paid from XPNA's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If XPNA makes a distribution to the Company that constitutes a dividend, XPNA generally will be required to withhold thirty percent (30%) of the gross amount of such dividend and remit the withheld tax to the U.S. federal tax authorities. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce the Company's adjusted tax basis in its shares of XPNA, but not below zero. Any excess will be treated as capital gain. In either of those two instances, withholding tax generally should not apply.

### *Customs Duties/Tariffs*

In principle, customs duties are imposed on goods imported into the United States. The applicable customs tariff and rates of duty differ depending on the kind of goods being imported, the place where they come from and the economic sensitivity of the goods.

## TAXATION IN GERMANY

### *Income Tax*

As a general rule, taxable profits generated by Keen Point Germany are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is 15% for both distributed and retained earnings, plus solidarity surcharge (*Solidaritätszuschlag*) of 5.5% on the corporate income tax liability (i.e. 15.825% in total).

Additionally, Keen Point Germany is generally subject to trade tax (*Gewerbesteuer*) on its taxable trade profit (*Gewerbeertrag*) generated at its permanent establishments maintained in Germany (*inländische Betriebsstätten*). The effective trade tax rate depends on the municipalities in which permanent establishments are maintained.

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## REGULATORY OVERVIEW

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The German Foreign Tax Act and the German General Tax Code generally govern cross-border transactions between related parties. Related parties must apply the arm's length principle when engaging in cross-border transactions. Under the arm's length principle, related parties have to act like prudent and diligent business managers and consequently enter into a transaction at terms comparable to terms which would have been agreed on by unrelated parties. If the arm's length principle has not been applied and as a result the German company's reported income is lower than it would have been if the business had been conducted with an unrelated party, the income may have to be adjusted upward. German tax law requires a hypothetical arm's length test where sufficient reliable third-party data is unavailable.

In general, transfer pricing documentation for all types of cross-border intercompany transactions has to be provided to the tax authorities upon request, typically for the purpose of a tax audit. The penalty for non-compliance amounts to 5% to 10% of the income adjustment, at least however 5,000 Euro, while that for late submission is limited to 1,000,000 Euro.

### *Taxation of dividend distributions*

As a general rule, dividends distributed by Keen Point Germany are subject to withholding tax (*Kapitalertragsteuer*) at a rate of 25% plus solidarity surcharge of 5.5% thereon (i.e. 26.375% in total). A legislative initiative in Germany which aimed at abolishing the current system of a final withholding tax (*Abgeltungsteuer*) for private investors has recently failed in the Federal Council (*Bundesrat*). However, political discussions regarding the abolition are still on-going. While it is not yet clear if, when and to what extent the currently applicable withholding tax rules will be amended, it is likely that any such amendment may lead to a higher tax burden of private investors whose individual tax rate exceeds 25%.

### *Value Added Tax ("VAT")*

The supply of goods and services by Keen Point Germany in Germany should generally be subject to VAT at a rate of 19%. The actual VAT rate may be lower depending on the particular circumstances. In case the place of the supply of the goods or the services by Keen Point Germany is outside of Germany, a tax exemption may apply in Germany while VAT (at variable rates) may be applicable in the place of the supply of goods or services.

Additionally, the importation of goods from a country which is not a member state of the European Union into Germany is generally subject to import value added tax ("**Import VAT**"). Import VAT is generally due upon the importation of goods into Germany when the goods are customs cleared. If certain requirements are met, Import VAT may be refundable for the supplier of goods upon application.

### *Customs Duties/Tariff within the European Union*

In principle, customs duties are imposed on goods imported into Germany from a country which is not a member state of the European Union. The applicable customs tariff is common to all member states of the European Union, but the rates of duty differ depending on the kind of goods being imported, the place where they come from and the economic sensitivity of the goods.

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## **REGULATORY OVERVIEW**

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### **LAWS AND REGULATIONS OF MEXICO**

#### **A. REGULATIONS ON MANUFACTURING AND PRODUCTION OF AUTOMOTIVE PLASTIC ELECTROPLATED COMPONENTS**

An enterprise engaged in the manufacturing and production of automotive plastic electroplated components is required to obtain licences, approvals and permits (collectively, “**Approvals**”) from governmental agencies or public authorities. The specific law and regulations applicable to such entity, as well as the specific governmental authority whom the enterprise should make application with for such Approvals, depend on the location of the production base; therefore, the Approvals could vary from location to location. The Approvals include, but are not limited to, street number and boundary alignment certificate, land use permit, construction licence and notice of conclusion of an authorised construction regulated pursuant to the state or municipal Constructions Code (and issued either by the State or Municipal authority, or the urban development department). The enterprise should also obtain the operation licence pursuant to the state or municipal Administrative Code (and issued by the State or Municipal authority), and the approval of the civil protection internal programme pursuant to the state or municipal Civil Protection Regulations (and issued by the local or municipal bureau of civil protection departments).

In the event that the enterprise uses explosives materials for its manufacturing process, a general permit for the purchase, storage and consumption of chemical/ explosive materials used in the manufacturing and production of automotive electroplated components is also required to obtain. Pursuant to the Federal Law on Firearms and Explosives and its Regulation, the Ministry of National Defence is the competent body to rule and grant such permit, and shall assess certain conditions of the enterprise, including, but not limited to (1) the security measures adopted by the enterprise in storing of the chemical/explosive materials; (2) the passing of the inspection visits from other related authorities, such as those from the department of civil protection; and (3) the completion of filing all the requested information and documentation to the relevant authorities.

#### **B. SALE AND EXPORT OF AUTOMOTIVE PLASTIC ELECTROPLATED COMPONENTS PRODUCTS**

For the transport of automotive plastic electroplated components, whether domestically or by air/sea freight to other regions, as the product was manufactured with chemicals/explosive materials, according to the Rules for the Terrestrial Transport of Materials and Hazardous Wastes, a permit granted to the transporters is needed from the Ministry of Transport and Communications based on the specific type of material. Pursuant to the Civil Aeronautic Law Regulations, the concessionaire and/or licensee must also ensure that the user of the service possess the correspondent permit. Likewise, the aforesaid regulations establish that the concessionaire and/or licensee must have and maintain a programme dully authorised by the Ministry of Communications and Transport for such transport.

The IMMEX Programme, an export promotion programme, is authorised by the Ministry of Economy, which allows Mexican companies, including subsidiaries of a foreign company, to temporarily import into Mexico raw materials, parts, components, containers and packing as well as machinery and equipment to be used in the production of export products, with the benefit of duty deferral. To enjoy any benefits conferred under the IMMEX Programme, a company should obtain relevant authorisation from the Ministry of

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## REGULATORY OVERVIEW

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Economy by filing the necessary documents to the Ministry of Economy. The IMMEX Programme would remain valid while the holder continues to meet the requirements for authorisation and the obligations established in the Decree.

All products can be classified in the Harmonised System by using the General Rules of Interpretation, Complementary Rules and Notes. In accordance to the classification of the goods, the importer must comply with the specific tariff (duties) and non-tariff regulations (import permits, Mexican Official Standards) etc.

Once the merchandise has been properly identified and classified, it will be possible to determine the duties and taxes to be paid during the import/export process.

### **C. PRODUCT SAFETY AND LIABILITY**

Under the Mexican legal system, consumers may appear both before an administrative body under the Federal Consumer Protection Law and a judicial authority under the Mexican Civil Code provisions to address the problem of accidental harms caused by products or defects of said products.

#### *Consumer Agency*

Entities and individuals that produce, distribute or sell goods are subject to the Federal Consumer Protection Law, which was passed to protect consumers against merchants and manufacturers who do not comply with minimum standards or specifications for products and services. The Federal Consumer Protection Law was administered by the Federal Consumer Protection Agency (PROFECO), who has power to levy fines or apply penalties, and in some cases, shut down businesses that contravene the said law.

Proceedings initiated by consumers begin with a conciliatory stage, where parties can reach a conciliatory agreement to end the dispute. If no agreement is reached, consumers will still have a civil action available before the judicial authorities. After conciliatory stage and disregarding if any agreement is reached between the parties, PROFECO may decide to independently pursue verification proceedings if it considers there might be a violation to the applicable law. PROFECO may also initiate verification proceedings without a specific intervention or request from a consumer, and penalties can follow in case any contraventions to the Federal Consumer Protection Law are proven by PROFECO's verification proceedings.

#### *Civil Liability*

Mexican Civil Law considers product liability to be a non-contractual obligation. The Federal Civil Code does not have specific provisions governing the liability of manufacturers for damages caused in Mexico by defective products and any products liability action would have to be based on article 1910 of Federal Civil Code, which governs, generally, liability for "wrongful acts", in which a plaintiff or group of plaintiffs would need to prove negligence or misconduct on the part of the manufacturer. Historically, lawsuits for defective products were therefore rare in Mexico, as the courts were reluctant to recognise liability of manufacturers for such products. In 2014 Mexico's Supreme Court issued a judgement that introduced the term of "punitive damages" to the Mexican legal system. While the consequences and legal effects of the introduction of said concept have not yet become clear, it establishes a precedent for consumers of defective products who in the past might have not initiated a legal proceeding due to limited damage awards.

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## REGULATORY OVERVIEW

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### D. INCORPORATING A BUSINESS ENTITY IN MEXICO

To incorporate any business organisations including a privately held limited liability stock corporation (or *Sociedad Anonima*, the most common type of business association in Mexico), the charter and articles of incorporation require formalisation by a notary public and thereafter registration with the Public Registry of Commerce of the corporate domicile of the organisation. For a corporation to become a shareholder of a privately held limited liability stock corporation, the only requirement according to Mexican laws is that such corporation shareholder shall provide in its corporate purpose the capacity of owning shares or equity interest of another company.

The General Corporations Law provides that the direction and management of all the affairs, property and interests of the company is vested in a sole manager or in a board of directors/ managers. Designation of the sole manager or the board of directors is made by the shareholders' meeting.

If a foreign business entity or individual wants to become a shareholder or a partner of a Mexican business organisation, it is mandatory according to the Foreign Investment Law that the Mexican business organisation shall provide a foreign investments clause to allow the foreign investor to own its shares or equity interest. If a company has foreign investors, it has to register with the National Foreign Registry of Mexico, and in case the company does not comply with this obligation, a fine will be imposed in the amount as stated in the Foreign Investment Law.

### E. ACQUISITION OR LEASE OF LAND

#### *Acquisition of Land*

The Mexican Federal Civil Code provides that any sale of real property, exceeding the equivalent of approximately \$26,650.00 Pesos (approximately USD\$1,300), will have to be formalised in writing before a public notary. A public deed granted before a Mexican notary public evidences the legal sale of the property. Once the public deed is granted, an original thereof is issued by the notary and sent out for registration with the Public Registry of Property. The filing, which normally entails the payment of registration fees and verification of the payment of applicable taxes, is processed and the conveyance is registered to make it a matter of public record and enforceable against third parties. If an agrarian land is intended to be acquired or leased for industrial projects, special process pursuant to the Agrarian Law must be carried out.

#### *Lease of Land*

The Mexican legal system favours free agreement upon lease terms between landlord and tenant. However, there are several prohibitions or terms that are determined by law, such as lease agreements for industrial or commercial purposes can establish terms of no more than 20 years. The Federal Civil Code also requires lease agreements in written form. The applicable legal provisions of the state in which the property is located should be considered when drafting the lease agreement, as this may vary from state-to-state. Generally, there is no requirement for registration of leases in Mexico. Some states require registration of leases that establish certain time periods (i.e. more than six years) or advance payments over certain amounts.

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## REGULATORY OVERVIEW

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### F. TAXATION

A company is deemed to be a Mexican resident for tax purposes if its main administration or seat of effective management is located in Mexico. Any type of Mexican resident company is subject to the same tax obligations, regardless of the type thereof. In general, they are required to enrol at the Federal Taxpayers Registry, obtain an e-signature to make filings with the tax authority, issue tax compliant invoices and keep accounting records. Further, they may be subject to the following taxes: Income Tax, Value Added Tax and State Taxes.

#### *Income Tax*

Companies are subject to income tax on their profits at the 30% rate. Profits shall be obtained by reducing from their global gross income, the allowed deductions, the employees' profit sharing and tax loss carry forwards. The fiscal year runs from January 1 to December 31. In addition, they are required to make monthly estimated payments. Tax losses may be carried forward up to ten years to offset profits of following years but no carry back is allowed.

Income earned by foreign residents from a Mexican source is in general subject to withholding tax at various rates, which will depend on various factors, such as type of income (interests, capital gains, royalties, technical assistance, dividends, etc.), the tax residence of the receiving party (i.e. withholding for receiving entities on preferential tax regimes is of 40%) among other circumstances, but, in general the withholding is of 25% over gross income.

For profit distribution purposes, companies must keep a net after-tax profits account. As of 2014, payment of dividends to resident individuals and non-residents in general (including foreign corporate shareholders) are subject to a 10% withholding which should be considered as final tax however, such withholding could be reduced or eliminated by virtue of tax treaties.

#### *Value-added Tax ("VAT")*

VAT is levied in Mexico on (1) transfer of goods; (2) provision of independent services; (3) provision of the temporary use of goods; and (4) importation of goods or services into Mexico. In general, VAT is paid at the rate of 16%. Mexico uses a credit system so that VAT charged by others may be used to offset VAT owing. The VAT is a monthly tax obtained by reducing the output VAT (tax triggered by the execution of the levied activities) with the input VAT paid by the taxpayer to its suppliers, services providers or paid in the importation of goods or services into Mexico. If the input VAT exceeds the output VAT, then the taxpayer is allowed to offset these amounts against future output VAT or to request a refund.

#### *Local Taxes*

In addition to income and VAT taxes which are federal taxes, there are local taxes, which are enforced by the State where the company and/or the establishment, branch, store, premise is located. The most common taxes are (1) payroll, which is levied on the total amount of salary payments made during the year and, in general, the 3% tax rate applies; (2) real estate tax, which is applied on the value of the real estate; and (3) transfer tax, which

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## REGULATORY OVERVIEW

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is imposed on the acquisition of real estate. In general, this tax is subject to a 2% rate (or, as the case may be, a progressive rate over the estate value in some states).

### G. OTHER RELEVANT REGULATIONS IN MEXICO

#### *Labour and Employment*

The laws regulating employment relationships in Mexico include the (1) Constitution; (2) Federal Labour Law; (3) Social Security Law; (4) National Workers' Housing Fund Law and (5) Immigration Law. These laws apply to all employment relationships in Mexico, regardless of the choice of law or place of execution of the agreement. Local labour authorities have jurisdiction over any Mexican employment relationship, regardless of the wording of the agreement or nationality of any of the parties.

There is a general minimum wage which applies to all employees. The current general minimum daily wage effective as of 1 January 2017 is MXN80.04. According to the relevant labour laws, at least 90% of the employees of any business enterprise or establishment must be Mexican nationals. All employers in Mexico must also register their employees with the Mexican Institute of Social Security within the first five days of the start of the employment relationship. Failure to do so can result in fines imposed by the Mexican Institute of Social Security. It is not mandatory to provide medical/retirement/pension benefits outside of mandatory social security. Pursuant to the Mexican Labour Law, all employees rendering services in Mexico are entitled to certain minimum statutory benefits including a prescribed year-end bonus, an annual vacation period, mandatory paid holidays and social security etc. that cannot be waived in any manner.

#### *Environmental Requirements*

In Mexico, the environmental statutes, laws, regulations and standards (Mexican Environmental Legal Framework) are administered, as set forth in the Mexican Political Constitution, in partnership between the Federation, States, and the Municipalities. The enforcement of the said Environmental Legal Framework is mainly through (1) requiring enterprises to obtain a number of mandatory permits, licences and authorisations depending on the characteristics of the project or activity to be carried out; (2) when granting permits, licences and authorisations, regulating agencies to impose certain terms and conditions; (3) empower the regulatory agencies to order inspections in order to determine if environmental regulations are being observed and complied with; and (4) impose sanctions as a result of administrative proceedings for any non-compliance incidents.

#### *Foreign Exchange*

There are no restrictions or consents according to financial laws to open accounts in a foreign currency, and there no limitations or restrictions in connection to currency exchange in Mexico, to the extent that the anti-money laundering requirements are met.

#### *Intellectual Property*

Mexican trademarks are filed and prosecuted before the Mexican Institute of Industrial Property (MIIP) and same are regulated by the Mexican Trademark Law. The responsible authority for copyrights in Mexico is the Mexican Copyright Office. Both licence and franchises are regulated by the Mexican Trademark Law, in which a company may



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## REGULATORY OVERVIEW

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implement a licencing system (subsidiaries, franchises, obligatory licences due to public use, etc.) to properly protect and regulate the use of its intellectual property rights.

### *Dispute Resolution*

Judgements and other judicial decisions from foreign courts have the force in Mexico that its treaties may provide. A Mexican court will not inquire into the merits of the judgement, but will merely determine its authenticity and whether it is enforceable under Mexican law (i.e. if the obligation on which they are based is legal in Mexico or if the defendant was personally served, amongst a few others).

The Commercial Code and the New York Convention are the two main legal instruments regarding arbitration as a dispute resolution mechanism in Mexico. Mexico is a Model Law country which has adopted the UNCITRAL Arbitration Model Law by introducing applicable provisions into the Commercial Code. The arbitration provisions of the Commercial Code apply to national arbitration and may also apply to international arbitration when the seat of the arbitration is Mexico. Mexico is also part of the New York Convention since 1971, without reservations, and is therefore bound to give effect to private agreements to arbitrate and to recognise and enforce arbitration awards made in other contracting states. An arbitration clause in a contract between a foreign and a Mexican company may be considered, as an arbitration award may be more easily enforced.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OVERVIEW

We can trace our business origin to the predecessor entity of KP (Huizhou) Electronics (one of our principal operating subsidiaries), namely 惠州市浩瑜實業有限公司 (Huizhou Haoyu Industrial Company Limited\*) (“**Haoyu Industrial**”) which was established in the PRC in September 2002. Its factory premises were located in Huizhou, Guangdong Province, the PRC. The then principal business of Haoyu Industrial includes sales and manufacturing of electronic and chemical products.

In 2004, KPL and JIL were incorporated in BVI as investment holding companies. In the same year, KPL acquired the entire equity interest in Haoyu Industrial which was re-established as KP (Huizhou) Electronics with the economic nature of a WFOE. The scope of business of KP (Huizhou) Electronics was also expanded to include precision moulding and electroplating processing. At about the same time, JIL established Wuxi Jinxin (a WFOE) in Wuxi, Jiangsu Province, the PRC, which then had principal business of manufacturing and electroplating of plastic products. Since then, KPL and JIL have been acting as the holding companies of our operating subsidiaries, and our Group structure continued to expand through the establishment or acquisition of new subsidiaries.

In September 2010, XPC (an investment holding company incorporated in BVI, which was solely owned by Mr. Ma at the material time) became the direct holding company of KPL and JIL by way of a share swap. In October 2014, our Company acquired the entire issued share capital of XPC. Following that, our Company became the holding company of our subsidiaries. For further details of our Group’s Reorganisation, please refer to the paragraph headed “Reorganisation” below in the section.

During the Track Record Period, our results of operation were mainly contributed by our principal operating subsidiaries established in the PRC, namely KP (Huizhou) Precision Plastic, XP (Huizhou) Surface Decoration, KP (Wuxi) Electronics, Wuxi Jinxin, Tianjin Jinxin and KP (Huizhou) Electronics. Some of our overseas operating subsidiaries acted as the sales and technical support platform in other countries. For further information on our Group member please refer to the paragraph headed “Establishment and major changes concerning major members of our Group” below in this section, and the paragraph headed “1. Further Information about our Group – 1.5 Further Information about our Group’s PRC subsidiaries and associate” in Appendix IV to this prospectus.

### **Our founders and the initial establishment of our Group**

Our Group was founded by Mr. Ma (our chairman and executive Director) together with his business partners acquainted through his industry experience and personal network and his relatives. Prior to the founding of our Group, Mr. Ma had accumulated years of management experience in the field of manufacturing metal and plastic electroplated products through his management role in a Huizhou-based manufacturing enterprise. For further details on the biographical information of Mr. Ma, Please refer to the section headed “Directors, Senior Management and Employees – Directors – Executive Directors” of this prospectus.

In September 2002, Haoyu Industrial was established in Huizhou, Guangdong. It then had an initial registered capital of RMB1 million funded by its founding equity-holders in accordance with their respective ownership by their respective financial resources. Its principal business was then manufacturing and sales of electronic and chemical products. Mr. Wei Longxiang, an uncle of Mr. Ma, was one of its founders and held 60% equity

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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interest in Haoyu Industrial upon its establishment. The remaining 40% equity interest was then held equally by Mr. Zeng Hongyu (one of the Other Beneficiaries and was a former director of Huizhou Haoyu) and Ms. Liao Mei (an Independent Third Party).

JIL was incorporated in BVI in March 2004 as an investment holding vehicle. Shortly after its incorporation, in May 2004, JIL established Wuxi Jinxin (a WFOE) in Wuxi, Jiangsu, PRC and its principal business was manufacturing and electroplating of plastic products. The incorporation of JIL and the subsequent establishment of Wuxi Jinxin were funded by Mr. Ma and other beneficial owners of JIL at the material time with their own funds.

In May 2004, KPL was incorporated in BVI for the purpose of acting as an investment holding vehicle. Mr. Shi Longbao, a cousin of Mr. Ma, subscribed for and held over 50% shareholding interests in KPL upon its incorporation with funds of his own and from Mr. Ma and other persons.

In August 2004, KPL entered into an equity transfer agreement with Mr. Wei Longxiang and the other equity-holders of Haoyu Industrial. Pursuant to such agreement, KPL acquired the entire equity interest in Haoyu Industrial at a total consideration of RMB1.37 million which was determined with reference to the then net asset value of Haoyu Industrial. Following completion of such equity transfer in December 2004, Haoyu Industrial was re-established as KP (Huizhou) Electronics as WFOE and its scope of business was expanded to include precision moulding and electroplating processing.

In November 2004, KPL further established KP (Huizhou) Precision Plastic in Huizhou, Guangdong, and its then principal business was manufacturing and sales of moulds, electronic components and plastic products.

The above acquisitions by KPL were financed with funds from Mr. Shi Longbao, Mr. Ma and other beneficial shareholders of KPL at the material time.

Following the above series of changes in respect of our Group members which took place in 2004, our Group's basic structure was established, with KPL and JIL acting as the holding companies of our operating subsidiaries.

### **Our Business History and Milestones**

Our history can be traced back to 2002 when Haoyu Industrial was established to engage in manufacturing and sales of electronic and chemical products in Huizhou, Guangdong Province, the PRC. Subsequently, we expanded our business to production of plastic products or moulds and electroplating processing and established our production bases in Wuxi and Tianjin, the PRC. In 2006, through our strategic partnership with KPI (Canada), we supplied our products to the Tier 1 suppliers located in the North America. We were the second largest supplier of automotive plastic electroplated components in terms of revenue in the PRC in 2016. In order to strengthen our presence in the global automobile market and maintain close proximity to the global OEMs, we established an office in Germany in 2008 to facilitate the promotion and publicity of our automobile door handle products. In 2013, we established our US office with sales and marketing functions to support our further expansion in the North American market.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The key events of the business development of our Group since our establishment are summarised as below:

- |      |  |
|------|--|
| 2002 | <ul style="list-style-type: none"><li>• Haoyu Industrial, the predecessor entity of KP (Huizhou) Electronics, was established to engage in manufacturing and sales of electronic and chemical products.</li></ul>  |
| 2004 | <ul style="list-style-type: none"><li>• KP (Huizhou) Electronics expanded our business to precision moulding and electroplating processing.</li><li>• KP (Huizhou) Precision Plastic was incorporated to engage in manufacturing and sales of moulds, electronic components and plastic products.</li><li>• Wuxi Jinxin was incorporated and we established our production base in Wuxi.</li></ul> |
| 2005 | <ul style="list-style-type: none"><li>• Tianjin Jinxin was incorporated and we established our production base in Tianjin.</li><li>• KP (Huizhou) Precision Plastic was awarded ISO/TS 16949:2009 certification.</li></ul>   |
| 2006 | <ul style="list-style-type: none"><li>• We formed a strategic partnership with KPI (Canada) to supply products to them for onward sales to their customers mainly located in North America.</li><li>• KP (Huizhou) Precision Plastic was awarded ISO 9001:2008 certification.</li><li>• KP (Huizhou) Electronics was awarded ISO 9001:2008 and ISO14001:2004 certifications.</li></ul>             |
| 2008 | <ul style="list-style-type: none"><li>• We established an office in Germany.</li><li>• KP (Huizhou) Precision Plastic was awarded ISO14001:2004 certification.</li></ul>   |
| 2011 | <ul style="list-style-type: none"><li>• Wuxi Jinxin was awarded ISO14001:2004 certification.</li><li>• KP (Huizhou) Electronics was awarded ISO16949:2009 certification.</li></ul>   |
| 2012 | <ul style="list-style-type: none"><li>• KP (Wuxi) Electronics was awarded ISO 9001:2008 and ISO/TS 16949:2009 certifications.</li><li>• Wuxi Jinxin was awarded ISO 9001:2008 and ISO/TS 16949:2009 certifications.</li><li>• XP (Huizhou) Surface Decoration was awarded ISO/TS 16949:2009 certification.</li></ul>   |
| 2013 | <ul style="list-style-type: none"><li>• We established an office in the US.</li><li>• Shanghai Xinyu was awarded ISO 9001:2008 certification.</li></ul>  |
| 2014 | <ul style="list-style-type: none"><li>• KP (Wuxi) Moulding and XP (Huizhou) Precision Components were established for our expansion plans in Huizhou New Production Base and Wuxi New Production Base respectively.</li></ul>  |
| 2015 | <ul style="list-style-type: none"><li>• KP (Huizhou) Surface Decoration was established for the construction of a new electroplating production line.</li></ul>  |

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2016
- Huizhou Xinsheng was established for the construction of a new spray painting.
  - Xin Point Switzerland was established to provide services to our customers located mainly in Czech Republic and Hungary.
  - Xin Point Mexico was established to implement our plan to establish a new production base in Mexico.

### ESTABLISHMENT AND MAJOR CHANGES CONCERNING MAJOR MEMBERS OF OUR GROUP

#### General

As at the Latest Practicable Date, our Group comprised our Company, four BVI subsidiaries, one German subsidiary, one Malaysian subsidiary, one US subsidiary, two Hong Kong subsidiaries, one Swiss subsidiary, one Mexican subsidiary and 12 PRC subsidiaries. Our Group also held 30% equity interest in KP (Suzhou), a limited company principally engaged in design, manufacturing and sale of precision moulds. For further details of our subsidiaries and associate, please refer to the paragraphs headed “1.5 Further information about our Group’s PRC subsidiaries and associate” and “1.6 Further information about our Group’s non-PRC subsidiaries” in the section headed “Appendix IV – Statutory and General Information” in this prospectus.

#### Change in issued share capital and/or owners of KPL, JIL and XPC – the holding companies of our operating subsidiaries

##### (1) KPL

KPL was incorporated in BVI on 5 May 2004 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 10,000 shares were subscribed and full paid up upon its incorporation.

The shareholding structure of KPL immediately prior to the share transfer in September 2010 was as follows:

<u>Name of registered owner</u>	<u>Name of beneficial owner</u>	<u>Number of shares in KPL</u>	<u>% beneficial interest in KPL</u>
Mr. Ma	Mr. Ma	4,492	44.92%
Mr. Shi Longbao	Mr. Ma	460	4.60%
Mr. Shi Longbao	Mr. Shi Longbao <i>(Notes 1 and 2)</i>	220	2.20%
Mr. Shi Longbao	Ms. Zhang Xiuqin	164	1.64%
Mr. Shi Longbao	Mr. Liu Yonggui	164	1.64%
Mr. Shi Longbao	Mr. Zhu Pinghua <i>(Note 1)</i>	164	1.64%
Ms. Shen Yaofen	Ms. Chen Youyun <i>(Note 3)</i>	2,000	20.00%
Mr. Zeng Hongyu	Mr. Zeng Hongyu	1,640	16.40%
Ms. Lau Tsz Ching	Ms. Lau Tsz Ching	450	4.50%
Mr. Liu Jun	Mr. Liu Jun	246	2.46%
		<b><u>10,000</u></b>	<b><u>100.00%</u></b>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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*Notes:*

- (1) Mr. Shi Longbao is a cousin of Mr. Ma and Mr. Zhu Pinghua is a brother-in-law of Mr. Ma.
- (2) Mr. Shi Longbao has entered into an agreement with Mr. Ma, by which Mr. Ma was authorised (for all shareholders' meeting of KPL) to exercise, in such manner as Mr. Ma's sees fit, the voting right attached to all the shares owned by Mr. Shi in KPL.
- (3) Ms. Chen Youyun is the daughter of Ms. Shen Yaofen.

The then nominee shareholding arrangement in respect of issued shares in KPL entered into by Mr. Shi Longbao and Ms. Shen Yaofen (each as nominee) for the benefit of the relevant beneficial owners was mainly for administrative efficiency, because various documents for establishing and managing the company were required to be signed by shareholders from time to time. As advised by our PRC Legal Advisers, PRC laws and regulations do not apply to the above nominee shareholding arrangement in respect of shares in KPL even though PRC residents are involved as nominees and as beneficiaries.

By a sale and purchase agreement dated 29 September 2010 and entered into by XPC (as purchaser) and the beneficial owners of the entire issued share capital of KPL and JIL (as vendors), XPC acquired the entire issued share capital of KPL and JIL on 29 September 2010.

In consideration of such share transfers, on 25 October 2010, XPC (at the material time, having an issued share capital of US\$1 of 1 share of US\$1, which was then held by Mr. Ma) allotted and issued in aggregate 99,999 shares of US\$1 each credited as fully paid to such beneficial owners of KPL and JIL respectively. The number of consideration shares issued by XPC to such beneficial owners was determined with reference to the total consolidated net asset value of each of KPL and JIL as at 31 December 2009, as attributable to the beneficial interests in KPL and/or (as the case may be) JIL held by the relevant beneficial owners.

Since then and up to the Latest Practicable Date, the issued share capital of KPL had not been changed and KPL had been solely owned by XPC.

### **(2) JIL**

JIL was incorporated in BVI on 16 March 2004 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Immediately prior to the share transfer in September 2010, the issued share capital of JIL comprised US\$50,000 divided into 50,000 shares of US\$1 each. All the issued shares in JIL were then registered under the name of Mr. Ma, who held some of such shares for himself as beneficial owner and some other shares on trust for a number of beneficiaries. The adoption of such trust arrangement was mainly for administrative efficiency to minimise the time and number of signatures required for the administration of JIL. The beneficial ownership of JIL at the material time was as follows:

<u>Name of beneficial owner</u>	<u>% beneficial interest in JIL</u>
Mr. Ma	53.245%
Ms. Ma Lingfang ( <i>Note 1</i> )	6.880%
Ms. Ma Xiaohong ( <i>Note 1</i> )	3.4375%
Mr. Wei Longxiang ( <i>Note 1</i> )	3.4375%
Mr. Shi Longbao ( <i>Note 1</i> )	2.000%
Mr. Zhang Yumin ( <i>Note 2</i> )	1.000%
Mr. Chen Dong ( <i>Note 3</i> )	3.000%
Mr. Lin Fan	2.000%
Mr. Meng Jun ( <i>Note 2</i> )	5.000%
Ms. Chen Youyun	20.000%
	<u>100.000%</u>

*Notes:*

- (1) These persons are relatives of Mr. Ma: (i) Ms Ma Lingfang is an aunt of Mr. Ma; (ii) Ms. Ma Xiaohong is a sister of Mr. Ma; (iii) Mr. Wei Longxiang is an uncle of Mr. Ma; and (iv) Mr. Shi Longbao is a cousin of Mr. Ma.
- (2) Mr. Zhang Yumin and Mr. Meng Jun are our executive Directors.
- (3) Mr. Chen Dong was an employee of the Group as at the Latest Practicable Date.

On 29 September 2010, XPC acquired the entire issued share capital of JIL from all the above beneficial owners. Such share transfers were properly and legally completed. For further information, please refer to the paragraph headed “Change in issued share capital and/or owners of KPL, JIL and XPC – the holding companies of our operating subsidiaries – (1) KPL” above in this section.

Since then and up to the Latest Practicable Date, the issued share capital of JIL had not been changed and JIL had been solely owned by XPC.

### (3) XPC

XPC was incorporated in BVI on 22 August 2005 with an authorised share capital of US\$100,000 divided into 100,000 shares of US\$1 each.

Immediately prior to the acquisition of KPL and JIL in September 2010, the issued share capital of XPC comprised US\$1 represented by one share having a par value of US\$1, which was held by Mr. Ma.

In September 2010, XPC acquired the entire issued share capital of KPL and JIL from the relevant beneficial owners as mentioned above. On 25 October 2010, in consideration such acquisitions, XPC allotted and issued in aggregate 99,999 shares, credited as fully paid, to such vendors. Issue of such consideration shares was properly and legally completed. For further information, please refer to the paragraphs headed “Change in issued share capital

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

and/or owners of KPL, JIL and XPC – the holding companies of our operating subsidiaries – (1) KPL” and “– (2) JIL” above information in relation to such issue of shares by XPC. Immediately following such share issue, the shareholding structure of XPC was as follows:

<u>Name of shareholder</u>	<u>Number of shares in XPC</u>	<u>% shareholding interest in XPC</u>
Mr. Ma	50,991	50.991%
Ms. Ma Lingfang ( <i>Note 1</i> )	2,707	2.707%
Ms. Ma Xiaohong ( <i>Note 1</i> )	1,353	1.353%
Mr. Wei Longxiang ( <i>Note 1</i> )	1,353	1.353%
Mr. Zhang Yumin ( <i>Note 2</i> )	394	0.394%
Mr. Chen Dong ( <i>Note 3</i> )	1,181	1.181%
Ms. Lin Fan	787	0.787%
Mr. Shi Longbao ( <i>Note 1</i> )	2,121	2.121%
Mr. Meng Jun ( <i>Note 2</i> )	1,969	1.969%
Ms. Chen Youyun	20,000	20.000%
Mr. Liu Yonggui	994	0.994%
Ms. Zhang Xiuqin	994	0.994%
Mr. Zhu Pinghua ( <i>Note 1</i> )	994	0.994%
Mr. Zeng Hongyu	9,943	9.943%
Ms. Lau Tsz Ching	2,728	2.728%
Mr. Liu Jun	1,491	1.491%
	<b>100,000</b>	<b>100.000%</b>

*Notes:*

- (1) Each of these persons is a relative of Mr. Ma and was, at the material time, holding such shares in XPC as a nominee for Mr. Ma as part of their family arrangement.
- (2) Mr. Zhang Yumin and Mr. Meng Jun are our executive Directors.
- (3) Mr. Chen Dong was an employee of the Group as at the Latest Practicable Date.

From 2011 to 2012, the following transfers of shares in XPC took place:

<u>Transferor</u>	<u>Transferee</u>	<u>Number of shares in XPC transferred</u>	<u>Consideration for the transfer</u>	<u>Date of transfer and settlement</u>
Mr. Ma	Mr. He Xiaolu ( <i>Note 1</i> )	7,874 shares	US\$7,874 (at par)	12 January 2011
Ms. Lin Fan	Ms. Liu Xinggui ( <i>Note 2</i> )	787 shares	US\$787 (at par)	13 October 2011
Mr. Ma	Ms. Sun Yanhui ( <i>Note 3</i> )	1,500 shares	US\$1,500 (at par)	27 March 2012
Ms. Chen Youyun	Mr. Chen Dingyi ( <i>Note 4</i> )	20,000 shares	US\$20,000 (at par, by payment of equivalent sum in RMB)	10 October 2012

*Notes:*

- (1) Mr. He Xiaolu is our executive Director and one of the Management Beneficiaries.
- (2) Ms. Liu Xinggui was (save for her being one of the Other Beneficiaries) an Independent Third Party as at the Latest Practicable Date.
- (3) Ms. Sun Yanhui was (save for her being one of the Other Beneficiaries) an Independent Third Party as at the Latest Practicable Date.
- (4) Mr. Chen Dingyi is the father of Ms. Chen Youyun and one of the Other Beneficiaries. The transfer was an arrangement between family members.
- (5) All the above share transfers were properly and legally completed and settled.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Following the above share transfers in 2011 and 2012 and up to September 2014, the then shareholding structure of XPC was as follows:

<u>Name of shareholder</u>	<u>Number of shares in XPC</u>	<u>% shareholding interest in XPC</u>
Mr. Ma	41,617	41.617%
Ms. Ma Lingfang ( <i>Note 1</i> )	2,707	2.707%
Ms. Ma Xiaohong ( <i>Note 1</i> )	1,353	1.353%
Mr. Wei Longxiang ( <i>Note 1</i> )	1,353	1.353%
Mr. Zhang Yumin ( <i>Note 2</i> )	394	0.394%
Mr. Chen Dong ( <i>Note 3</i> )	1,181	1.181%
Mr. Shi Longbao ( <i>Note 1</i> )	2,121	2.121%
Mr. Meng Jun ( <i>Note 2</i> )	1,969	1.969%
Mr. Liu Yonggui	994	0.994%
Ms. Zhang Xiuqin	994	0.994%
Mr. Zhu Pinghua ( <i>Note 1</i> )	994	0.994%
Mr. Zeng Hongyu	9,943	9.943%
Ms. Lau Tsz Ching	2,728	2.728%
Mr. Liu Jun ( <i>Note 2</i> )	1,491	1.491%
Mr. He Xiaolu ( <i>Note 2</i> )	7,874	7.874%
Ms. Liu Xinggui	787	0.787%
Ms. Sun Yanhui	1,500	1.500%
Mr. Chen Dingyi	20,000	20.000%
	<b>100,000</b>	<b>100.000%</b>

*Notes:*

- (1) Each of these persons is a relative of Mr. Ma and was, at the material time, holding such shares in XPC as a nominee for Mr. Ma as part of their family arrangement.
- (2) Mr. Zhang Yumin and Mr. Meng Jun are our executive Directors.
- (3) Mr. Chen Dong was an employee of the Group as at the Latest Practicable Date.

As part of the Reorganisation, by instruments of transfer all dated 12 September 2014 executed by Mr. Ma (as purchaser) and each of the other 11 shareholders of XPC (other than Mr. Ma's relatives and Ms. Lau Tsz Ching) (as vendors) ("**XPC Vendors**"), Mr. Ma acquired in aggregate 47,127 shares in XPC (representing 47.127% of the issued share capital in XPC). The total consideration for such share transfers was approximately RMB256.94 million, which was determined with reference to the consolidated total net asset value of XPC as at 30 November 2013 based on its unaudited consolidated management accounts. The consideration payable by Mr. Ma for the above share transfers were settled in full by way of the issue of promissory notes ("**Ma's Promissory Notes**") by Mr. Ma on 12 September 2014 for the aggregate principal amount of RMB256.94 million to the relevant XPC Vendors. The above transfer of Shares in XPC had been properly and legally completed. The Ma's Promissory Notes were subsequently set-off against the promissory notes issued by Green Pinnacle to Mr. Ma in June 2015. For further details, please refer to the paragraph headed "Change in issued share capital and/or owners of our Company – The Mealth Discretionary Trust" below in this section.

On the same day (i.e. 12 September 2014), the relatives of Mr. Ma (namely, Ms. Ma Lingfang, Ms. Ma Xiaohong, Mr. Wei Longxiang, Mr. Shi Longbao and Mr. Zhu Pinghua) transferred an aggregate of 8,528 shares in XPC (representing 8.528% of the issued share capital in XPC), then held by such relatives as Mr. Ma's nominee, back to Mr. Ma as beneficial owner at nil consideration, and the nominee arrangement in respect of such shares

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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was then terminated. The above transfer of shares in XPC had been properly and legally completed. Immediately following the above share transfers, the then shareholding structure of XPC was as follows:

<u>Name of shareholder</u>	<u>Number of shares in XPC</u>	<u>% shareholding interest in XPC</u>
Mr. Ma	97,272	97.272%
Ms. Lau Tsz Ching	2,728	2.728%
	<b>100,000</b>	<b>100%</b>

On 13 October 2014, as part of the Reorganisation, our Company (then owned as to 97.272% by Mr. Ma and 2.728% by Ms. Lau Tsz Ching) acquired the entire issued share capital in XPC, as to 97,272 shares from Mr. Ma and as to 2,728 shares from Ms. Lau Tsz Ching, at a nominal consideration US\$1 to each to Mr. Ma and Ms. Lau Tsz Ching. Such transfers of shares in XPC were properly and legally completed and settled.

Since then and up to the Latest Practicable Date, the issued share capital of XPC had not been changed and XPC had been solely owned by our Company.

### **Establishment, principal activities and major changes concerning our key operating subsidiaries which are established in the PRC**

During the Track Record Period, our results of operation were mainly contributed by our key operating subsidiaries in the PRC, namely KP (Huizhou) Precision Plastic, XP (Huizhou) Surface Decoration, KP (Wuxi) Electronics, Tianjin Jinxin, Wuxi Jinxin and KP (Huizhou) Electronics.

#### ***(1) KP (Huizhou) Precision Plastic***

KP (Huizhou) Precision Plastic was established in the PRC on 22 November 2004. Its initial registered capital was HK\$12 million and was solely owned by KPL.

The registered capital of KP (Huizhou) Precision Plastic was increased by stages, to HK\$22 million in December 2005, HK\$32 million in April 2006, HK\$50 million in May 2008, HK\$80 million in June 2010, and HK\$110 million in February 2014. Its registered capital was fully paid up and contributed by KPL as the sole equity holder, with the last round of capital contribution completed in January 2014. Since then and up to the Latest Practicable Date, its registered capital had not been changed.

As at the Latest Practicable Date, KP (Huizhou) Precision Plastic was principally engaged in manufacturing and sales of precision plastic products.

#### ***(2) XP (Huizhou) Surface Decoration***

XP (Huizhou) Surface Decoration was established in the PRC on 19 September 2011. Its initial registered capital was RMB5 million and was solely owned by KP (Huizhou) Precision Plastic.

The registered capital of XP (Huizhou) Surface Decoration was increased to RMB15 million in April 2013 and to RMB30 million in June 2013. Its registered capital was

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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fully paid up by KP (Huizhou) Precision Plastic as the sole equity holder, and the last round of capital contribution was completed in June 2013. Since then and up to the Latest Practicable Date, its registered capital had not been changed.

As at the Latest Practicable Date, XP (Huizhou) Surface Decoration was principally engaged in manufacturing and sales of precision plastic products.

### **(3) KP (Wuxi) Electronics**

KP (Wuxi) Electronics was established in the PRC on 31 August 2004 (under the former name 神鋼力得米克電子部件（無錫）有限公司 (Shinko Leadmikk Electronic Components (Wuxi) Co., Ltd.\*)). Its initial registered capital was US\$2.67 million and was then solely owned by an Independent Third Party, which was a corporation based in Japan. In October 2007, the registered capital of KP (Wuxi) Electronics was increased to US\$7.67 million, which was fully paid up by its then sole equity holder, with the last round of capital contribution completed in November 2007.

On 14 May 2009, the registration of transfer of the entire equity interest in KP (Wuxi) Electronics to another Independent Third Party (being a PRC corporation) was completed, following which the economic nature of KP (Wuxi) Electronics was changed to PRC domestic enterprise. The aggregate purchase price for such equity transfer amounted to RMB2.5 million. Its registered capital was changed to RMB59,677,638.68 (based on the then prevailing exchange rate of US\$ to PRC), and its name changed to 無錫華亞電子有限公司 (Wuxi Huaya Electronics Co., Ltd.\*).

On 9 September 2009, Wuxi Jinxin (as purchaser) entered into an agreement with the then sole equity holder of KP (Wuxi) Electronics (being an Independent Third Party, as vendor) for the transfer of the entire equity interest in KP (Wuxi) Electronics. The purchase price for such equity transfer amounted to RMB3 million which was determined based on negotiations between the parties having regard to the then assets and liabilities position of KP (Wuxi) Electronics. As advised by our PRC Legal Advisers, the above transfer of equity interest in KP (Wuxi) Electronics had been properly and legally completed and settled.

The registration of change in the registered equity holder of KP (Wuxi) Electronics was effected and the said equity interest transfer was completed on 30 November 2009. On the same day, the name of KP (Wuxi) Electronics was changed to its current name of 無錫建邦電子有限公司 (Wuxi Keen Point Electronics Co., Ltd.\*). Since then and up to the Latest Practicable Date, its registered capital had not been changed.

As at the Latest Practicable Date, KP (Wuxi) Electronics was principally engaged in manufacturing and sales of precision plastic products.

### **(4) Tianjin Jinxin**

Tianjin Jinxin was established on 17 June 2005 in the PRC. Its initial registered capital of US\$2.6 million and was solely owned by JIL.

The registered capital of Tianjin Jinxin was increased to US\$4.6 million in May 2010. Its registered capital was fully paid up by JIL as the sole equity holder, and completion of the new capital contribution took place in November 2010. Since then and up to the Latest Practicable Date, its registered capital had not been changed.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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As at the Latest Practicable Date, Tianjin Jinxin was principally engaged in development, manufacturing and sales of precision plastic products.

### *(5) Wuxi Jinxin*

Wuxi Jinxin was established on 14 May 2004 in the PRC. Its initial registered capital was US\$3 million and was solely owned by JIL. Its registered capital was fully paid up by JIL as the sole equity holder, and completion of such capital contribution took place in November 2005. Since then and up to the Latest Practicable Date, its registered capital had not been changed.

As at the Latest Practicable Date, Wuxi Jinxin was principally engaged in manufacturing of precision plastic products.

### *(6) KP (Huizhou) Electronics*

The predecessor entity of KP (Huizhou) Electronics, Haoyu Industrial was established in the PRC on 6 September 2002 with an initial capital of RMB1 million, which was then owned as to 60% by Mr. Wei Longxiang, 20% by Mr. Zeng Hongyu and 20% by Ms. Liao Mei (an Independent Third Party).

On 7 August 2004, KPL (as purchaser) entered into an agreement with the above equity-holders (as vendors) for the transfer of the entire equity interest in Haoyu Industrial. The aggregate purchase price for such equity transfer amounted to RMB1.37 million which was determined based on the then net asset value of Haoyu Industrial. All the purchase price was settled in September 2004. In connection with such equity transfer, (i) Haoyu Industrial was re-established as KP (Huizhou) Electronics with the economic nature of a WFOE, (ii) the registered capital of KP (Huizhou) Electronics was increased from RMB 1 million to HK\$10 million, which was fully paid up as at 6 December 2006 and (iii) its business scope was expanded to include precision moulding and electroplating processing.

The registration of change in the registered equity holder, re-establishment as WFOE, increase in the registered capital amount and change in business scope of KP (Huizhou) Electronics were effected and the said equity interest transfer was completed on 17 December 2004. As advised by our PRC Legal Advisers, the above transfers of equity interest in KP (Huizhou) Electronics were properly and legally completed and settled. Since then and up to the Latest Practicable Date, its registered capital had not been changed.

KP (Huizhou) Electronics was principally engaged in manufacturing and sales of precision plastic products during the Track Record Period until August 2014 when KP (Huizhou) Electronics suspended its operation for relocation purpose. It will resume operation after obtaining the required permits.

## **Establishment, principal activities and major changes concerning our key subsidiaries incorporated outside the PRC**

### *(1) Keen Point Europe*

Keen Point Europe was incorporated in BVI on 23 October 2007 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 10,000 shares were subscribed and fully paid at par on 5 January 2008, as to (i) 5,100 shares by KPL and

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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(ii) 4,900 shares by Eurochrome Inc., a company incorporated in Ontario, Canada and continued and subsisting in Nova Scotia, Canada. It commenced its business on 5 January 2008.

As part of the Reorganisation, KP Share and Euroshare were incorporated in BVI on 1 September 2015 and 2 October 2015 respectively.

On 19 October 2015, Eurochrome transferred 4,900 shares in Keen Point Europe to Euroshare (whose issued shares comprised 5,100 class A shares (ordinary shares) held by KP Share at the material time) in exchange for the allotment and issue of 4,900 class B shares in Euroshare. On the same day, Euroshare transferred such 4,900 shares in Keen Point Europe to KP Share for a consideration of US\$3 million, which was determined based on the consolidated net profit of Keen Point Europe in 2014 and an agreed price-to-earnings multiple. The above consideration payable by KP Share to Euroshare had been set-off against the consideration receivable by KP Share from Euroshare for the transfer of 1.5% issued Shares. For further information in relation to such share transfers and allotment, please refer to the paragraph headed “Change in issued share capital and/or owners of our Company – Share swap between our Controlling Shareholders and Eurochrome and related arrangements” below in this section. All the above share transfers and allotment were properly and legally completed and settled. Immediately following the above share transfers, Keen Point Europe was owned as to 51% by KPL and 49% by KP Share.

On 28 December 2015, KP Share transferred 4,900 shares in Keen Point Europe to KPL at a consideration of US\$3 million, the same amount of consideration payable by KP Share to Euroshare for 4,900 shares in Keen Point Europe in October 2015. The above share transfer had been properly and legally completed and settled on 30 December 2015. Since then and up to the Latest Practicable Date, the issued share capital of Keen Point Europe had not been changed and had been wholly owned by KPL.

As at the Latest Practicable Date, Keen Point Europe was principally engaged in investment holding and trading.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, as at the Latest Practicable Date, Eurochrome was an Independent Third Party, save for being an ex-shareholder of Keen Point Europe and having common controlling shareholders with KPI (Canada) (one of our top five customers during the Track Record Period).

### ***(2) Keen Point Germany***

Keen Point Germany was incorporated in Germany on 7 October 2008 on the basis of a deed of incorporation dated 15 July 2008 with a registered share capital of €25,000 which was subscribed by Keen Point Europe.

Since then and up to the Latest Practicable Date, the registered share capital of Keen Point Germany had not been changed, and Keen Point Germany had been solely owned by Keen Point Europe.

As at the Latest Practicable Date, Keen Point Germany was principally engaged in sales of automotive parts.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### (3) XPNA

XPNA was incorporated on 1 March 2013 in Michigan, the United States with an issued share capital of one share of common stock in the amount of US\$30,000 and fully paid by XPC.

Since then and up to the Latest Practicable Date, the issued share capital of XPNA had not been changed and XPNA had been solely owned by XPC.

As at the Latest Practicable Date, XPNA was principally engaged in sales of automotive parts.

### CHANGE IN ISSUED SHARE CAPITAL AND/OR OWNERS OF OUR COMPANY

#### **Incorporation of our Company**

Our Company was incorporated on 28 August 2014 in the Cayman Islands as an exempted company with limited liability. At the time of incorporation, the initial authorised share capital of our Company was HK\$1,000,000 divided into 10,000,000 Shares of HK\$0.1 each. It was incorporated for the purpose of implementing the Reorganisation.

On 28 August 2014, one subscriber Share was issued nil paid to an officer of Conyers Trust Company (Cayman) Limited (formerly known as “Codan Trust Company (Cayman) Limited”, a corporate-secretarial company affiliated with our Company’s legal advisers as to Cayman Islands law), and was transferred on the same date to Mr. Ma. On the same date, our Company further allotted and issued 999,999 Shares, nil-paid, as to (i) 972,719 Shares to Mr. Ma and (ii) 27,280 Shares to Ms. Lau Tsz Ching.

#### **The Mealth Discretionary Trust**

On 3 October 2014, Green Pinnacle was incorporated in BVI as a shelf company. It was activated by Mr. Ma on 16 December 2014 when Mr. Ma became its sole shareholder and director, for the purpose of acting as the holding vehicle for the Shares in our Company then held by Mr. Ma. The entire issued share capital of Green Pinnacle would form part of the trust asset of the Mealth Discretionary Trust.

On 3 June 2015, Mr. Ma transferred in aggregate 972,720 Shares (representing 97.272% of the then issued share capital of our Company) then held by him to Green Pinnacle. The consideration for the transfer of such Shares was paid and settled by Green Pinnacle as follows: (i) for the transfer of 471,270 Shares (representing 47.172% of the then issued share capital of our Company), approximately RMB256.94 million, representing the same total consideration amount paid for by Mr. Ma for the acquisition of in aggregate 47,127 shares in XPC (representing 47.127% of the then issued share capital of XPC) from the XPC Venders in September 2014 as part of the Reorganisation, was settled by way of issue of promissory notes by Green Pinnacle to Mr. Ma for the same amount; and (ii) 501,450 Shares (representing 50.145% of the then issued share capital of our Company), at a nominal consideration of US\$1, as the corresponding 50.145% shareholding interest in XPC acquired by our Company from Mr. Ma in October 2014 as part of the Reorganisation which had been beneficially owned by Mr. Ma prior to such transfer and the consideration for such transfer was also a nominal consideration of US\$1. Green Pinnacle was entered into the register of members as holder of such 970,720 Shares on 5 June 2015. The above Share transfers were properly and legally completed and fully settled. Following the above Share

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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transfers, our Company was then owned as to 97.272% by Green Pinnacle and 2.728% by Ms. Lau Tsz Ching. The abovementioned promissory notes issued by Green Pinnacle were set-off against the Ma's Promissory Notes pursuant to a deed of assignment and set-off dated 3 June 2015 entered into among Mr. Ma, the XPC Vendors and Green Pinnacle.

As part of the Reorganisation, on 19 June 2015, the Mealth Discretionary Trust (a discretionary trust) was established with Mr. Ma as settlor. The discretionary objects of Mealth Discretionary Trust include Mr. Ma, the Ma Family Beneficiaries, the Management Beneficiaries, and the Other Beneficiaries. On 19 June 2015, Mr. Ma transferred the entire issued share capital of Green Pinnacle by way of gift as the trust asset for the Mealth Discretionary Trust. The trustee of the Mealth Discretionary Trust was and is still Mealth PTC, a private trust company incorporated in BVI on 1 April 2015 with Mr. Ma as its sole shareholder and director. As at the Latest Practicable Date, the entire issued share capital of Green Pinnacle was an asset of such discretionary trust.

Under the trust deed constituting the Mealth Discretionary Trust, Mealth PTC (as the trustee) has been given the widest possible powers (which it may exercise or omit to exercise at its discretion) for Mealth PTC to deal in and manage (among other powers) its trust assets as if it were the absolute beneficial owner of such trust assets, including without limitation, the power to vote upon or in respect of (and accordingly, to procure any of its investment vehicles to vote upon or in respect of) the Shares comprised in the trust assets at its own discretion, and the Mealth DT Discretionary Objects do not have power to vote upon or in respect of the Shares. Mealth PTC may, with the prior or contemporaneous written consent of the protector of the Mealth Discretionary Trust (as may be appointed from time to time in accordance with the terms of the Mealth Discretionary Trust), pay, apply or otherwise distribute the income and capital of the trust fund to the Mealth DT Discretionary Objects (or to their respective orders in writing) in such manner, in such amount and at such times as Mealth PTC in its discretion thinks fit.

As advised by our PRC Legal Advisers, the trust arrangements in respect of the Mealth Discretionary Trust (a discretionary trust), whose discretionary objects include PRC residents, do not violate any applicable PRC laws and regulations.

### **Share swap between our Controlling Shareholders and Eurochrome and related arrangements**

#### *Incorporation of KP Share and Euroshare*

As part of the Reorganisation, KP Share and Euroshare were incorporated in BVI on 1 September 2015 and 2 October 2015 respectively. At the time of incorporation, the authorised share capital of KP Share comprised 50,000 ordinary shares of no par value, while the authorised share capital of Euroshare comprised 50,000 shares of no par value divided into two classes, namely 25,000 class A shares (ordinary shares) and 25,000 class B shares (restricted shares with no rights to vote at Shareholders meeting nor rights to receiving dividends). These entities were incorporated by our then Shareholders for the purpose of implementing a share swap with Eurochrome Inc., a 49% shareholder of Keen Point Europe at the material time.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### *Transfer of 1.5% Shares in the Company and 49% issued shares in Keen Point Europe*

On 23 September 2015, a total of 15,000 Shares, representing 1.5% of the then issued share capital of the Company, was transferred to KP Share, as to 14,591 Shares from Green Pinnacle and 409 Shares from Ms. Lau Tsz Ching. In consideration of such share transfers, KP Share allotted and issued 48,636 shares to Green Pinnacle and 1,364 shares to Ms. Lau Tsz Ching. The above share transfers and allotments were legally completed and settled. Immediately following such share transfers and allotments, (i) the Company was owned as to 95.8129% by Green Pinnacle, 2.6871% by Ms. Lau Tsz Ching and 1.5% by KP Share; and (ii) KP Share was owned as to 97.272% by Green Pinnacle and 2.728% by Ms. Lau Tsz Ching.

On 12 October 2015, KP Share transferred 15,000 Shares to Euroshare (whose issued shares comprised 5,100 class A shares (ordinary shares) held by KP Share at the material time) for a consideration of US\$3 million, which was determined based on the consolidated net profit of the Company in 2014 and an agreed price-to-earnings multiple. The above consideration payable by Euroshare to KP Share had been set-off against the consideration receivable by Euroshare from KP Share for the transfer of 49% issued shares in Keen Point Europe as described under the paragraph headed “Establishment and Major Changes Concerning Major Members of our Group – Establishment, principal activities and major changes concerning our key subsidiaries incorporated outside the PRC – (1) Keen Point Europe” above in this section. Euroshare was entered into the register of members as holder of such 15,000 Shares on 14 October 2015. The above share transfer was legally completed and settled. Immediately following such share transfer, the Company was owned as to 95.8129% by Green Pinnacle, 2.6871% by Ms. Lau Tsz Ching and 1.5% by Euroshare.

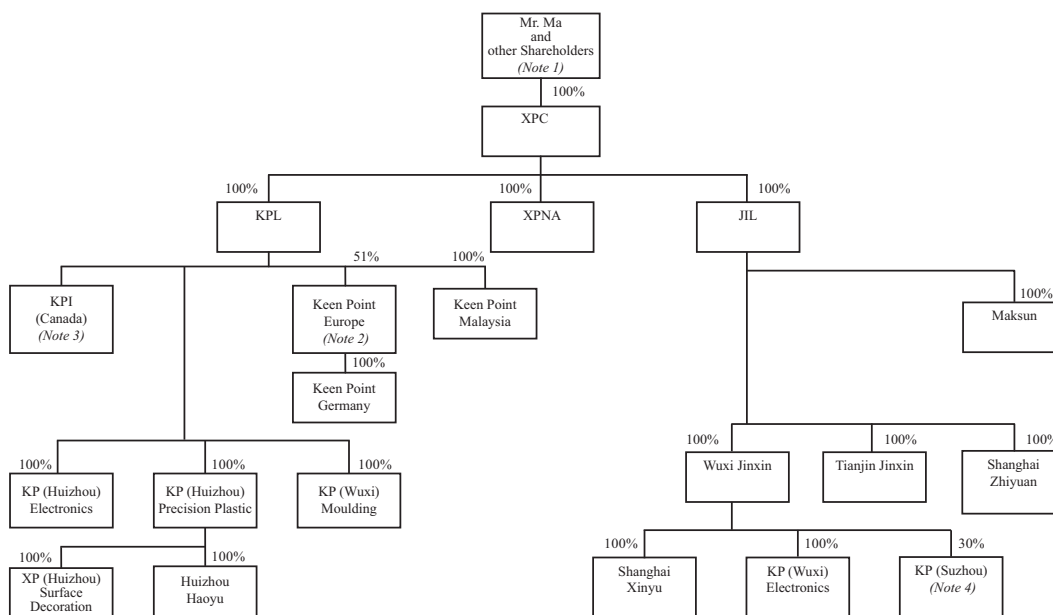
On 19 October 2015, Euroshare was transferred 4,900 shares in Keen Point Europe from Eurochrome pursuant to a sale and purchase agreement, as supplemented by an extension agreement dated 18 April 2017 (collectively, the “**Share Swap Agreement**”) entered into by (among others) these parties on the same date. In consideration of such share transfer, Euroshare allotted and issued 4,900 class B shares to Eurochrome. The above share transfer and allotment were legally completed and settled. Immediately following such share transfer and allotment, Euroshare was owned as to 51% by KP Share (holding 5,100 class A shares) and 49% by Eurochrome (holding 4,900 class B shares).



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### REORGANISATION

Prior to the Reorganisation which started in August 2014, the corporate structure of our Group (together with KP (Suzhou) in which we had 30% equity interest and KPI (Canada) in which we had nominal shareholding interest) is as follows:



Notes:

(1) The then shareholding structure of XPC is as follows:

Name of shareholder	Number of shares in XPC	% shareholding interest in XPC
Mr. Ma	41,617	41.617%
Ms. Ma Lingfang	2,707	2.707%
Ms. Ma Xiaohong	1,353	1.353%
Mr. Wei Longxiang	1,353	1.353%
Mr. Zhang Yumin	394	0.394%
Mr. Chen Dong	1,181	1.181%
Mr. Shi Longbao	2,121	2.121%
Mr. Meng Jun	1,969	1.969%
Mr. Liu Yonggui	994	0.994%
Ms. Zhang Xiuqin	994	0.994%
Mr. Zhu Pinghua	994	0.994%
Mr. Zeng Hongyu	9,943	9.943%
Ms. Lau Tsz Ching	2,728	2.728%
Mr. Liu Jun	1,491	1.491%
Mr. He Xiaolu	7,874	7.874%
Ms. Liu Xingui	787	0.787%
Ms. Sun Yanhui	1,500	1.500%
Mr. Chen Dingyi	20,000	20.000%
	<b>100,000</b>	<b>100.000%</b>

(2) At the material time, the remaining 49% shareholding interest in Keen Point Europe was held by Eurochrome was an Independent Third Party of the Group save for being a shareholder of Keen Point Europe and having common controlling shareholders with KPI (Canada).

(3) At the material time, KPL was the registered holder of 5 class C shares in KPI (Canada). KPL held these class C shares in KPI (Canada) as a passive and inactive shareholder and had not participated in the management of KPI (Canada). KPL had no rights to vote at Shareholders' meeting and had not

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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received any dividend by virtue of holding such shares. KPI (Canada) and Eurochrome had common controlling shareholders who were Independent Third Parties save for their interests in KPI (Canada) and Eurochrome.

- (4) The remaining 70% equity interest in KP (Suzhou) was held by Mr. Jin Jie, a PRC individual, being an Independent Third Party save for his equity interest in KP (Suzhou).

### **Brief overview of Reorganisation steps**

In preparation for the Listing and the Global Offering, our Group implemented the Reorganisation whereby a coherent corporate structure of the Group has been established in preparation for the Listing. The Reorganisation involves the following principal steps:

- (1) incorporation of our Company in August 2014;
- (2) transfer of in aggregate 55.655% of the total issued share capital in XPC to Mr. Ma in September 2014;
- (3) transfer of 100% of the total issued share capital in XPC to our Company in October 2014;
- (4) establishment of the Mealth Discretionary Trust in June 2015;
- (5) share swap with Eurochrome in October 2015 and related arrangements; and
- (6) disposal of Shanghai Zhiyuan in December 2015.

### **Detailed steps of the Reorganisation**

Further details of the steps taken are as follows:

#### ***1. Incorporation of our Company***

Our Company was incorporated on 28 August 2014 in the Cayman Islands as an exempted company with limited liability. Upon incorporation, one subscriber Share was issued nil-paid to Ms. Sharon Pierson, and was transferred on the same date to Mr. Ma. On the same date, our Company further allotted and issued 999,999 Shares, nil paid, as to (i) 972,719 Shares to Mr. Ma and (ii) 27,280 Shares to Ms. Lau Tsz Ching.

#### ***2. Transfer of in aggregate 55.655% of the total issued share capital in XPC to Mr. Ma***

On 12 September 2014, Mr. Ma acquired in aggregate 47,127 shares in XPC (representing 47.127% of the issued share capital in XPC) from the other shareholders of XPC (other than Mr. Ma's relatives and Ms. Lau Tsz Ching) at a total consideration of approximately RMB256.94 million. On the same day, Mr. Ma (as beneficial owner) was also transferred, at nil consideration, an aggregate of 8,528 shares in XPC (representing 8.528% of the issued share capital in XPC) from his relatives who as his nominees then held the relevant shares, and the nominee shareholding arrangement made by such relatives in favour of Mr. Ma was terminated. For further details, please refer to the paragraph headed "Establishment and Major Changes Concerning Major Members of our Group – Change in issued share capital and/or owners of KPL, JIL and XPC – the holding companies of our operating subsidiaries – (3) XPC" above in this section.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Immediately after completion of the above transfers of shares in XPC, the shareholding structure of XPC is as follows:

<u>Name of shareholder</u>	<u>Number of shares in XPC</u>	<u>% shareholding interest in XPC</u>
Mr. Ma	97,272	97.272%
Ms. Lau Tsz Ching	2,728	2.728%
	<b>100,000</b>	<b>100.000%</b>

### ***3. Transfer of the entire issued share capital in XPC to our Company***

On 13 October 2014, our Company (then owned as to 97.272% by Mr. Ma and 2.728% by Ms. Lau Tsz Ching) acquired the entire issued share capital in XPC, as to (i) 97,272 shares in XPC from Mr. Ma at a nominal consideration of US\$1 and (ii) 2,728 shares in XPC from Ms. Lau Tsz Ching at a nominal consideration of US\$1.

### ***4. Establishment of the Mealth Discretionary Trust***

For further details of the establishment and details of the Mealth Discretionary Trust, please refer to the paragraph headed “Change in Issued Share Capital and/or Owners of our Company – The Mealth Discretionary Trust” above in this section.

### ***5. Share swap between our Controlling Shareholders and Eurochrome and related arrangements***

*Incorporation of KP Share and Euroshare, transfer of 1.5% Shares in the Company and 49% issued Shares in Keen Point Europe*

For further details, please refer to the paragraph headed “Change in Issued Share Capital and/or Owners of our Company – Share swap between our Controlling Shareholders and Eurochrome and related arrangements” above in this section.

*Euroshare’s buyback of its own class A shares and conversion of its class B shares into class A shares upon the Listing*

Pursuant to the Share Swap Agreement and the articles of association of Euroshare, if the Listing is being consummated and provided that there are class B shares in issue, Euroshare shall buyback all the class A shares in issue at a total consideration of US\$1 upon the Listing being completed whereby all the class A shares shall be cancelled. In such event, all class B shares shall then be mandatorily converted into class A shares on the basis of one class A share for each class B share converted. On the other hand, subject to the conditions set out in the Share Swap Agreement and the articles of association of Euroshare, including that the Listing is not consummated (a) on or before 30 June 2017 (as extended under the extension (or supplemental) agreement dated 18 April 2017), and (b) 24 months from the date of the Share Swap Agreement (i.e. 19 October 2015), Euroshare shall retract all the class B shares in issue in two batches at a total consideration of US\$3 million. Such consideration was determined based on (i) the consolidated net profit of Keen Point Europe in 2014, (ii) the consolidated net profit of the Company in 2014, and (iii) agreed price-to-earnings multiples of Keen Point Europe and the Company.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Subject to the provisions of the articles of association of Euroshare (as amended) and assuming no retraction of class B shares having been triggered, Eurochrome will become the sole shareholder of Euroshare and the sole beneficial owner of the Shares then held by Euroshare upon the Listing.

### *Disposal of shares in KPI (Canada) by KPL to Euroshare*

On 19 October 2015, KPL and Euroshare entered into a share purchase agreement pursuant to which KPL transferred 5 class C shares in KPI (Canada), representing all the issued class C shares in KPI (Canada) and about 5.26% of the total issued shares in KPI Canada, to Euroshare at a nominal total consideration of US\$5. Such consideration was determined with reference to the restricted rights of such class C shares and taking into account that KPL held these class C shares in KPI (Canada) as a passive and inactive shareholder and had not participated in the management of KPI (Canada) nor received any dividend by virtue of holding such shares. The above share transfer had been properly and legally completed and settled. Following such share transfer, the Group ceased to hold any shareholding interest in KPI (Canada).

### *Acquisition of 49% issued shares in Keen Point Europe by KPL from KP Share*

To simplify our Group structure, on 28 December 2015, KPL acquired 4,900 shares in Keen Point Europe, representing 49% of the issued share capital of Keen Point Europe, from KP Share at a consideration of US\$3 million, being the same amount of consideration payable by KP Share to Euroshare for 4,900 shares in Keen Point Europe in October 2015. The above share transfer had been properly and legally completed and settled. Since then and up to the Latest Practicable Date, Keen Point Europe had been wholly-owned by KPL.

## **6. Disposal of Shanghai Zhiyuan**

Shanghai Zhiyuan was established in the PRC on 12 February 2007 and it was principally engaged in manufacturing and sale of plastic parts and components of photocopying machines. Prior to completion of the Reorganisation, Shanghai Zhiyuan was wholly-owned by JIL, which did not involve any electroplating process.

As the principal business of Shanghai Zhiyuan was different from that of our Group, our Directors have considered that it is in the interest of our Group to exclude Shanghai Zhiyuan from our Group in order for our Group to focus on our principal business of manufacturing electroplated automotive parts and components.

As the premises where Shanghai Zhiyuan previously based was resumed by the relevant government authorities for construction purpose, Shanghai Zhiyuan relocated its production facilities in early 2015 (“**Relocation**”). From the commencement date of the Track Record Period and up to the Relocation, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, Shanghai Zhiyuan held all necessary licences to carry on its business operations.

After Relocation, an environmental assessment report was submitted to the relevant environmental protection authorities for approval in January 2017 and the relevant approval for operation was obtained in February 2017. Since the Relocation and up to the grant of approval in February 2017, the new production facilities of Shanghai Zhiyuan had been put into operation without obtaining prior approval from the relevant environmental protection

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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authorities as to its construction and checks and acceptance after completion of such construction, which violated the Appraising of Environmental Impacts Law and the Regulations on Administration of Construction Project Environmental Protection (for details, please refer to the section headed “Regulatory Overview – Laws and Regulations of the PRC – D. Regulations as to Environmental Protection”). As advised by our PRC Legal Advisers, with regard to such violations, the maximum aggregate fine that may be imposed on Shanghai Zhiyuan is estimated to be approximately RMB880,000. Shanghai Zhiyuan may also be ordered to cease operation and reinstate the said premises to the previous conditions. As advised by our PRC Legal Advisers, such fine/ penalty may only be imposed on Shanghai Zhiyuan and no fine/penalty in relation to the aforesaid violations of laws and regulations will be imposed to any members of the Group. In any event, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any related costs, expenses and losses on the part of our Group (if any) due to such violations occurred after the Relocation and before the Listing Date.

Since the commencement date of the Track Record Period and up to the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, Shanghai Zhiyuan (i) had not been subject to any disputes, actions or litigations taken by the PRC governmental authorities, and (ii) had not received any document, notice, order or other legal documents from any governmental authorities in connection with penalty, investigation, disputes or orders against it.

The net profit after tax of Shanghai Zhiyuan for 2014, 2015 and 2016 were approximately RMB2.3 million, RMB1.9 million and RMB1.0 million respectively. Such net profit after tax were extracted from the unaudited financial statements of Shanghai Zhiyuan for the respective periods which have not been reviewed or audited by our reporting accountants. Our Directors confirm that even if the financial results of Shanghai Zhiyuan were excluded from our Group during the Track Record Period, we would still have been able to comply with the profits test requirement under Rule 8.05(1)(a) of the Listing Rules.

On 10 December 2015, JIL and KP Share entered into an equity transfer agreement pursuant to which JIL transferred 100% equity interest in Shanghai Zhiyuan to KP Share at a total consideration of RMB22 million, which was determined with reference to the net asset value of Shanghai Zhiyuan as at 30 November 2015. The above equity transfer was legally completed and settled on 29 February 2016. Following such equity transfer, our Group ceased to have any interest in Shanghai Zhiyuan.

### **General**

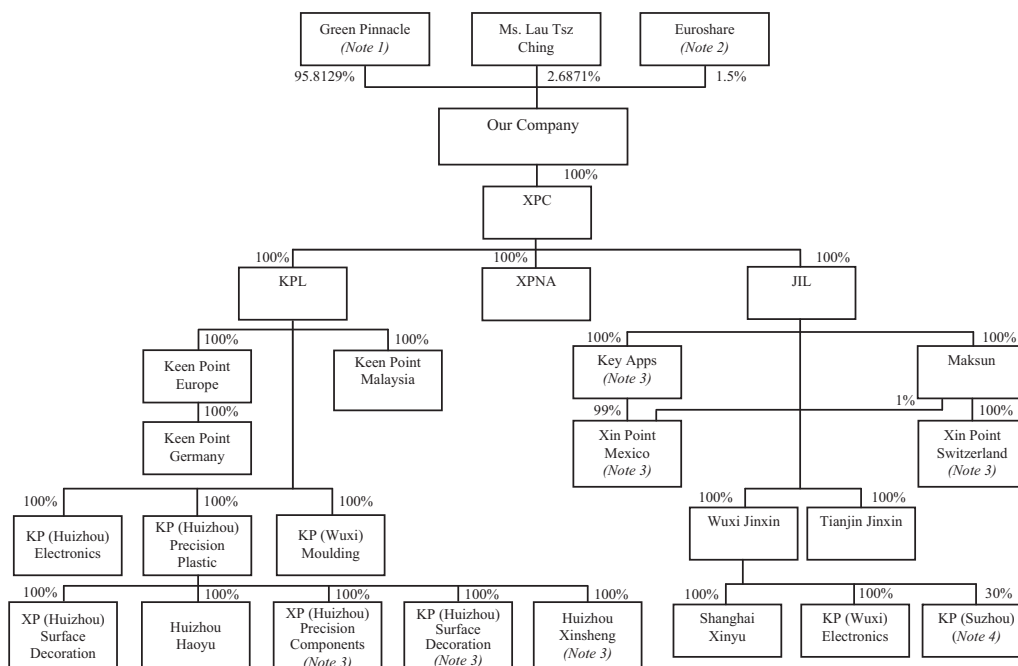
Upon completion of the Reorganisation our Company became the holding company of our Group and the major shareholding arrangements in respect of our Company were in place for the purpose of the Listing. Our PRC Legal Advisers advised that all our Reorganisation steps which involved PRC entities or residents were legal and valid, and all requisite approvals, permits and licences required for each stage of Reorganisation within the PRC have been obtained and all the necessary filings and registration have been effected.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE

#### Corporate chart after the Reorganisation and as at the Latest Practicable Date

The following shows the shareholding structure of our Group (together with KP (Suzhou), in which we had 30% equity interest) after the Reorganisation and as at the Latest Practicable Date:



**Notes:**

- (1) As at the Latest Practicable Date, the entire issued share capital in Green Pinnacle was held by Mealth PTC as trustee of the Mealth Discretionary Trust. The Mealth Discretionary Trust is a discretionary trust founded by Mr. Ma as settlor. The discretionary objects of the Mealth Discretionary Trust include Mr. Ma, the Ma Family Beneficiaries, the Management Beneficiaries and the Other Beneficiaries. Mr. Ma is also the sole shareholder and director of Mealth PTC and is the sole director of Green Pinnacle.
- (2) As at the Latest Practicable Date, there were 10,000 issued shares in Euroshare, comprising 5,100 class A shares (ordinary shares) held by KP Share and 4,900 class B shares (restricted shares with limited rights) held by Eurochrome, an Independent Third Party of our Group save for being a shareholder of Euroshare and having common controlling shareholders with KPI (Canada). Pursuant to the articles of association of Euroshare, upon the Listing, all class A shares of Euroshare in issue will be repurchased for cancellation, and all class B shares of Euroshare in issue will be mandatorily converted into class A shares. Following such repurchase and conversion, Euroshare will be solely owned by Eurochrome. Subject to the applicable provisions of the articles of association of Euroshare, Eurochrome will become the sole shareholder of Euroshare and the sole beneficial owner of the Shares then held by Euroshare upon the Listing.
- (3) These Group companies were incorporated after the commencement of the Reorganisation in August 2014. Their brief particulars are as follows:

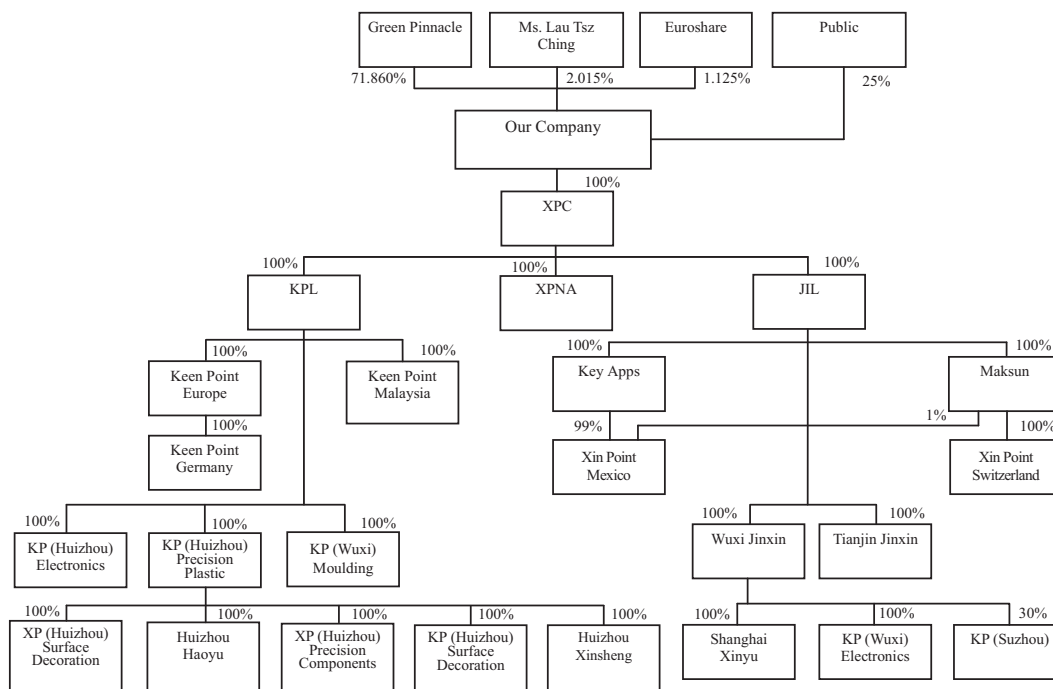
<u>Name</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>
XP (Huizhou) Precision Components	PRC	9 October 2014
KP (Huizhou) Surface Decoration	PRC	16 October 2015
Huizhou Xinsheng	PRC	21 March 2016
Key Apps	Hong Kong	16 June 2016
Xin Point Switzerland	Switzerland	27 July 2016
Xin Point Mexico	Mexico	21 December 2016

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (4) The remaining 70% equity interest in KP (Suzhou) was held by Mr. Jin Jie, a PRC individual, being an Independent Third Party save for his equity interest in KP (Suzhou).

### Corporate chart as at the Listing Date

The following shows the shareholding structure of our Group (together with KP (Suzhou) in which we had 30% equity interest) immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and options which may be granted under the Share Option Scheme are not exercised at all) upon the Listing:



*Note:* Please refer to the notes under the corporate chart under the paragraph headed “Corporate Structure – Corporate chart after the Reorganisation and as at the Latest Practicable Date” above in this section.

### THE M&A RULES

On 8 August 2006, MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the State Administration of Taxation (國家稅務總局), the State Administration of Industry and Commerce (國家工商行政管理總局), the China Securities Regulatory Commission (中國證券監督管理委員會) and SAFE jointly issued the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (as amended, re-promulgated and effective on 22 June 2009) 《關於外國投資者併購境內企業的規定》 (the “**M&A Rules**”). According to the M&A Rules, the merger and acquisition of the domestic companies by foreign investors means that the foreign investors purchase or subscribe for the equity or shares of a non-foreign invested PRC company or that the foreign investors establish a foreign invested PRC company to acquire or operate the assets of a non-foreign-invested PRC company by agreement. The M&A Rules require that an application be made to MOFCOM for examination and approval in relation to the acquisition of any company inside China affiliated with a domestic company, enterprise or natural person, which is made in the name of an overseas company

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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lawfully established or controlled by such domestic company, enterprise or natural person. The Foreign Investors M&A Rules also provide that the overseas listing of a special purpose company controlled directly or indirectly by PRC companies or individuals on an overseas stock market must be approved by the China Securities Regulatory Committee.

As advised by our PRC Legal Advisers, since (i) our ultimate shareholders are non-PRC residents, and (ii) the Reorganisation does not include an acquisition of domestic enterprise by foreign investors, the Reorganisation and the Listing are not subject to the M&A Rules and do not require the approval of the MOFCOM and the China Securities Regulatory Committee.

### SAFE REGISTRATION

Pursuant to the SAFE Circular No. 37, (i) PRC residents, including PRC Entities and PRC resident individuals, shall conduct foreign investment foreign exchange registration with SAFE prior to contributing capitals to an Offshore SPV using domestic or overseas lawful assets or equities; PRC residents who contribute with domestic legal assets or equities shall register with the local branch of SAFE of its place of registration or the domestic enterprises' assets or equities; PRC residents who contribute with overseas lawful assets or equities shall register with the local branch of SAFE of its place of registration or domicile; (ii) where the registered Offshore SPV undergoes a basic information change, such as change in the PRC resident individual shareholder, name, or operation duration, or a material event outside the PRC, such as change in share capital or merger or acquisition, the PRC residents shall promptly register such change with SAFE.

As advised by our PRC Legal Advisers, since (i) our ultimate shareholders are non-PRC residents, and (ii) the beneficiaries of the discretionary trust which include PRC residents are not the Round-Trip Investment as set out in the SAFE Circular 37, the Listing is not subject to the SAFE Circular 37.



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## BUSINESS

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### OVERVIEW

We are a leading automotive plastic electroplated components supplier in China. Since established in 2002, we have expanded into a global supplier with offices in North America, Europe and Asia serving leading international Tier 1 suppliers and OEMs. Our products are generally applied to the passenger vehicle of globally renowned and luxury automotive brands mainly attributed to our strong reputation, production capability and the high quality products we can supply in the sector. According to the Frost & Sullivan Report, we were the second largest supplier and the largest exporter of automotive plastic electroplated components in the PRC, in terms of revenue in 2016. We believe that our commitment to produce high quality product and production expertise have allowed us to differentiate from our competitors and achieve solid growth during the Track Record Period. From 2014 to 2016, we have achieved a revenue and net profit CAGR of 23.7% and 28.3%, respectively, showing our success in enhancing our leadership position in the industry.

(RMB million)	For the year ended 31 December			CAGR from 2014 to 2016
	2014	2015	2016	
Revenue .....	1,006.2	1,203.7	1,540.7	23.7%
Net profit .....	181.2	221.9	298.3	28.3%

Our principal products are automotive interior decorative electroplated components of passenger vehicles such as interior door handles, door trim, shifter bezels, steering wheels components, console parts and cluster rings. We place strong emphases on our one-stop production capability in mould production, plastic injection moulding and electroplating which enables us to achieve an outstanding production performance as demonstrated by our high production yield rate of approximately 90.7% in 2016, which is higher than the industry leading players according to the Frost & Sullivan Report.

As at the Latest Practicable Date, we had an established network of production bases with an aggregate GFA of approximately 135,326 sq.m. with over 4,000 employees as at 31 December 2016. Established in 2002 and headquartered in Huizhou, China, our production sites are operating in different strategic locations in southern, eastern and northern China in close proximity to many of the China's leading Tier 1 suppliers and OEMs. This enables us to respond timely to business opportunities and to establish and maintain close relationships with key industry players. As at the Latest Practicable Date, we had a total of 10 electroplating production lines. It is important to maintain large-scale production for us to meet the output requirement of our customers throughout the vehicle model programme, which on average lasts for six years.

We have established strong relationships with leading Tier 1 suppliers and OEMs located in China, North America and Europe as a result of our ability to offer high-quality products at competitive prices. As at the Latest Practicable Date, we were the approved supplier for a wide range of internationally renowned OEMs, including 北京奔驰汽车有限公司 and Volvo Cars, and Tier 1 suppliers. With our sound quality control and profound knowledge in the industry, we have been successfully selected as a supplier in the global programmes for a selection of the latest premium car models. Through years of cooperation, we believe that we have become an important strategic partner to many Tier 1 suppliers and global OEMs, thereby consolidating our business flow and market position and enabling us to develop further business relationships with OEMs. In 2016, 30.0% of our revenue was derived from North America, 22.6% was from Europe, 43.7% was from China and 3.7% was

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## BUSINESS

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from other regions. To maintain close proximity to the global OEMs and enhance our presence in the key global automobile market, we strategically established sales and marketing offices in Germany in 2008 and in the US in 2013. We have also established an indirect wholly-owned subsidiary in Mexico, Xin Point Mexico, in December 2016 as part of our expansion plans in Mexico. With an aim to enhance our global production capacity, we plan to establish a new production base in Mexico in 2018 with all en-compassing capabilities in plastic injection moulding, electroplating, components assembly and storage and logistics.

We have accumulated extensive technical knowledge and developed a high degree of technical expertise as an automotive plastic electroplated components supplier, with a consistent focus on R&D. We are capable of completing surface decoration on a wide range of plastic resin surfaces, such as ABS resin, PC/ABS resin and other plastic resins. We are also capable of completing automotive decorative components with different kinds of plating finishes according to the customer's specifications, such as bright, silk metal, black and titanium finishes. We are committed in R&D to adopt advanced electroplating technologies, such as nylon electroplating and VM electroplating technologies in our production process.

### COMPETITIVE STRENGTHS

The following competitive strengths have contributed to our success and we believe they will continue to help us compete and expand in the growing automotive decorative components industry:

#### **Leading automotive plastic electroplated components supplier in China**

According to the Frost & Sullivan report, in 2016, we were the second largest automotive plastic electroplated components supplier in the China in terms of revenue. Automotive plastic electroplated components are mainly applied in interior and exterior decoration. As at 31 December 2016, we had a total of 10 electroplating production lines. In 2016, our aggregate production capacity reached 2,123,100 sq.m..

We were also the largest automotive plastic electroplated components exporter in China in terms of export revenue in 2016, according to the Frost & Sullivan Report. More than 50% of our revenue during the Track Record Period were contributed by exports to the US, Europe, Japan and other regions. The quality of our products is widely accepted and well recognised in the world, which could be demonstrated by the awards received from our customers around the globe. For further details, please refer to the paragraph headed "Awards" below in this section.

We have accumulated extensive technical knowledge and developed a high degree of technical expertise in electroplating and plastic injection moulding through our consistent focus on R&D. Our overall R&D strategy seeks to use advanced technologies, materials and processes to efficiently solve problems for customers and to bring innovative products to the markets. We seek to differentiate our product portfolio such as neon coloured and translucent electroplated products and enhance the anti-corrosiveness and scratch resistance of these products. At the same time, we are committed to improve the traditional electroplating technologies and adopt advanced electroplating technologies, such as nylon electroplating and VM electroplating technologies in our production process.

The cornerstone of our R&D platform is a core team of over 305 members, of whom more than 91% possess undergraduate or graduate degrees in the areas of engineering,

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## BUSINESS

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chemistry, material science or other science subjects. Our R&D team has successfully enabled us to attain our leading market position through understanding and anticipating market demand, improving production technologies and existing products based on our customers' specifications. Our technological innovation is also supported by our advanced in-house testing laboratories to perform temperature, corrosion and pressure resistance testing.

We have built an intellectual property portfolio and diligently protect our intellectual properties. As at the Latest Practicable Date, we had registered a total of 38 patents in China and had made four patent applications in China and one patent application in Germany. We believe that our strong R&D capabilities and intellectual property portfolio reinforce our market foothold and will continue to enable us to keep pace with constantly evolving technologies in our industry.

We believe that our commitment to produce high quality product and production expertise have allowed us to differentiate from our competitors and achieve solid growth. During the Track Record Period, we have achieved a revenue and net profit CAGR of 23.7% and 28.3%, respectively, from 2014 to 2016, showing our success in enhancing our leadership position in the industry.

### **Track record as a global supplier to internationally renowned and luxury automobile brands**

Since established in 2002, we have expanded to become a global supplier with offices in North America, Europe and Asia serving leading international Tier 1 suppliers and OEMs. In 2016, 30.0% of our revenue was derived from North America, 22.6% was from Europe, 43.7% was from China and 3.7% was from other regions.

We are the approved supplier for a wide range of internationally renowned OEMs, including 北京奔馳汽車有限公司 and Volvo Cars, and Tier 1 suppliers. We have supplied products to many of our customers for over five years. The approval processes of these internationally renowned OEMs and Tier 1 suppliers involved comprehensive assessment procedures on our overall management, production scale and quality control. It generally takes years for an industry player to become an approved supplier to the Tier 1 suppliers and we believe it is difficult for new comers to become the approved suppliers for those brands. Through years of cooperation with OEMs and Tier 1 suppliers, we have been able to supply to an increasing number of car models of internationally renowned automobile brands. In 2016, we have served a diversified customer base of over 190 customers, comprising internationally renowned and luxury automobile brands and Tier 1 suppliers.

With our long-standing relationship with our customers, we have been successfully selected as the supplier of electroplated automotive interior decorative components for the global programmes for a selection of the latest premium car models which could generate higher profit margins. Our sound quality control and profound knowledge in the industry also enable us to tap into the recently fast-growing electric cars market supplying components such as steering wheel emblems, engine hoods and decorative rings for buttons for electric car models, which require the use of lighter interior components. In October 2016, we were engaged by one Tier 1 supplier to manufacture three different electroplated components for an electric car model for a period of eight years. Our Directors believe that the increasing popularity of electric vehicles presents us a new revenue stream. To further

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## BUSINESS

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expand our presence in the electric car market, we are committed to conducting further R&D on modern, light weight and environmental-friendly surface treatment technologies, such as multi-level coating, PVD and water-based coating technologies, and explore new production materials for electric vehicles. Our expertise and industry recognition has led us to establish cooperation with some OEMs directly throughout their vehicle development and manufacturing cycle in sharing our experience in the production of certain electroplated automotive interior decorative components. Through years of cooperation, we believe that we have become an important strategic partner to many Tier 1 suppliers and global OEMs, thereby solidifying our flow of business and market position.

### **Vertically integrated business model with industrial automation capability in critical production processes**

Our vertically integrated business model of mould production, plastic injection moulding and electroplating, supported by our in-house product design, R&D, tooling and spray painting capabilities, enables us to provide a one-stop production platform to our customers. Our unique strength in designing and producing moulds for automotive plastic electroplated components according to our customers' specifications has differentiated us from our competitors and allowed us to connect and engage with our customers at a preliminary stage of the production cycle, which serves as a critical step for us to lock up the products to be manufactured by our customers. Leading OEMs and Tier 1 suppliers have stringent requirements regarding the precision, reliability, expectancy, quality and environmentally friendliness of the components. We believe that our one-stop production platform could offer them customised, cost-effective and streamlined manufacturing services, and in effect helping them optimise the overall delivery time, product quality and yield rate throughout the entire production process. Our cross-spectrum expertise also brings us more opportunity to be involved in the early stage of product development process of our customers, thereby strengthening our relationship with them and better positioning us to obtain new business. On the other hand, our extensive product offerings allow our customers to source from us different decorative components for the same car model.

We focus on production automation in our critical manufacturing process. Our automatic electroplating systems in each of our electroplating production lines has a main control panel monitoring each process tank and controls the flow of different chemical solutions and waste liquid. Our capability in mould design is crucial, which involves multiple procedures with the use of our high-precision machines. We utilise automated high-speed 5-axis robot in all of our plastic injection moulding processes which could enhance the precision, flexibility and efficiency of our production process. With these automated production lines, we could achieve high level of quality, consistency and production efficiency with optimum manpower utilisation. As a result, we could be benefited from industry top production yield rate.

### **Expertise in production and electroplating technologies lead to industry-leading production yield rate**

Our production focuses on utilising a portfolio of advanced technologies to develop and manufacture products that can satisfy the demanding performance requirements of our customers. For example, we adopt automated high-speed 5-axis robot in all of our plastic injection moulding processes and nylon electroplating technology in our production process to meet the requirements of our major customers at lower costs.

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## BUSINESS

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Our production technologies optimise the production process and result in high production quality and yield rate. Our outstanding manufacturing performance can be demonstrated by our industry-leading overall production yield rate of approximately 90.7% in 2016 which was higher than the other top 5 leading players of China of approximately 85% to 89%, according to the Frost & Sullivan Report. With our advanced production technologies and knowhow, we believe we are able to consistently and efficiently replicate our manufacturing model in our new production base in Mexico, which is expected to commence production in 2018, to further enhance our overall production capacity and competitiveness.

### **Experienced and committed management team with in-depth industry knowledge and experience**

We have an experienced and dedicated senior management team with extensive knowledge of and experience in plastic injection moulding and electroplating industry. Under the leadership, strategic vision and direction of Mr. Ma, our Chairman, executive Director and the founder of our Group, we have built a business with a proven track record of success, reaching a clear industry leading position. Mr. Ma has over 24 years of experience in the electroplating industry. Members of our core management team have an average of 12 years of experience in the industry and many of our core management team members, including Mr. Ma, possess an undergraduate degree in Engineering. We believe that our management's operating experience has given them in-depth knowledge of our business and the industry and contributed significantly to our success.

We believe that our strong corporate culture has enabled us to attract and retain experienced senior and mid-level management as well as skilled technical personnel from the PRC and elsewhere in the world, which has enabled us to provide better service to our customers. As at 31 December 2016, we had 745 employees with at least five years of industry experience, among which 167 are senior and mid-level management personnel.

### **STRATEGIES AND FUTURE PLANS**

Our goal is to become a leading solution provider in automotive interior decoration with global production capability by implementing the following strategies:

#### **Capacity expansion and cost optimization**

During the Track Record Period, our sales of automotive decorative components have increased substantially from RMB914.4 million in 2014 to RMB1,503.1 million in 2016 at a CAGR of 28.2%, as a result, the average utilisation rate of our electroplating facilities has increased from 64.8% in 2014 to 80.7% in 2016. It is important for us to maintain buffer of 15% to 20% of our designed production capacity as our existing and potential new customers and OEMs would take into account our spare production capacity when considering to engage us as their supplier. Therefore, our Directors consider it is necessary to expand our production capacity to satisfy the need of our customers and to achieve long-term growth.

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## BUSINESS

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(i) *Expand our production base in China*

Our plan to expand our production facilities in the PRC is comprised of the following:

- *Enhancing our plastic injection moulding and components assembly capacity.*

We are in the course of building our Huizhou New Production Base and Wuxi New Production Base to focus on plastic injection moulding and components assembly which are expected to commence operation in October 2017 and August 2017, respectively. During the Track Record Period, we outsourced part of mould making and plastic injection moulding processes and paid processing fees of RMB28.3 million, RMB56.6 million and RMB69.3 million in 2014, 2015 and 2016, respectively. The new production bases are expected to enhance our annual production capacity by around 500 sets of moulds and 90 million pieces of plastic components, thereby enhancing our one-stop production capacity in mould design and production, plastic injection and electroplating and significantly reduce the processing fees. Please refer to the section headed “Business – Raw Materials, Components and Suppliers – Subcontracting” in this prospectus for details of subcontracting arrangements.

We have also established a new company, Huizhou Xinsheng in the PRC in March 2016, which has established a new production facility next to our Huizhou Production Base to focus on processing and assembly of plastic components as well as R&D on spray painting technology. This new production facility has commenced operation in April 2017 with a new spray painting line.

- *Increasing our electroplating production capacity.*

We intend to set up one new electroplating production line at our Huizhou Production Base. It is expected that such production line will commence operation in early 2018 and is expected to increase our annual production capacity by an aggregate of approximately 350,000 sq.m. to approximately 2,909,400 sq.m. by the end of 2018. For details relating to our expansion plan in the PRC, please refer to the paragraph headed “Our Future Facilities and New Production Lines” below in this section.

Our Directors believe that there will be sufficient demand to support our expansion plans in the PRC based on (i) strong demand from our existing customers supported by the customer orders received, customer indicative orders and framework agreements with our customers for year 2017 and 2018; (ii) expected demand from new customers; and (iii) market consolidation trend in the PRC. During the Track Record Period, our customers for automotive decorative components have increased from 129 as at 31 December 2014 to 174 as at 31 December 2016. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have secured business from eight new customers. We were also currently in active discussion with eight new Tier 1 suppliers whom have provided positive feedback and support in terms of cooperation with us. We have sent our quotations to all the said Tier 1 suppliers for their consideration and two of them have issued letters indicating their intention to engage us for certain of their vehicle programmes. We expect our customer base to continue to grow as a result of our continuing marketing effort, growing reputation and product quality. For details of the market consolidation trend in China’s automotive electroplated components market, and the expected continuing high growth in China’s automotive plastic electroplated components market compared to the automobile production growth in China, please refer to the sections headed “Industry Overview – Overview of the Automotive Components Market” and “Industry Overview – Overview of the Automotive Electroplated Components Market” in this prospectus.

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## BUSINESS

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We expect the average utilisation rate of our electroplating lines in the PRC to be around 70% to 80% in 2018, after the commencement of the new electroplating line in our Huizhou Production Bases, based on (i) forecast of our growth of revenue and quantity of products supported by customer orders received, customer indicative orders and framework agreements with our customers for year 2017 and 2018; and (ii) operation commencement of our new electroplating production line in the PRC in accordance with our expansion plan.

***(ii) Establish new production base in Mexico***

Our sales to North America has increased substantially during the Track Record Period from RMB345.8 million in 2014 to RMB462.1 million in 2016 at CAGR of 15.6%. It is our long-term goal to expand our market presence in the North American market, especially the US, by being more expedient and efficient in addressing our customers' needs, and as a result, we plan to establish a production base with our own warehouse facilities in Mexico, which will be able to cover the entire production process of electroplated automotive interior decorative components from plastic injection moulding, electroplating to components assembly and storage and logistics. Our production facility in Mexico will be mainly used to fulfil newly developed orders from our existing and/or new customers in North America, in particular, the US and Mexico. We have chosen Mexico as our export platform due to several reasons: (i) close proximity to our customers in the North American market, which will enable us to work more efficiently with our customers in terms of product design, provision of advice and after-sales services, and substantially shorten the delivery time to our customers in the North American market. It also gives us the leverage to strengthen existing business relationships with our customers in these regions and explore new business opportunities; (ii) relatively low plant construction, operating and labour costs in Mexico, and lower shipping and delivery cost to the North American market, which helps us to be more competitive in pricing; (iii) favourable policies and incentives recently announced by the Mexican government such as preferential tax treatment and subsidies for new staff training to encourage foreign investment; and (iv) Mexico's booming automotive industry as well as the significant presence of major international OEMs and Tier 1 suppliers there, according to the Frost & Sullivan Report.

As at the Latest Practicable Date, we have acquired a piece of land of approximately 50,000 sq.m. in an industrial park located in Jalisco and entered into a land purchase agreement on 26 May 2017 and we intend to construct a production plant with an aggregate GFA of 18,000 sq.m. thereon. The annual production capacity of the new production base in Mexico is expected to reach 220,000 sq.m.. For details relating to our expansion plan in Mexico, please refer to the paragraphs headed "Our Future Facilities and New Production Lines — 3. Production base in Mexico" below in this section.

Our Directors believe that there will be sufficient demand to support our expansion plans in Mexico based on (i) the increase in indicative orders from our existing customers in North America for year 2017 and 2018 supported by customer orders received, customer indicative orders and framework agreements with our customers; (ii) the positive feedbacks we received from our major customers in North America indicating their interests in placing orders with us should we expand our business operation in Mexico; (iii) the increase in the number of our customers in North America during the Track Record Period; and (iv) the continuing recovery of the US economy.

We expect the utilisation rate of our new production base in Mexico in the first full year of operation to be around 50% to 60% in 2019, based on (i) forecast of our growth of

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## BUSINESS

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revenue and quantity of products supported by customer orders received, customer indicative orders and framework agreements with our customers for year 2017 and 2018 in the North American market; (ii) forecast of our growth of revenue and quantity of products in the North American market in year 2019 based on our historical growth rate in the same region; (iii) the purpose of our new production facility in Mexico to fulfil newly developed orders from our existing customers and new customers in the North American market; and (iv) operation commencement of our new electroplating production line in Mexico in accordance with our expansion plan.

We will continue to devote resources to strengthening our one-stop production capability which we believe would help us forge more in-depth cooperation with our customers throughout their manufacturing cycle. We target to play greater role at each stage of the product life cycle with stronger collaboration with our customers, including products design, components assembly and after-sales services to provide them with highly customised solutions. We plan to improve our enterprise resource planning system to increase efficiency of our resource and inventory management and leverage on our network of production bases in close proximity to our customers, including our overseas offices in the US and Germany to quickly respond to our customers' needs.

### *(iii) Pursue acquisition opportunities*

We plan to explore and pursue acquisition opportunities to strengthen our market position and enhance our overall competitiveness in the electroplating industry. Our strategy will focus on acquisitions of automotive interior decorative electroplated components manufacturers (or part of their operations) with product offerings, product line extensions and/or new technologies complementary to our existing business operations. As at the Latest Practicable Date, we had not entered into any letter of intent or legally binding agreement in respect of any potential acquisition nor identified any definite acquisition target for expansion purposes.

### **Continue to strengthen our automotive plastic electroplated components customer base**

We plan to expand our customer base in Europe by leveraging on our sales and technical support services platforms in Germany. Our offices in Darmstadt and Stuttgart in Germany are in close proximity to the major automotive manufacturers in Germany and Eastern Europe. As a result, we are able to engage with our customers at the preliminary stage of the product development cycle and provide technical support during the course of our business relationship and even after the delivery of our products on a timely basis. To expand our foothold in the European market, our Stuttgart office is mainly engaged in promotion and publicity of our automobile door handle products in Europe. We established a new sales and marketing office in Switzerland to focus on provision of services to our customers located mainly in Czech Republic and Hungary. In addition, we believe that our plan to set up a new production base in Mexico can facilitate our procurement of new business with Tier 1 suppliers and OEMs in North and South America.

### **Enhance our capabilities in R&D, product design and electroplating technology**

We believe that continuously enhancing our product design capability is the key to become the designated supplier to major OEMs in the automotive plastic electroplating industry. We plan to further improve our R&D capabilities to align our product solutions



## BUSINESS

with expected customer requirements. For example, we intend to apply and leverage on our knowledge to conduct research on surface treatment to reduce component weight by introducing new materials and bring new automotive plastic electroplated components to the markets. To this end, we plan to set up more laboratories and further procure and upgrade our quality control and testing equipment. We also plan to recruit more R&D professionals and talents in the areas of polymer, chemistry, material science and engineering. In particular, we intend to continue to cooperate with Harbin Institute of Technology or other major universities in the PRC, chemical engineering and physics research institutes or other external research institutes on R&D programmes in the future. Furthermore, we aim to continuously optimising our manufacturing process such as improving the design of electric circuit of our electroplating process which can lead to increased productivity, high production yields and reduced costs.

### OUR PRODUCTS

The table below sets forth a breakdown of our revenue and their percentage of our total revenue for the periods indicated:

	For the year ended 31 December							
	2014		2015		2016			
	RMB'000	%	RMB'000	%	RMB'000	%	Gross profit margin (%)	Gross profit margin (%)
Automotive decorative components	914,439	90.9	1,128,353	93.7	1,503,085	97.6		
Non-automotive components	91,810	9.1	75,364	6.3	37,581	2.4		
<b>Total</b>	<b>1,006,249</b>	<b>100.0</b>	<b>1,203,717</b>	<b>100.0</b>	<b>1,540,666</b>	<b>100.0</b>	<b>38.5</b>	<b>41.1</b>

The major countries to which we export our products include the US, Canada, Mexico, Germany, Spain, Romania, Czech Republic, Slovakia, Japan and Brazil. The following table sets forth our revenue by geographic segment for the periods indicated:

<u>Geographic segment (Note 1)</u>	For the year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
China (Note 2)	483,323	48.0	571,477	47.5	673,579	43.7
North America	345,772	34.4	381,181	31.7	462,110	30.0
Europe	141,291	14.0	210,087	17.5	348,256	22.6
Others (Note 3)	35,863	3.6	40,972	3.3	56,721	3.7
	<b>1,006,249</b>	<b>100.0</b>	<b>1,203,717</b>	<b>100.0</b>	<b>1,540,666</b>	<b>100.0</b>

*Notes:*

- (1) The revenue by geographic segment is based on the locations of the customers.
- (2) Including all of the revenue from sales of non-automotive components.
- (3) Others include but not limited to Japan and Brazil.

### *Automotive decorative components*

We manufacture and sell electroplated automotive (i) interior decorative components mainly of passenger vehicles, such as interior door handles, door trim, shifter bezels,

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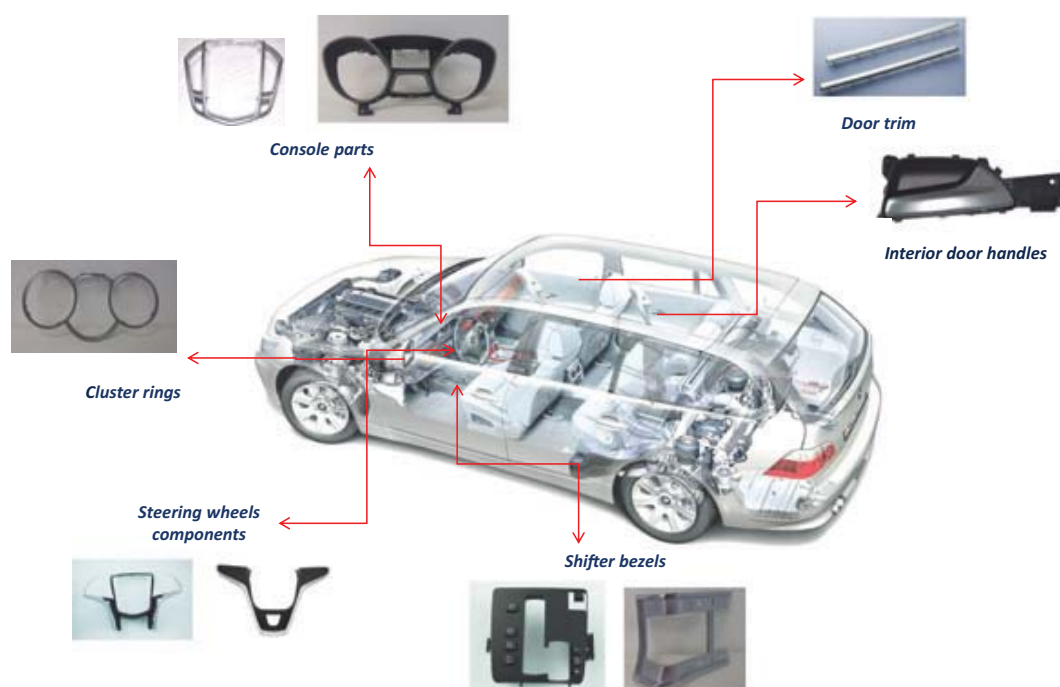
## BUSINESS

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steering wheels components, console parts and cluster rings and (ii) exterior decorative components, such as emblem, exterior door handles, fog lamp trim, front grill trim and tail lamp trim. Automotive interior decorative components were our major products segment during the Track Record Period, accounting for 91.9%, 92.9% and 93.6% of our revenue from automotive decorative component segment in 2014, 2015 and 2016, respectively. Our revenue derived from sales of automotive decorative components was RMB914.4 million, RMB1,128.4 million and RMB1,503.1 million in 2014, 2015 and 2016, respectively, representing 90.9%, 93.7% and 97.6% of our total revenue during the same periods.

The following diagram shows the electroplated automotive interior and exterior decorative components that we manufacture and sell:

(i) Interior components:



(ii) Exterior components:



We specialise in the production of automotive decorative components which require surface decoration by electroplating or spray painting. We are capable of completing surface decoration on a wide range of plastic resin surfaces, such as ABS resin, PC/ABS resin and other plastic resins. We are also capable of completing the electroplated automotive interior decorative components with different kinds of plating finishes according to our customer's specifications, such as bright, silk metal, black and titanium finishes. Most of our products would require surface decoration by electroplating or spray painting.

Electroplating is frequently used in the interior design of vehicles for both functional and appearance reasons. Electroplating creates a barrier on the surface of the interior components to protect them against atmospheric conditions such as corrosion and makes the surfaces less susceptible to damage. It could also make interior design more aesthetically appealing and look brand new.

We set the price for automotive decorative electroplated components based on a number of factors, including raw material costs and market competition. In 2014, 2015 and 2016, the average selling price of our automotive decorative components was RMB4.0 per unit, RMB4.1 per unit and RMB4.8 per unit, respectively.

#### ***Non-automotive components***

Apart from automotive decorative components, we also manufacture and sell non-automotive components, such as razor edge and decorative parts of razors, lens rings and function buttons of digital and video cameras, as well as external shells and supporting frames of photocopiers. We produce the electroplated components starting from the plastic components with the use of mould that we design and manufacture and finish with surface treatment by electroplating or coating or both. In 2014, 2015 and 2016, the average selling price of our non-automotive electroplated components was RMB1.9 per unit, RMB1.6 per unit and RMB2.8 per unit, respectively.

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## BUSINESS

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Due to the change of our business focus to the production of automotive decorative components, the revenue contribution by sales of non-automotive components decreased during the Track Record Period. Our revenue derived from this product segment was RMB91.8 million, RMB75.4 million and RMB37.6 million in 2014, 2015 and 2016, respectively, representing 9.1%, 6.3% and 2.4% of our total revenue during the same periods. We do not intend to actively expand or market our non-automotive components, except for fulfilling the purchase orders from our existing customers.

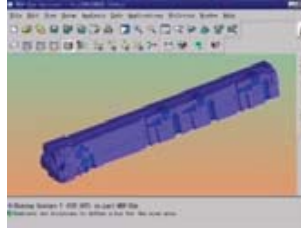
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## BUSINESS

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### ONE-STOP PRODUCTION PROCESS OF OUR AUTOMOTIVE DECORATIVE COMPONENTS

#### Component design and development



#### Mould design and production



#### Plastic injection moulding



#### Electroplating / Spray painting



#### Assembly, final inspection and global logistics



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## BUSINESS

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*Component design and development:* Our engineers carry out component design and development by transforming the specifications and drawings provided by our customers into computerised 3D data using softwares.

*Mould design and production:* Our mould engineers design moulds for use in plastic injection moulding where required by our customers. Production of moulds involves multiple procedures with the use of our high-precision machines. We sell our moulds to our customers separately from our sales of products. During the Track Record Period and as at the Latest Practicable Date, we did not sell any moulds which were not related to the products produced by us for our customers.

*Plastic injection moulding:* Plastic material of the component is injected into the mould to produce the desired shape and features of the component. We use advanced injection moulding techniques, including multicomponent moulding whereby two or more kinds of materials are moulded onto each other or in between each other to achieve complex final moulded component designs.

*Electroplating/Spray painting:* Most of our products would require surface decoration by electroplating or spray painting.

- **Electroplating:** After pre-treatment (such as cleaning) of the plastic moulds, the plastic components are submerged into a line of numerous electrolytic process tanks where metal layer is deposited over the components by applying electric current. This step usually takes up a total of around four hours depending on the desired thickness. We have installed large-scale electroplating tanks which enable us to perform electroplating on large-size components. We are able to perform electroplating with diversified surface finishes, such as bright, silk metal, black and titanium finishes.
- **Spray painting:** This process is commonly used for components that require special coating precision and pattern. Spray painting is conducted at our dust-free facility at the Huizhou Production Bases with the use of automatic spray guns with robotic arms. We also perform laser etching which can produce clean cutting edges and fine details. Our spray painting production lines can perform painting with a high-gloss finish.

*Assembly, final inspection and global logistics:* We carry out inspection and quality test at every manufacturing stage before the assembly and delivery of our products to the customers.

## MANUFACTURING FACILITIES

### Production facilities

Our production bases are located across the southern, eastern and northern regions of the PRC. As at the Latest Practicable Date, the aggregate GFA of our production bases was 135,326 sq.m.. Our strategy is to establish manufacturing facilities either in parts of China which can cover the regions where the major OEMs and Tier 1 suppliers are located or close to ports for export. Our headquarter is located in Huizhou of Guangdong Province and we also have production bases in Wuxi and Tianjin. As at the Latest Practicable Date, we had a total of 10 electroplating production lines.

## BUSINESS

The map below shows the various locations of our production bases as at the Latest Practicable Date:



The table below sets forth the details of our production facilities as at the Latest Practicable Date:

Location	Primary functions	Number of major production lines/ machines in operation	Total GFA (sq.m.)
Huizhou Production Bases	Plastic injection moulding, electroplating, moulds design and production, spray painting, R&D	<ul style="list-style-type: none"> <li>• 6 electroplating lines</li> <li>• 6 spray painting lines (5 with VM electroplating technology)</li> <li>• 1 laser carving line</li> <li>• 1 printing line</li> <li>• 149 plastic injection machineries</li> <li>• 38 mould production machines</li> </ul>	112,177
Wuxi Production Bases	Plastic injection moulding and electroplating, moulds design and production	<ul style="list-style-type: none"> <li>• 3 electroplating lines</li> <li>• 59 plastic injection machineries</li> </ul>	12,361
Tianjin Production Base	Plastic injection moulding, electroplating	<ul style="list-style-type: none"> <li>• 1 electroplating lines</li> <li>• 18 plastic injection machineries</li> </ul>	10,788

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## BUSINESS

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### OUR PRODUCTION LINES AND MACHINERY

Our principal production lines and machinery consist of (i) mould production machines; (ii) plastic injection machines; (iii) electroplating lines; (iv) spray painting lines with VM electroplating technology; (v) laser carving line and (vi) printing line. We purchased a majority of our machinery and equipment from China and Europe, which have an average remaining useful life of four to seven years as at 31 December 2016, after which such machinery and equipment should either be replaced or upgraded. Depreciation of machinery and equipment is calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives. The principal annual rates used for calculating depreciation of our production lines and machinery range from 5% to 33.3%. In 2014, 2015 and 2016, we incurred RMB55.3 million, RMB54.6 million and RMB71.6 million on the purchase of production lines and machinery, respectively. We owned most of the production machineries and equipment, except for 29 sets of machines located in Huizhou Production Bases under the finance lease granted by a bank in July 2015.

We conduct inspection on our production lines and machinery on a monthly basis. During the Track Record Period, there had been no major disruptions of the business operations resulting from insufficient maintenance.

#### *Production capacity and utilisation rate*

Due to the diversity and the customer-specific nature of our products, our Directors consider that the most meaningful way to measure our production capacity and utilisation rate is by surface area of electroplated components of electroplating lines used in our production processes rather than by units or volume of production output.

The following table sets out the designed production capacity, actual production volume and average utilisation rate of our electroplating production process of each of our production bases for the periods indicated:

	Electroplating Lines			
	Huizhou Production Base	Wuxi Production Base	Tianjin Production Base	Total
	(sq.m'000)	(sq.m'000)	(sq.m'000)	(sq.m'000)
<b>For the year ended 31 December 2014:</b>				
Designed production capacity ( <i>Note 1</i> )	1,335.9	609.9	177.8	2,123.6
Actual production volume	971.4	326.7	78.8	1,376.9
Average utilisation rate ( <i>Note 2</i> )	72.7%	53.6%	44.3%	64.8%
<b>For the year ended 31 December 2015:</b>				
Designed production capacity ( <i>Note 1</i> )	1,418.0	604.0	125.4	2,147.4
Actual production volume	1,063.3	454.7	69.5	1,587.5
Average utilisation rate ( <i>Note 2</i> )	75.0%	75.3%	55.4%	73.9%
<b>For the year ended 31 December 2016:</b>				
Designed production capacity ( <i>Note 1</i> )	1,418.0	604.0	101.1	2,123.1
Actual production volume	1,195.3	458.0	59.9	1,713.2
Average utilisation rate ( <i>Note 2</i> )	84.3%	75.8%	59.2%	80.7%



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## BUSINESS

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*Notes:*

- (1) The designed production capacity in 2014, 2015 and 2016 is calculated on the basis of 312 days per year and 24 working hours per day. The decrease in designed production capacity of Tianjin Production Base during the Track Record Period was mainly due to the retirement of two electroplating production lines in September 2014 and July 2015, respectively.
- (2) Average utilisation rate is calculated based on the actual production volume during the relevant year divided by the designed production capacity.

The average utilisation rate of our electroplating production lines in 2014, 2015 and 2016 was 64.8%, 73.9% and 80.7%, respectively. According to Frost & Sullivan, the utilisation rates of electroplating companies in the PRC are commonly close to or below 70%. As such, the Group's average utilisation rate is above that of the industry average. It is important for us to maintain buffer of 15% to 20% of our designed production capacity as our spare production is one of the factors which our existing and potential customers and OEMs would take into account when considering to engage us as their supplier. The average utilisation rate of our electroplating production lines is affected by a number of factors, such as the volume and types of the components to be electroplated, the types of electroplating materials to be used and our production schedule. The increase in average total utilisation rate in 2016 was mainly attributed to an increase in total production volume as a result of an increase in orders on hand.

### OUR FUTURE FACILITIES AND NEW PRODUCTION LINES

As disclosed in the paragraph headed "Strategies and Future Plans – Capacity expansion and cost optimization" above in this section, we plan to establish new production bases in China and Mexico, and set up new electroplating production lines. The below table sets forth further details of our expansion plans and future facilities:

#### 1. Huizhou New Production Base

Expected date of commencement of operation	Estimated investment costs to be incurred as at the Latest Practicable Date	Source of funding	Expected annual capacity	Expected breakeven period <i>(Note 1)</i>	Expected payback period <i>(Note 2)</i>
<i>RMB million</i>					
October 2017	140.4	Net proceeds from the Global Offering	Around 300 sets of moulds and around 70 million pieces of plastic components	Approximately one year after the commencement of production	Approximately six years (including construction period of one year)

The new production base will focus on plastic injection moulding and components assembly. We have been granted the land use right of the land for building the Huizhou New Production Base by the relevant land and resources administrative authority on 5 March 2015. The GFA of such land and the production plant to be constructed thereon are 31,403 sq.m. and 30,035 sq.m., respectively. The land premium of the Huizhou New Production Base was RMB9.2 million and the consideration has been fully settled.

As at the Latest Practicable Date, we had obtained the land use right certificate and both the construction works planning permit and the construction works commencement permit. The construction of the Huizhou New Production Base is now in progress. The construction of the production plant has completed and the construction of foundation for dormitory has commenced. It is expected that the whole construction will be completed by September 2017.

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## BUSINESS

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### 2. Wuxi New Production Base

Expected date of commencement of operation	Estimated investment costs to be incurred as at the Latest Practicable Date	Source of funding	Expected annual capacity	Expected breakeven period (Note 1)	Expected payback period (Note 2)
<i>RMB million</i>					
August 2017	69.7	Net proceeds from the Global Offering	Around 200 sets of moulds and around 20 million pieces of plastic components	Approximately one year after the commencement of production	Approximately six years (including the construction period)

The new production base will focus on plastic injection moulding and components assembly. We have been granted the land use right of the land for the building of the Wuxi New Production Base by the relevant land and resources administrative authority on 28 January 2015. The GFA of such land and the three storey production plant to be constructed thereon are 13,619 sq.m. and 39,247 sq.m., respectively. The land premium of the Wuxi New Production Base was RMB6.7 million, and the consideration has been fully settled.

As at the Latest Practicable Date, we had obtained the land use right certificate, construction works planning permit and construction works commencement permit. We have also completed the construction of the whole production plant. It is expected that we will complete (i) the renovation of the office by June 2017; and (ii) the Wuxi New Production Base will commence operation in August 2017.

### 3. Production base in Mexico

Expected date of commencement of operation	Estimated investment costs to be incurred as at the Latest Practicable Date	Source of funding	Expected annual capacity	Expected breakeven period (Note 1)	Expected payback period (Note 2)
<i>RMB million</i>					
December 2018	269.8	Net proceeds from the Global Offering	Electroplating: 220,000 sq.m.	Approximately six months after the commencement of production	Approximately six years (including construction period of 1.5 years)

The new production base will cover the entire production process of electroplated automotive interior decorative components from plastic injection moulding, electroplating to components assembly and storage and logistics.

To select our operation premises, we have conducted a feasibility study and several rounds of site visits to the industrial parks in five major states in Central Mexico, namely Jalisco, San Luis Potosi, Queretaro, Guanajuato and Aguascalientes in 2016. We have conducted analysis on labour costs, construction costs, climate, transportation and location, political situation, government policies and incentive schemes across the five states as part of our feasibility study. After comparing the costs and benefits of carrying out business operations in each of the five states, we intend to acquire a piece of land of approximately 50,000 sq.m. located in Colinas de Lagos industrial park in Jalisco and construct a production plant with an aggregate GFA of 18,000 sq.m. thereon. As at the Latest Practicable Date, we have paid an aggregate of US\$1.92 million for the land purchase and infrastructure usage, of which we have paid US\$0.85 million to purchase the land in Mexico. The land purchase agreement was executed on 26 May 2017.

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## BUSINESS

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The remaining steps to the completion of our expansion plans in Mexico and the respective timelines are set out below:

<b><u>Steps involved</u></b>	<b><u>Expected time</u></b>
Completion of environmental impact analysis and risk analysis	July 2017
Plant construction licence being obtained	August 2017
Commencement of plant construction	September 2017
Completion of plant construction	June 2018
Installation of machines and equipment	June 2018
All necessary permits for operation of production plant being obtained	June 2018
Commencement of trial run	October 2018
Commencement of operation	December 2018

To ensure efficient implementation of our expansion plans in Mexico and our compliance with the relevant Mexican laws and regulations, we have designated a local project manager to oversee the project development progress, closely monitor the situation in Mexico and report to our senior management promptly if there is any material negative change in Mexico. We have also engaged a Mexican legal adviser to assist us in incorporating Xin Point Mexico and ensuring future compliance with the relevant Mexican laws and regulations with respect to land acquisition, production base construction and business operation in Mexico. We will also internally assess the commercial, industry and market risks associated with our business in North America, especially those arising from any change in the trade policies and legislations in the US and/or Mexico from time to time. Our senior management will adopt appropriate measures in a timely manner to minimise our exposure to risks relating to Mexico, and if needed, we may consider engaging independent local consultants to evaluate our business model and operations in Mexico and assist us in keeping pace with the latest social economic and political developments in the US and Mexico. We were advised by our Mexican legal advisers that as at the Latest Practicable Date and based on the latest development progress of the project, there was no legal impediment for us to obtain the relevant permits and licences for the construction and operation of the new facility in Mexico, provided that we follow the procedures and requirements of all the applicable laws and regulations in Mexico. Please refer to the paragraph headed “Risk Factors – Our expansion plans may not be as successful as we have planned” in this prospectus for details on the risks relating to obtaining the relevant permits and licences.

As advised by our PRC Legal Advisers and Mexican and US legal advisers, as of the Latest Practicable Date, they were not aware of any material change in the current policies implemented by the US administration which would materially adversely affect the business operations, strategies and proposed expansion plans of our Group. In the event of any imposition of additional trade tariffs or other measures which are likely to cause any material adverse impact on our proposed business operation in Mexico, we may consider adopting contingency measures by scaling down our investments in Mexico through reducing the area of production plant to be constructed and the number of plastic injection moulding equipment to be acquired and/or postponing the construction of new production base and the date of operation commencement until when our management considers appropriate.

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## BUSINESS

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### 4. Electroplating production line (O Line) at Huizhou Production Bases

Expected date of commencement of operation	Estimated investment costs to be incurred as at the Latest Practicable Date	Source of funding	Expected annual capacity	Expected breakeven period (Note 1)	Expected payback period (Note 2)
<i>RMB million</i>					
Early 2018	20.8	Net proceeds from the Global Offering	350,000 sq.m.	Approximately six months after the commencement of production	Approximately two years after the commencement of production

The assembly of the production line was commenced in February 2017.

*Notes:*

- (1) Breakeven period refers to the period of time required for a production base or production line (as the case may be) to generate revenue equal to its operating cost for the first time, assuming gross profit margins would be similar to the existing production facilities or production lines (as the case may be).
- (2) Payback period refers to the period of time required to recover the investment costs, assuming the revenue will increase in line with the overall business growth and there will be no material impact on the business and operating result of the production plant or production line due to fluctuation in market demand, inflations, increase in raw material costs and labour expenses throughout the operation period.

As advised by our PRC Legal Advisers, we do not face any legal impediment in obtaining the necessary permits and licences for the land acquisition and facility construction in PRC, provided that we are able to satisfy the necessary legal requirements for obtaining the relevant approvals.

## QUALITY ASSURANCE

We strongly believe that our track record in delivering high quality products and services is one of the major reasons that our customers choose us over our competitors. We understand that any defects in our products could result in significant delays or even disruptions in our customers' and the vehicle manufacturers' production processes. Therefore, we have implemented a set of comprehensive quality assurance policies and procedures throughout our production processes.

Below sets forth our quality control measures:

- *Raw materials and components procurement:* we have implemented suppliers evaluation system through, for instance, conducting site inspection to ensure that our raw materials and components are sourced from approved suppliers only. In addition, we have implemented a set of comprehensive system to strictly assess the quality of each batch of raw materials and components procured before use.
- *Component design and development:* our product development team strives to ensure that our customer's quality requirements are clearly defined and reflected during the product development stage by applying the industry leading technology and management. We also maintain close communication with our customers throughout the product development stage to ensure we understand the instructions and deliver the right products for our customers.
- *Mould design and production:* we pay specific attention to mould production as it safeguards the quality of our products. We have implemented the mould manufacturing facilities with advanced technologies to ensure the manufacturing

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## BUSINESS

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precision of the components. In addition, we have adopted 3D scanning technology to assess the quality of each component to ensure it satisfies the precision requirements of the products. We also conduct inspection on the assembled moulds to ensure the quality is approved before moving on to the mass production stage.

- *Electroplating:* as electroplating is the main process which affects our product yield rate, we have set out a series of internal policies to manage and control the process. Such policies lay down the specific requirements and procedures in relation to, among others, the operation, cleaning and maintenance of the electroplating equipment, temperature and time required for the electroplating process, as well as our standard on various types of electroplating materials. We carry out regular inspection to ensure that our electroplating equipment functions properly and that the quality of our products is satisfactory. In addition, we have issued a guideline explaining the duties and required qualifications of our electroplating staff in different positions.
- *Final inspection:* our production and quality team strictly implements the principle of “no production, sale or acceptance of products with bad quality” to ensure from inspection of raw materials, production process, completion of production, to product delivery, the quality control measures are carried out orderly and efficiently. During the evaluation process, we ensure our products comply with the product specifications and our customers’ requirements. If we come across products which do not satisfy the quality requirement, we would analyse such products promptly and rectify the quality issue prior to delivery.
- *After-sales services:* we maintain close communication with our customers and provide after-sales technical services to customers after delivery of the products. To ensure our customers’ confidence in our products, we strive to respond promptly to any of their feedbacks or questions regarding our products.

As a result of our quality assurance efforts, we have obtained ISO 9001:2008 and ISO 16949:2009 quality management certification and ISO 14001:2004 environmental management certification. As at 31 December 2016, we had a total of 137 dedicated quality assurance personnel who have an average of approximately three years of quality assurance experience. Our quality assurance personnel are familiar with the relevant PRC national standards, applicable ISO standards, industry standards and the legal and regulatory requirements applicable to our products. They are also required to attend professional training before performing quality assurance tasks.

## CUSTOMERS, SALES AND MARKETING

### Our customers

#### *Automotive decorative components*

Most of our customers during the Track Record Period were Tier 1 suppliers who are suppliers to OEMs. In 2014, 2015 and 2016, 60.9%, 72.9% and 84.1%, of our revenue from automotive decorative components segment was derived from sales to Tier 1 suppliers, respectively, and 33.0%, 21.7% and 13.8%, of our revenue from automotive decorative components segment was derived from sales to our strategic partner, KPI (Canada) respectively. For details of our strategic partnership with KPI (Canada), please refer to the paragraph headed “Customers, Sales and Marketing – Strategic partnership with KPI

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## BUSINESS

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(Canada)” below in this section. Many of our Tier 1 suppliers customers are the world’s leading automotive components suppliers. We are the OEM-designated supplier in some vehicle programmes where the Tier 1 suppliers procure components from us for further processing and assembly.

We also sell electroplated automotive interior decorative components such as decorative parts for centre consoles and door panels to OEMs directly. In 2014, 2015 and 2016, 0.6%, 1.0% and 2.0%, respectively, of our revenue from automotive decorative components segment was derived from direct sales to OEMs.

### *Non-automotive components*

During the Track Record Period, we also sold non-automotive components, such as razor edge and decorative parts of razors, lens rings and function buttons of digital and video cameras, as well as external shells and supporting frames of photocopiers, to our customers. In 2014, 2015 and 2016, approximately 9.1%, 6.3% and 2.4%, respectively, of our revenue was derived from sales of the non-automotive components.

We have a diversified customer base and there was an increasing trend in the total number of customers during the Track Record Period. In 2014, 2015 and 2016, we have transacted with a total of 162, 167 and 194 customers, respectively, which were, except KPI (Canada), all Independent Third Parties. The table below sets out the number of our customers during the Track Record Period:

<u>By Geographic location</u>	<u>For the year ended</u> <u>31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning of the period			
China	123	116	109
North America	4	10	11
Europe	15	22	32
Others	13	14	15
	<u>155</u>	<u>162</u>	<u>167</u>
Addition			
China	21	23	20
North America	6	3	7
Europe	8	11	8
Others	3	2	3
	<u>38</u>	<u>39</u>	<u>38</u>
Decrease			
China	28	30	8
North America	0	2	0
Europe	1	1	2
Others	2	1	1
	<u>31</u>	<u>34</u>	<u>11</u>
End of the period			
China	116	109	121
North America	10	11	18
Europe	22	32	38
Others	14	15	17
	<u>162</u>	<u>167</u>	<u>194</u>

## BUSINESS

<u>By Product type</u>	<u>For the year ended 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning of the period			
Automotive decorative components	110	129	147
Non-automotive components	45	33	20
	<u>155</u>	<u>162</u>	<u>167</u>
Addition			
Automotive decorative components	32	38	35
Non-automotive components	6	1	3
	<u>38</u>	<u>39</u>	<u>38</u>
Decrease			
Automotive decorative components	13	20	8
Non-automotive components	18	14	3
	<u>31</u>	<u>34</u>	<u>11</u>
End of the period			
Automotive decorative components	129	147	174
Non-automotive components	33	20	20
	<u>162</u>	<u>167</u>	<u>194</u>

In 2014, 2015 and 2016, our revenue from our five largest customers accounted for 48.9%, 43.0% and 38.9% of our total revenue, respectively. Revenue from KPI (Canada), our largest customer, represented 31.2%, 20.6% and 13.4% of our total revenue in 2014, 2015 and 2016, respectively. Our five largest customers during the Track Record Period have maintained business relationships with us for a period ranging from three to ten years. During the Track Record Period, except for KPI (Canada), none of our Directors or their close associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest customers. For details relating to our relationship with KPI (Canada), please refer to the paragraph headed “Customers, Sales and Marketing – Strategic partnership with KPI (Canada)” below in this section. As at the Latest Practicable Date, taking into consideration the payment histories of our five largest customers, we were not aware of any material issues with respect to such customers’ financial condition.

The tables below set out the information in relation to our five largest customers during the Track Record Period:

### Year ended 31 December 2014

<u>Name</u>	<u>Type of customers</u>	<u>Principal business activities</u>	<u>Location of customer’s branch office which placed orders with us</u>	<u>Principal products sold</u>	<u>Credit Period (days)</u>	<u>Approximate years of business relationship as at the Latest Practicable Date</u>	<u>Payment method</u>	<u>As percentage of total revenue</u>
KPI (Canada)	Trading company	Trading interior and exterior automotive decorative products, with operations in North America and Europe	Canada	Automotive decorative components	60-67 days from the end of each month	10	Bank transfer	31.2%

## BUSINESS

### Year ended 31 December 2014

Name	Type of customers	Principal business activities	Location of customer's branch office which placed orders with us	Principal products sold	Credit Period (days)	Approximate years of business relationship as at the Latest Practicable Date	Payment method	As percentage of total revenue
TRW Automotive Holdings Corp.	Tier 1 supplier	Manufacturing high technology safety products and systems and specialises in driveline and chassis technology as well as active and passive safety technology, with operations all around the world	PRC	Automotive decorative components	60 days from date of bill	6	Bank transfer	4.8%
Customer A	Photocopy machine manufacturer	The customer operates business in Asia-Pacific regions. Its holding company is a listed company on Tokyo Stock Exchange, Inc. (the "TSE Listco"), which specialises in the development, production and sales of (i) imaging solutions (including films, digital cameras and optical devices), (ii) information solutions (including equipment and materials for graphic arts, recording media and flat panel display materials), and (iii) document solutions (including office copy machines, printers, paper and consumables). The TSE Listco recorded sales of approximately ¥2,147 billion in 2016 according to its published annual report.	PRC	Non-automotive components	45 days from the end of each month	8	Bank transfer	4.8%
Faurecia Interior Systems	Tier 1 supplier	The customer operates business around the world. Its holding company is a listed company on Euronext, Paris (the "Euronext Listco"), which specialises in supplying vehicle interiors and emissions control technologies. The Euronext Listco recorded sales of approximately €18,700 million in 2016 according to its published annual results.	PRC	Automotive decorative components	60 days from date of bill	8	Bank transfer	4.3%
KOSTAL (Shanghai) Management Co., Ltd.	Tier 1 supplier	Developing vehicle electrical systems, industrial electrical products and testing technologies, such as steering column switches, direction indicator switches and steering angle sensors, with operations in Asia and Europe	PRC	Automotive electric and electronic switches and modules, such as steering column module, power window switch & door module and seat adjustment switch	90 days from date of bill	7	Bank transfer	3.8%
								<u>48.9%</u>



## BUSINESS

### Year ended 31 December 2015

Name	Type of customers	Principal business activities	Location of customer's branch office which placed orders with us	Principal products sold	Credit Period (days)	Approximate years of business relationship as at the Latest Practicable Date	Payment method	As percentage of total revenue
KPI (Canada)	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive decorative components	50-60 days from the end of each month	10	Bank transfer	20.6%
Faurecia Interior Systems	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive decorative components	60 days from date of bill	8	Bank transfer	8.8%
KOSTAL (Shanghai) Management Co., Ltd.	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive electric and electronic switches and modules, such as steering column module, power window switch & door module and seat adjustment switch	90 days from date of bill	7	Bank transfer	5.6%
TRW Automotive Holdings Corp.	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive decorative components	60 days from date of bill	6	Bank transfer	4.1%
Customer A	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Non-automotive components	45 days from the end of each month	8	Bank transfer	4.0%
								<u>43.0%</u>

### Year ended 31 December 2016

Name	Type of customers	Principal business activities	Location of customer's branch office which placed orders with us	Principal products sold	Credit Period (days)	Approximate years of business relationship as at the Latest Practicable Date	Payment method	As percentage of total revenue
KPI (Canada)	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive decorative components	50 days from the end of each month	10	Bank transfer	13.4%
Faurecia Interior Systems	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive decorative components	60 days from date of bill	8	Bank transfer	8.5%
KOSTAL (Shanghai) Management Co., Ltd.	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive electric and electronic switches and modules, such as steering column module, power window switch & door module and seat adjustment switch	90 days from date of bill	7	Bank transfer	6.2%

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## BUSINESS

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### Year ended 31 December 2016

<u>Name</u>	<u>Type of customers</u>	<u>Principal business activities</u>	<u>Location of customer's branch office which placed orders with us</u>	<u>Principal products sold</u>	<u>Credit Period (days)</u>	<u>Approximate years of business relationship as at the Latest Practicable Date</u>	<u>Payment method</u>	<u>As percentage of total revenue</u>
ADAC Automotive	Tier 1 supplier	Manufacturing interior and exterior automotive locks and functional components and provides advanced design and engineering services including initial concept design, prototyping and product validation, with operations all around the world	US	Automotive decorative components	45 days from date of bill	3	Bank transfer	5.6%
TRW Automotive Holdings Corp.	Please refer to descriptions above	Please refer to descriptions above	Please refer to descriptions above	Automotive decorative components	60 days from date of bill	6	Bank transfer	5.2%
								<u>38.9%</u>

We are required to be an approved supplier to the OEMs in order to supply our products to the Tier 1 suppliers. In most instances, in order to qualify as an approved supplier for the OEMs, we have to pass certain certification with defined standards and requirements. The certification involves an assessment on our overall management, production scale and quality control management a regular basis. It generally takes us around one year to become an approved supplier to the Tier 1 suppliers from the date of application. In respect of overall management, the OEMs would send their representatives to our production sites to conduct on-site assessment on, amongst others, our overall production process, quality control policies, environmental management, occupational health and safety management. Any failure to pass the requisite certification will affect our eligibility to become a supplier to Tier 1 suppliers. After we have become their qualified supplier, we are subject to their on-going yearly assessment on the quality and specification of our products. Therefore, we have adopted stringent measures in relation to matters which are concerned by the OEMs to ensure our on-going competitiveness. During the Track Record Period, we had not experienced any failure to pass the assessments which resulted in our loss of customer certification with the major OEMs that our products were ultimately supplied to.

### **Sales and marketing**

As at 31 December 2016, our sales and marketing team had 80 staff members. Our sales and marketing employees are organised into customer-dedicated teams who are responsible for developing and supporting our relationships with each of our major customers on a global basis.

Our sales process to secure a supply relationship with our customers relating to a specific vehicle model begins at the outset of the development of a new vehicle model or upon the redesign of an existing vehicle model by the OEMs. OEMs generally initiate the sourcing of automotive parts for vehicle models by inviting the Tier 1 suppliers to participate in bidding process and requesting for their fee quotations. After receiving such bidding invitations, the Tier 1 suppliers would request Tier 2 suppliers such as us, typically one year and a half to two years before the anticipated commencement of vehicle mass production, to assist in their bidding process for OEM contracts by providing (i) fee quotations and

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## BUSINESS

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technical details of the interior decorative components for the Tier 1 suppliers to submit to the OEMs, and (ii) technical support to Tier 1 suppliers in relation to component design and assembly. We are generally required to submit our fee quotations within one week from the date of bidding invitation and the Tier 1 suppliers will normally confirm our engagement 10 to 15 months before the anticipated commencement of vehicle mass production. At the time of confirming our engagement, our customers will normally place indicative orders with us for a particular automotive decorative component. Such indicative orders may contain, inter alia, the product names, the unit prices during the product lifetime, the estimated quantity of products to be produced per year and the payment terms. When a product enters into mass production cycle, our customers will issue confirmed purchase orders approximately four to five weeks prior to the expected product delivery dates. Such confirmed orders normally contain, inter alia, the products to be purchased, the purchase price, the actual quantity to be purchased and the delivery date.

We negotiate and may enter into framework sales and purchase agreements with Tier 1 suppliers which then place orders with us directly without OEMs' participation in our transactions. The terms of the framework agreements vary depending on the requirements of the Tier 1 suppliers. The following sets out the terms of agreements with some of our major suppliers:

**Duration:** Some agreements remain valid until termination and certain agreements contain a fixed term ranging from one year to 7.5 years.

**Price:** We generally do not specify a fixed purchase price in the framework agreements. The purchase prices are usually specified in purchase orders. However, some of our agreements may set forth the range of price reduction for each year during the term of agreement.

**Our responsibilities:** We are generally required under the agreements to perform, among other things, the following responsibilities:

- deliver products that comply with the specifications prescribed in the relevant purchase orders and the quality standard agreed between the parties to the Tier 1 suppliers;
- provide compensation to the Tier 1 suppliers by providing replacement products, offering discounted price and/or compensating the Tier 1 suppliers for any consequential loss if the products supplied by us are defective or does not satisfy the quality standard;
- fulfil the purchase orders on or before the deadline provided by the Tier 1 suppliers;
- at the requests of the Tier 1 suppliers, provide on-site support to Tier 1 suppliers during prototype builds and vehicle programme launch;
- at the request of the Tier 1 suppliers, make changes to the products according to the new technical specifications provided

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## BUSINESS

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and notify the supplier by written notice indicating the effect of the change in terms of quality, time and cost; and

- provide warranty services for the products supplied to the Tier 1 suppliers.

**Responsibility of the Tier 1 suppliers:** Provide technical specifications or drawings of the products to be manufactured by us and settle the invoice issued by us within a specified period of time stated in the agreements or purchase orders.

**Restrictions imposed on us:** Certain Tier 1 suppliers do not allow us to subcontract all or any part of our obligations under the agreements or assign the agreements without prior written consent of the relevant Tier 1 suppliers. Assignment of claims against the Tier 1 suppliers to third parties or have them collected by third parties without Tier 1 suppliers' consents is also generally prohibited.

We are generally not subject to restrictions on selection of specific suppliers.

**Confidentiality:** Both Tier 1 suppliers and our Group are generally required under the agreements not to disclose any content of the agreements or discussion in relation to the project or any business and technical information received in relation to a vehicle programme.

**Termination:** Certain agreements may be terminated by our customers unilaterally for any reasons in whole or in part by serving notice to us, or by either party upon occurrence of certain circumstances such as (i) breach of any terms under the agreement; (ii) revocation of any operating licence; (iii) change in control; or (iv) liquidation of any party.

Once we are awarded with the contracts, it typically takes one to three years for us to commence mass production. We make direct sales to the Tier 1 suppliers by delivering products to Tier 1 suppliers and they make payments directly to us.

### **Pricing policy and payment**

We adopt a cost-plus pricing method. Our product pricing policy takes into account a number of factors, including projected production volumes, estimated raw material and component costs, manufacturing complexities and design complexities of products, logistics, shipping cost, currency rate, taxes, available production capacity, as well as our strategic business objective and plans. Our product pricing also reflects costs invested by us during the product development process as well as price reduction initiatives from our customers.

Pricing pressure is an industry-wide characteristic. OEMs generally require their Tier 1 suppliers to meet price reduction initiatives and objectives each year. Accordingly, most of our customers who are Tier 1 suppliers would in turn require step-downs in component pricing over the period of supply, generally ranging, on average, from 2% to 6% per year during the Track Record Period. The range of such price reductions may be set forth in the supply contracts for each vehicle programme. Such price reductions and the selling prices were negotiated and determined based on the expected annual reductions in our overall cost

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## BUSINESS

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of providing products and services to the customers, taking into account such factors as manufacturing productivity enhancements, changes in raw material and components costs (including our ability to obtain cost reductions from our suppliers) and design-related cost improvements at the time of entering into the supply contracts before production. In addition, some of our customers have the option to terminate for competitiveness or convenience, which permits our customers to impose pressure on pricing during the life of the vehicle programme. They also have the right to issue purchase orders for less than the duration of the vehicle programme, which potentially reduces our profit margins and increases the risk of our losing future sales under those purchase orders. As such, it is difficult for us to pass on the subsequent increase of costs in raw materials and productions to our customers. We attempt to offset the negative impact of price decreases by improving our manufacturing and purchasing efficiency through methods, such as technological innovation, economies of scale, reduction of defect rates and bulk purchasing. We believe our pricing pressure is lessened when the existing products that we supply to customers are replaced with new products that can be sold at a price with higher margin compared to existing products. For details, please see the paragraphs headed “Risk Factors – Risks Relating to Our Business – Increase in costs of raw materials may materially and adversely affect our operations, margins and profitability” and “Risk Factors – Risks Relating to Our Business – Our products are subject to continued pricing pressures, customers’ cost reduction initiatives and the ability of our customers to re-source or cancel their order” in this prospectus.

The credit terms offered to our customers vary depending on the location, credibility, industry practice, volume of purchases, the customer’s bargaining power and our relationship with the customer as well as general market conditions. We generally grant a credit term ranging from 30 to 90 days to our customers and our payments are generally settled by bank transfers. For details, please see the section headed “Financial information – Description of Certain Items of Consolidated Statements of Financial Position – Trade and bills receivables” in this prospectus.

### **Products return and replacement**

We test and inspect our products extensively prior to delivery to customers to minimise after-sales quality issues. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material litigation, claims, returns on sales, recalls, reworks, or repairs from our customers. As we generally adopt the “no return of goods” policy, none of the products purchased by our customers have been returned to us during the Track Record Period. We provide replacement products at our own costs to our customers in cases of defective goods. The costs of replacement products were approximately 0.04%, 0.09% and 0.17% of our total costs of sales for 2014 and 2015 and 2016, respectively, which were insignificant and had not had a material adverse effect on our business, results of operations and financial condition.

We have not experienced any material disputes with our customers in relation to product quality issue during the Track Record Period.

### **Strategic partnership with KPI (Canada)**

With a view to enhancing our brand image overseas and expanding into the North American market, we formed a strategic partnership with KPI (Canada) in 2006 to supply automotive decorative components to KPI (Canada) for onward sales to their customers mainly located in North America. All products sold by us to KPI (Canada) have been onward

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## BUSINESS

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sold to KPI (Canada)'s customers under our brand name. KPI (Canada) principally sold automotive decorative components to Tier 1 suppliers located in the North America. KPI (Canada) was our largest customer in 2014, 2015 and 2016. Our revenue generated from sales to KPI (Canada) amounted to approximately RMB313.5 million, RMB248.4 million and RMB206.8 million in 2014, 2015 and 2016, representing approximately 31.2%, 20.6% and 13.4% of our total revenue during the same periods, respectively. Prior to the Reorganisation, KPL was the registered holder of 5 class C shares in KPI (Canada). To the best of our Directors' knowledge, information and belief having made reasonable enquiries, during the Track Record Period and up to the Latest Practicable Date, KPI (Canada) and Eurochrome had common controlling shareholders who were Independent Third Parties. For further information, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.

To the best of knowledge and belief of our Directors, since the commencement of the strategic partnership with us, KPI (Canada) did not own any manufacturing facility for the production of automotive decorative components and we are the primary (but not exclusive) supplier of automotive decorative components to KPI (Canada). Benefiting from the business network of KPI (Canada), North America has become our major overseas market during the Track Record Period.

Tier 1 suppliers normally place orders with KPI (Canada) which would then place back-to-back orders with us in accordance with its customers' requests. For sales to the North American market, upon receiving the purchase orders from KPI (Canada), we would arrange for shipping of our products to KPI (Canada) which would deliver the products to their customers. Payments are made by KPI (Canada) to us with a credit term of around 50 days granted. For sales to the PRC market, we generally ship our products to such Tier 1 suppliers and receive payments from them directly notwithstanding their purchase orders were placed with KPI (Canada). We shall then pay KPI (Canada) the difference between the price we would have charged KPI (Canada) and that KPI (Canada) would have charged its customers by deducting the relevant amounts from the KPI (Canada)'s payable to us. The reconciliation of price differentials is normally carried out two months after our delivery of products to such Tier 1 suppliers.

Through our strategic partnership with KPI (Canada) since 2006, we have developed business relationships with a number of Tier 1 suppliers in North America and established ourselves as a quality automotive decorative components supplier. With our improved image and presence in North America, we decided to further expand the North American market by ourselves through the establishment of our own office in Troy, Michigan State, the US in March 2013. On 28 March 2013, we entered into an agreement with KPI (Canada) to cease our strategic partnership with them on future new vehicle programmes. Our Directors confirmed that such cessation was not related to any product quality issues or loss of orders from competitors. On the same date, we entered into a business agreement with KPI (Canada) to govern our contractual relationships on the existing vehicle programmes. Subject to any programme extension by KPI (Canada)'s customers, we continue to supply products to KPI (Canada) and its customers for the remaining term of the existing vehicle programmes, most of which are expected to be completed in or before 2020. As at the Latest Practicable Date, the total sales amount under the vehicle programmes which had not been completed was expected to be approximately RMB285 million. To further regulate our relationship with KPI (Canada) after the disposal of shares in KPI (Canada) by KPL to Euroshare (for details, please refer to the section headed "History, Reorganisation and

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## BUSINESS

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Corporate Structure – Reorganisation – Disposal of shares in KPI (Canada) by KPL to Euroshare” in this prospectus), we entered into a master supply agreement with KPI (Canada) in October 2015. Both of the business agreement and master supply agreement are framework agreements and we manufacture and supply products based on the actual purchase orders and we charge the price either specified in the purchase orders or pre-agreed between the parties.

The master supply agreement generally include the following salient terms: (i) the agreement is effective until September 2022; (ii) the agreement contains no minimum purchase requirement but includes forecasted transaction amounts for years 2015 to 2017 making reference to historical sales amount and shipment volume; (iii) the agreement provides price adjustment mechanism when, for instance, KPI (Canada) increases or decreases more than 60% of the quantity of products ordered or the extension of any automobile programme; (iv) the agreement contains no renewal clause and it can be terminated upon (a) material breach of the terms by either party which are not remedied within a reasonable period of time, or (b) liquidation or insolvency of any party. The business agreement has no fixed term, and it does not provide any provision relating to minimum purchase requirement, price adjustment mechanism, termination or renewal of the agreement.

Since our cooperation with KPI (Canada) in 2006, we (i) have retained no ownership over any products that we sold to KPI (Canada), and all significant risks and rewards associated with these products have been transferred to KPI (Canada) upon delivery to and acceptance by them; and (ii) have not been required to repurchase the products that we supply to KPI (Canada). Based on the above, we have not adopted any measures to monitor the sales activities of KPI (Canada) nor do we have any policy to control the product prices charged by KPI (Canada) to its customers. Furthermore, when KPI (Canada) places order with us, they would provide us with specifications of each product which we follow strictly to produce tailor-made products. As a result, our sales to KPI (Canada) are conducted on a “no right of return” basis and there is no risk of inventory accumulation in our sales to KPI (Canada).

In situations where KPI (Canada) discovers that model number, specifications, quantity and quality of our products are not in full compliance with the specifications provided to us or are otherwise defective, we may (i) deduct the price of the defective products from the total price receivable by us; or (ii) replace the defective products within a reasonable period by delivering to KPI (Canada). The costs and expenses incurred in producing the replacement products and the transportation expenses under such circumstances shall be borne by us. The cost and expenses incurred for replacing the defective products supplied to KPI (Canada) amounted to approximately RMB131,600, RMB1,800 and RMB3,177 in 2014, 2015 and 2016, respectively.

Our sales to KPI (Canada) has been steadily decreasing since 2014 after the cessation of our strategic partnership with KPI (Canada) in March 2013. As a result of the establishment of our own office in the US with our local sales and marketing team, we were able to attract seven new customers in North America purchasing directly from us in 2016, compared to three customers in 2015. The revenue contributed by our sales to customers in North America which were outside of the strategic partnership arrangement with KPI (Canada) amounted to approximately RMB32.3 million, RMB132.8 million and RMB255.3 million in 2014, 2015 and 2016, respectively, representing approximately 9.3%,

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## BUSINESS

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34.8% and 55.2% of our total sales in the North America's market, respectively. Based on the aforesaid, we believe that the cessation of the strategic business relationship with KPI (Canada) will not bring any material adverse impact to our business.

### **RAW MATERIALS, COMPONENTS AND SUPPLIERS**

Our major raw materials include plastic resins, electroplating chemicals such as nickel sulphate, and metallic components such as phosphor copper ball.

As at the Latest Practicable Date, we had over 926 suppliers, including 75, 53 and 17 suppliers for the provision of plastic resins, electroplating chemicals and metallic components to us. Our major customers would generally provide us with their requirements for raw materials and we select our suppliers on such basis. Some of our customers have specific requirements as to the brands of plastic resins that we use and we shall select suppliers among the distributors of such designated brand of plastic resins.

We purchase our raw materials mainly in the PRC. Our top five suppliers during the Track Record Period were mainly suppliers of plastic resins, electroplating chemicals and plating racks. In 2014, 2015 and 2016, our five largest suppliers accounted for approximately 13.0%, 14.3% and 13.1% of our total cost of sales, respectively, during the same periods. During the Track Record Period, except for KP (Suzhou), none of our Directors or their close associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of our five largest suppliers. We have engaged KP (Suzhou) as our subcontractors. For details, please refer to the section headed "Business — Raw Materials, Components and Suppliers — Subcontracting" in this prospectus.

We generally enter into framework agreements in the form of quality assurance agreements, green procurement agreements, or price confidentiality agreements with most of our major suppliers, and place orders to them from time to time based on our production needs and market price of the raw materials.

Our five largest suppliers during the Track Record Period have maintained business relationships with us for a period ranging from two to eight years. We believe that the principal raw materials that we use can be sourced from a number of other suppliers at prices comparable to those being offered by our existing suppliers. We do not believe that there are any concentration risks with respect to our suppliers. During the Track Record Period, we had not experienced any difficulties in sourcing raw materials or any major defaults or delay by our suppliers that had a material adverse impact on our operations. We do not anticipate any sourcing difficulties in the foreseeable future.

### **Our procurement process**

As at 31 December 2016, we had a team of around 23 employees to obtain and manage our supply of raw materials and components. We have implemented the following procedures for procuring raw materials:

- If our customers do not specify any requirements as to raw materials and components in their purchase orders, we would source raw materials and components from our list of approved suppliers, which are selected based on price, proximity to our production sites, quality (with preference to those possess



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## BUSINESS

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quality control related certifications, such as ISO9001:2008), ability to accommodate our production cycles and with good and long-term working relationships with us. Prior to being approved, our quality assurance team conducts inspections of a potential supplier's sample products and on-site inspections of the supplier's production process. We conduct evaluation on the performance of our approved suppliers each year and would request the failing suppliers to improve or remove them from our list of approved suppliers.

- In some cases, our customers would in their purchase orders designate a specific supplier or provide a list of preferred suppliers for us to select from for certain raw materials and components, such as plastic resins.

Since we need to use raw materials with particular specifications in the production of different products, save for certain plastic resins which we would need in most of our typical plastic injection process, we mainly procure raw materials upon customers' confirmation of their purchase orders. Our procurement department reviews the procurement needs based on the sales forecast prepared by our sales and marketing department and the inventory level before placing orders for raw materials. Although we normally maintain a level of stock based on anticipated production requirements which is sufficient to support us for 10 days to one month (depending on the types of raw materials) of production, we believe that we have been and are able to rely on the relationships with our suppliers to provide sufficient raw materials to meet our production needs.

The cost of raw materials accounted for approximately 38.2%, 32.2% and 31.0% of our total cost of sales in 2014, 2015 and 2016, respectively. In particular, metallic components accounted for approximately 9.9%, 11.6% and 10.4% of our total costs of raw materials in 2014, 2015 and 2016, respectively. In 2016, 90% and 10% of our purchases from suppliers are made on credit and by cash payments, respectively. Some of our suppliers require us to settle payment prior to delivery. The payment terms of the purchases on credit from our major suppliers generally range from 30 to 90 days. The exact credit terms are dependent on the nature of raw materials or components purchased and the supplier concerned. For a sensitivity analysis of the cost of raw materials, please refer to the section headed "Financial Information – Major Factors Affecting Our Results of Operations – Cost of raw materials and staff cost" in this prospectus.

### **Inventory management**

Our inventories primarily consist of raw materials, work-in-progress and finished products. The inventory level of raw materials is closely monitored through our manufacturing execution system (MES) complemented with continuous consumption record and physical stock-take, thereby reducing the risk of excessive stock or under stock. We retrieve our inventory on a first-in-first-out principle and proper approvals are required for inventory retrievals. The MES also enhances our managerial and administrative effectiveness and communication among our departments, facilities order checking, inventory control and financial reporting and enables us to respond promptly to any potential problems identified. We also conduct stock-taking by the end of each month. We keep our finished products in our warehouses and we also engage third-party services provider to provide warehousing services before delivery to our customers.

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## BUSINESS

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For details of our inventories, please refer to the section headed “Financial Information – Description of Certain Items of Consolidated Statements of Financial Position – Inventories” in this prospectus.

### **Subcontracting**

We mainly engage KP (Suzhou) to handle the mould making and plastic injection moulding processes undertaken by mainly the Wuxi Production Bases, for better production schedule management, resource utilisation and cost efficiency purposes, particularly in case of urgent orders from customers. During the Track Record Period, we outsourced the making of our moulds which were simple in design and required less technical skill so that our in-house production team can focus on making of the moulds which involved more complex design and technical requirements. Our Directors believe that this arrangement enables us to control the quality of our moulds in a more effective manner. As moulds are used to produce our automotive decorative components, the quality of the moulds would directly affect the quality of the final products and hence our electroplating yield rate. In addition, during the Track Record Period, we outsourced part of the plastic injection moulding process when the production capacity of our own plastic injection machines was insufficient to meet our customers’ demands. Going forward, we plan to acquire additional plastic injection machines to enhance our production capacity by using the proceeds from the Listing as further detailed in the section headed “Future Plans and Use of Proceeds” in this prospectus.

KP (Suzhou) was an indirect 30%-owned associated company of the Company as at the Latest Practicable Date and has a production site in Suzhou, Jiangsu Province, the PRC. We have not entered into any framework agreement with KP (Suzhou). The use of KP (Suzhou) and the specific step(s) of production to be outsourced are determined by our management on a case-by-case basis with respect to each sales order, taking into account the corresponding production schedule, our then spared production capacity and cost efficiency. The subcontracting fees are determined on a case-by-case basis, taking into account the complexity of the production steps, delivery time and the quantity of the orders. Once KP (Suzhou) is engaged, we sell raw materials to them for processing and the finished products would be delivered to our production base for quality control checks. As at the Latest Practicable Date, KP (Suzhou) had maintained business relationships with us for over six years. In 2014, 2015 and 2016, the processing fees incurred amounted to approximately RMB28.3 million, RMB56.6 million and RMB69.3 million, representing approximately 4.5%, 7.5% and 7.6% of our total costs of sales, respectively.

### **LOGISTICAL ARRANGEMENTS**

We are responsible for delivery of our products to the designated locations of the customers on the delivery dates as specified in the purchase orders. The related delivery costs and insurance fees are usually borne by us. We engage qualified third party logistics service providers to deliver products to our customers, as we believe such arrangements allow us to reduce our exposure to potential liability due to transportation accidents, delivery delays and losses, and our logistic providers will bear these risks.

### **RESEARCH AND DEVELOPMENT**

We believe our R&D capabilities are crucial to our future growth. As at 31 December 2016, our R&D team consisted of approximately 305 members, including two experts we

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## BUSINESS

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recruited from Germany and Canada, who are specialised in areas of electroplating technology and electrochemical production, respectively. We incurred approximately RMB26.9 million, RMB30.7 million and RMB36.0 million as R&D expenses which include the salaries of the R&D staff, investments in R&D project and other expenses in 2014, 2015 and 2016, respectively.

We have registered for 38 utility model and invention patents. For details, please refer to the paragraph headed “Appendix IV – Statutory and General Information – 2. Further Information about our Business – 2.2 Intellectual property rights of our Group – (c) Patents” in this prospectus.

We carry out R&D activities mainly through our R&D centre located in our Huizhou Production Bases. Our R&D activities mainly focus on improving the quality and craftsmanship of the different electroplating technologies we possess and cost efficiency in our production process.

We realise the value of collaborating with tertiary institutions in R&D efforts and in September 2012, KP (Huizhou) Precision Plastic and Harbin Institute of Technology entered into a R&D cooperation agreement (the “**Cooperation Agreement**”). Under the Cooperation Agreement, KP (Huizhou) Precision Plastic agreed to pay Harbin Institute of Technology RMB500,000 in four instalments to subsidise the research project and had paid the first instalment of RMB100,000 as at the Latest Practicable Date. Harbin Institute of Technology and our Group will jointly own any patent rights for the R&D technology developed under the Cooperation Agreement. To foster our cooperation with the Chemical Engineering School of Harbin Institute of Technology, since 2013, we have started to offer internship opportunities to the students and job opportunities to the graduates of Harbin Institute of Technology.

### INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights, including patents and trademarks in order to protect the technological innovations developed by our R&D team and the goodwill generated by us.

#### Patents

We have applied for and have been granted patents in the PRC to protect new processes for the production of our products. As at the Latest Practicable Date, we had registered a total of 38 patents in China and had made four patent applications in China and one patent application in Germany.

#### Trademarks

As at the Latest Practicable Date, we had registered four trademarks in the PRC and three trademarks in Hong Kong. As at the Latest Practicable Date, we had not made any trademark application in the PRC or other countries.

#### Protection of intellectual property rights

The protection of our technologies, products and processes is essential to our businesses. All of our key R&D personnel are required to enter into confidentiality

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## BUSINESS

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agreements with us which address intellectual property protection issues and require our employees to assign to us all of their inventions, designs, technologies, and any other intellectual property they develop during their employment with us.

We have not been subject to any material infringement of our intellectual property rights or allegations of infringements by third parties during the Track Record Period. For more information on our patents and trademarks, please refer to the paragraph headed “Appendix IV – Statutory and General Information – 2. Further Information about our Business – 2.2 Intellectual property rights of our Group” in this prospectus.

### ENVIRONMENTAL PROTECTION, HEALTH AND WORK SAFETY

#### Environmental protection

Our operations are subject to certain laws and regulations in relation to environmental protection. For further information on the applicable laws and regulations on environmental standards, please refer to the section headed “Regulatory Overview – Laws and Regulations of the PRC – D. Regulations as to Environmental Protection” in this prospectus. In 2014, 2015 and 2016, our cost of compliance with environmental rules and regulations was approximately RMB15.0 million, RMB14.0 million and RMB16.2 million, respectively. We expect our compliance cost in 2017 to be approximately RMB18.7 million.

Since our business involves the production and storage of certain hazardous chemicals and materials, we are committed to clean production and reducing the discharge of wastes. Both Huizhou Production Bases and Wuxi Production Bases have obtained ISO14001:2004 certifications. In addition to compliance with international standards, we have also developed a series of internal environmental protection policies and guidance, including (a) waste water: (i) Group members should be equipped with proper drainage facilities to ensure proper filter and treatment, as well as the amount of discharge of waste water being within the limit imposed by the PRC government; (ii) water recycling plant should be installed, and (iii) security cameras should be installed to monitor the condition of waste water discharge; (b) air emission: air purifying and recycling facilities should be installed to collect the air pollutants in production workshops to improve air quality; (c) noise pollution: Group members should adopt sound proofing and sound absorption measures to ensure the noise produced meets the required standard imposed by the PRC government; and (d) solid waste: hazardous wastes should be carefully transported to landfill/ specific departments of our Group for further handling. We engage a number of external companies with the relevant permits to handle and dispose of the hazardous wastes generated by us.

During the Track Record Period, we were not subject to any material fines or penalties associated with the breach of any environmental laws or regulations.

#### Health and work safety

We are subject to certain rules and regulations on health and work safety. For further information, please refer to the section headed “Regulatory Overview – Laws and Regulations of the PRC – E. Regulations as to Production Safety” in this prospectus.

We have implemented infrastructure and safety policies to ensure equipment safety, to prevent or minimise community exposure to hazardous materials. We have compiled an

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## BUSINESS

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internal safety manual to provide guidance to our staff in maintaining a safe working environment. Each of our subsidiaries has established a safety management committee consisting of representatives from the management and staff. The safety management committee carries out regular safety inspection of our production facilities to ensure that the safety measures are complied with and the production procedures are adhered to. We have also maintained fire prevention facilities and conducted fire drill on a regular basis. Production staff are provided with regular trainings on the operations of the equipment and occupational safety gear.

We had two fire accidents at the electroplating production base in Huizhou in February 2014 and November 2016, respectively, without causing any death or casualties. According to the administration penalty order issued by the PRC local authority on 4 April 2014, the accident in 2014 was caused by an employee operating machinery without proper production safety training, indirectly causing a fire in the production base. We were ruled to have breached the Production Safety Law of the PRC (中華人民共和國安全生產法) and the Interim Provisions on the Identification and Treatment of Hidden Perils of Work Safety Accidents (安全生產事故隱患排查治理暫行規定). As a result of the breach, we were subject to a fine in the amount of RMB100,000 and the operation of the relevant production base was suspended for two months to rectify the fire safety issue as required by the local authority. We have paid the related penalty to the PRC local authority upon receipt of such penalty order. The employee causing the fire accident was fined and dismissed by us. Another fire accident took place in our Huizhou Production Base in November 2016, as a result of which we suffered an aggregate economic loss of approximately RMB16.0 million, including destruction of our electroplating racks and loss of production arising from the accident. The fire accident did not cause material disruptions to our Group. According to the investigation report issued in January 2017 by the local fire department, the fire was not caused by electrical wiring or natural disasters, and we have reported a suspect, being our employee which we have dismissed after the accident, of causing the fire to the police for their investigation. As at the Latest Practicable Date, we were not fined by any authorities for any breach of laws and regulations, had not received any penalty notice or ordered to suspend our production as a result of the accident. According to the written confirmation from the relevant safety production authorities in February 2017, we had complied with the relevant production safety laws and regulations in the PRC.

To prevent the occurrence of similar accident, we adopted strict measures to supervise the use of naked flames in our factories by introducing guidelines which set out the safety precautions to be taken when using naked flames in the factories and the approval procedures. Prior permission must be sought from our administrative department by filling out application forms providing all the relevant details such as the venue, time and reason for the use of naked flames and name of supervisor(s). Our safety officers are responsible for conducting regular site patrols in the areas where naked flames are used and preparing the relevant documentation for record keeping purposes. Any persons who use naked flames in our factories without prior permission may be fined or dismissed. Our administrative department and safety officers of Huizhou Production Bases also conduct weekly training for our repair and maintenance staff to ensure that they possess the necessary safety knowledge at work. Further, open flames and cigarettes are strictly prohibited in production areas. We will install (i) security cameras in production areas with explosive and flammable materials to closely monitor the production process and (ii) fire detection and alarm systems in such areas to detect a fire and alert emergency personnel to minimise fire risk and its impact. Our

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## BUSINESS

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security personnel will also conduct security patrols 24 hours on a daily basis to ensure fire safety in our production sites. Our Directors are of the view that our existing occupational safety measures are adequate and effective to safeguard the occupational health and safety of the employees.

Apart from the accidents disclosed above, we had no other accidents causing material disruptions to our Group during the Track Record Period and up to the Latest Practicable Date.

There has not been any material incidents of work-related injuries or fatality during the Track Record Period.

### EMPLOYEES AND STAFF

As at 31 December 2016, we employed a total of 4,025 employees, and we had 37 workers dispatched to us from independent third-party employment agencies to assume temporary and ancillary functions. As at 31 December 2016, we had 3,991, 2, 16 and 16 staff members in China, Hong Kong, the United States and Germany, respectively. The following table shows the breakdown of our employees by function as at 31 December 2016:

<u>Employee Type</u>	<u>Total number of employees</u>	<u>Percentage of total employees</u>
Production	2,506	62.3%
R&D	305	7.6%
Quality assurance	500	12.4%
Human resources, administration and finance	253	6.3%
Maintenance	71	1.8%
Logistics	248	6.2%
Procurement	23	0.6%
Marketing	80	2.0%
Management	39	0.8%
<b>Total</b>	<b>4,025</b>	<b>100.0%</b>

We entered into labour dispatch agreements with three employment agencies in total during the Track Record Period. Each of these labour dispatch agreements has a term of one to two years. Our major obligations under the labour dispatch agreements include: (i) paying the employment agencies wages to the dispatched workers (which should not be lower than the statutory required minimum wages) and the employment agency's management fees; (ii) in the event of work-related injury, being jointly responsible with the employment agency for compensation in accordance with the specific terms of the labour dispatch agreements if the amount exceeds the relevant insurance coverage; and (iv) subject to the terms of the specific labour dispatch agreement, notifying the employment agencies at least 30 days prior to any occurrence of material change to our business operation. The employment agencies' major obligations under the labour dispatch agreements include: (i) entering into labour contracts with the dispatched workers and processing wages to the dispatched workers on our behalf and (ii) making social insurance contributions for the dispatched workers.

According to the Interim Provisions on Labour Dispatch (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security of the PRC on 24 January 2014 and

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## BUSINESS

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implemented on 1 March 2014 (the “**Interim Provisions**”), the number of dispatch workers used by an employer cannot exceed 10% of the total number of its employees and dispatch workers. As at the Latest Practicable Date, our PRC Legal Advisers have confirmed that we had met the requirement of the Interim Provisions.

### **Training**

We provide regular training to our employees and workers dispatched to us through employment agencies to keep them up-to-date with the latest developments in the industry which relate to our products and production process as well as the products we sell or promote. We also provide regular trainings on safety to our employees and dispatched workers. For further details, please refer to the paragraph headed “Environmental Protection, Health and Work Safety – Health and work safety” above in this section.

### **Labour disputes**

Our employees working at production lines take shifts every 12 hours. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labour shortage, work stoppages, strikes or any labour disputes with our employees which had a material effect on our business.

### **Welfare contribution**

Pursuant to the applicable PRC laws and regulations, we are required to make contributions for our employees to various social insurance funds, including but not limited to pension insurance and housing provident funds. During the Track Record Period, we did not make full contribution to the social insurance and housing provident fund for some of our employees in the PRC. For further details of our non-compliances during the Track Record Period, please refer to the paragraph headed “Compliance and Legal Proceedings – Non-compliances” below in this section.

### **Remuneration**

The remuneration package of our employees includes salary, bonuses and various types of allowances. We review the performance of our employees monthly, the results of which are used in his or her annual salary review and promotion appraisal. Our employees are also entitled to participate in our Share Option Scheme. For further details, please refer to the paragraph headed “Appendix IV — Statutory and General Information — 4. Share Option Scheme” in this prospectus.

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**BUSINESS**

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**LICENCES AND PERMITS**

The table below sets out the details of the material licences, permits and approvals obtained by us as at the Latest Practicable Date:

<u>Licences/permits/ approvals</u>	<u>Issuing body</u>	<u>Issued to</u>	<u>Issued on</u>	<u>Valid until</u>
<b><i>Huizhou Production</i></b>				
<b><i>Bases:</i></b>				
Guangdong province pollutant emission permits* (廣東省污染物 排放許可證)	Environmental Protection Bureau of Huizhou City and its suboffice (惠州市環境保護局)	XP (Huizhou) Surface Decoration	13 August 2014	31 May 2019
		Huizhou Haoyu	21 August 2015	31 May 2019
		KP (Huizhou) Electronics	12 February 2015	12 February 2018
		KP (Huizhou) Precision Plastic	20 April 2016	20 April 2019
		KP (Huizhou) Surface Decoration	14 February 2017	14 February 2018
Water obtaining permit* (取水許可證)	Huizhou City Water Resources Department (惠州市水務局)	KP (Huizhou) Precision Plastic	1 January 2017	31 December 2019
<b><i>Tianjin Production Base:</i></b>				
Tianjin drainage (water) permit* (天津市排污 (水) 許可證) (Note)	Tianjin City, Wuqing District Environmental Protection Bureau (天津市武清區環境保護局)	Tianjin Jinxin	26 March 2013	March 2015
Water obtaining permit* (取水許可證)	Tianjin City, Wuqing District Water Resources Department* (天津市武清區水務局)	Tianjin Jinxin	1 January 2015	31 December 2019
<b><i>Others:</i></b>				
Operating licence for hazardous chemicals* (危險化學品經營許可證)	Shanghai, Pudong Xinqu Administration of Work Safety* (上海市浦東新區 安全生產監督管理局)	Shanghai Xinyu	9 June 2015	8 June 2018

***Note:***

As advised by our PRC Legal Advisers, although this permit expired, a competent officer of the Tianjin City, Wuqing District Environmental Protection Bureau verbally confirmed that it no longer processes renewal



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## BUSINESS

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applications for this permit pending the enactment of a unified regulation for drainage permit by the Ministry of the Environmental Protection of the PRC, and it is unclear when it will resume the reviewing process. However, our PRC Legal Advisers are of the view that the current operation of Tianjin Production Base does not contravene any relevant PRC regulations or laws resulted from the failure to obtain a valid drainage permit after its expiry.

Our PRC Legal Advisers have confirmed that, save for the expired Tianjin drainage (water) permit\* (天津市排污(水)許可證) as mentioned above, Huizhou Xinsheng, XP (Huizhou) Precision Components, KP (Wuxi) Moulding for which production lines or operating premises are under constructions, we have obtained all relevant licences, permits and approvals for our business operations in the PRC and the licences, permits and approvals obtained were valid and remain in effect as at the Latest Practicable Date.

### MARKET AND COMPETITION

The industry which we operate in is fragmented in the PRC with the top five players accounting for approximately 19.7% of the total market share in terms of turnover in 2016. There are numerous automotive plastic electroplating component suppliers which are mainly small and medium enterprises located in Shanghai, Guangzhou and Changchun. Our customers comprise of international Tier 1 suppliers and OEMs, we face competition from other players both domestically and globally.

Our Directors believe that the major obstacles for new entrants to the automotive plastic electroplating components industry are the increasingly stringent environmental protection policies laid down by the government, the advanced level of technological skills involved in the electroplating process, established sales network and close relationship with customers enjoyed by the existing qualified automotive plastic electroplating components suppliers as well as the large amount of capital investment required for initial start-up and operation. In addition, our Directors consider that the ability to produce high-quality products while keeping costs low is the key to differentiate oneself from other manufacturers.

We believe that our one-stop production platform, technology and know-how, proven track record, production capacity and strong local and overseas customer base, have enabled us to be competitive against many of our competitors. Particularly, we believe that our technical expertise in electroplating gives us competitive edge in quality and enable us to attain a significantly higher yield rate than our competitors. For further details of our strengths, please refer to the paragraph headed “Competitive Strengths” above in this section.

In order to capture the growth in the automobile industry and outperform our competitors, we plan to expand our production facilities in China and Mexico, strive to further invest in R&D to enhance our technologies and continue to penetrate the overseas markets, especially the North American and European markets where we have established offices and business relationship with certain Tier 1 suppliers and OEMs.

For further information on the competitive landscape of our industry and our market position, please refer to the section headed “Industry Overview” in this prospectus.

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## BUSINESS

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### AWARDS

Our business is recognised in the PRC as evidenced by the following awards and certificates obtained in recent years:

<u>Year of grant</u>	<u>Award/ accreditations</u>	<u>Entity</u>	<u>Awarding organisation</u>
2016	General Motors Supplier Quality Excellence Award	KP (Huizhou) Precision Plastic	General Motors Company
2016	2015 European Supplier Leadership Award – Continuous Improvement	XPC	Yanfeng Global Automotive Interior Systems Co., Ltd.
2016	High and New Technology Enterprise Certificate* (高新技術企業證書)	KP (Huizhou) Precision Plastic	Jointly issued by Guangdong Provincial Department of Science and Technology, Department of Finance of Guangdong Province, Guangdong Provincial Office, SAT and Guangdong Local Taxation Bureau
2015	2015 Excellent Supplier (2015年度 優秀供應商獎)	KP (Huizhou) Precision Plastic	Autoliv (Shanghai) Management Co., Ltd.
2015	Best Supplier Award 2014	KP (Huizhou) Precision Plastic	Autoliv (Shanghai) Management Co., Ltd.
2014	Exceptional Contribution Award* (特殊貢獻獎)	KP (Huizhou) Precision Plastic	Autoliv (Shanghai) Management Co., Ltd.
2014, 2013	Outstanding Supplier Award* (優秀供應商獎)	Wuxi Jinxin	Kostal (Shanghai) Management Co., Ltd.
2014	European Supplier Performance Award — Silver	XPC	Johnson Controls Interiors Management GmbH
2013	Best Supplier in 2012 (2012年度最佳供應商)	Wuxi Jinxin	Ficosa International (Taicang) Co., Ltd.

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## BUSINESS

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### INSURANCE

Our insurance coverage includes property insurance, personal accident insurance, environmental liability insurance and product liability insurance. We do not maintain business interruption insurance or key personnel insurance as such insurance is not a mandatory legal requirement in the PRC nor is it customary to the industry practice in the PRC. We consider our current insurance coverage to be adequate for our present operations and in line with the industry norm.

### PROPERTIES

#### Land

##### *Owned land*

As at the Latest Practicable Date, we owned (i) the land use rights of a total of five parcels of land in the PRC, including two, two and one parcel(s) of land in Huizhou, Wuxi and Tianjin, respectively, with an aggregate GFA of 144,818.1 sq.m. which are mainly used as factories, offices, workshops and dormitory and (ii) three parcels of vacant land in Malaysia with an aggregate GFA of 44,771 sq.m. (the “**Malaysia Land**”).

Our Group acquired the Malaysia Land in 2012 for building a production base focusing on plastic injection moulding and electroplating to facilitate our expansion plan in Asia and to enjoy the favourable local strong government policy supporting on exports. However, as we subsequently decided to establish a new production base in Mexico to further expand our business in North America pursuant to our strategy, we suspended the development of the Malaysia Land. As at the Latest Practicable Date, we did not have any business plan in Malaysia and on the usage of the Malaysia Land.

We owned the land use right of a parcel of land in No. 68, Xiatang Village Group, Xikeng, Huihuan Sub-district, Zhongkai New and High-Tech Industry Development Zone, Huizhou (惠州仲愷高新區惠環街道辦西坑下塘村小組68號) with GFA of approximately 59,161.40 sq.m. (the “**Zhongkai Land**”). Pursuant to the relevant notice promulgated by Zhongkai New and High-Tech Industry Development Zone Sub-Bureau of Huizhou Municipal Land and Resources Bureau\* (惠州市國土資源局仲愷高新技術產業開發區分局) on 26 October 2015, due to urban planning and road construction needs, the Management Committee of Zhongkai New and High-Tech Industry Development Zone intends to consolidate and resume the land use rights in respect of the Zhongkai Land with an area of 9,394.98 sq.m. (the “**Affected Plot**”) in accordance with the relevant laws. As at the Latest Practicable Date, there was no properties or construction on the Affected Plot.

We were advised by our PRC Legal Advisers that the land use rights in respect of the Affected Plot remain to be owned, and may continue to be used, by KP (Huizhou) Precision Plastic until such land is taken over by the relevant government departments. However, KP (Huizhou) Precision Plastic may not let, transfer, create security over or dispose of the land use rights of the Affected Plot freely due to the possibility of being taken over by the government. Subject to certain administrative procedures, KP (Huizhou) Precision Plastic shall be at liberty to let, transfer, create security over or dispose of the remaining portion of the Zhongkai Land. Our Directors confirm that, as at the Latest Practicable Date, the negotiations regarding the said compensation matters were still in progress.

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## BUSINESS

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As advised by our PRC Legal Advisers and our Company's legal advisers as to Malaysia law, we have obtained the valid title for all the land and we had not been subject to any material claim arising from or in connection with any defect in the eight parcels of land we own as at the Latest Practicable Date.

### *Leased land*

As at the Latest Practicable Date, we leased one parcel of land namely, Tianjin Wuqing Land, in the PRC with an aggregate site area of 6,845.2 sq.m. for use as workshops and warehouses.

There are a few issues with respect to the Tianjin Wuqing Land, namely, (i) usage of part of the land in contravention of the permitted use for agricultural purposes; (ii) construction of production facilities thereon without the required permit; and (iii) lack of ownership certificate from the Tianjin Land Owner. In view of the risks relating to these defects, we have formulated a relocation plan. For details, please refer to the paragraph headed "Properties – Plans to resolve risks related to certain of our leased land and properties" below in this section.

As at the Latest Practicable Date, we had not been subject to any material claim arising from or in connection with any defect in the Tianjin Wuqing Land.

### **Properties**

#### *Owned properties*

As at the Latest Practicable Date, we owned (i) a total of nine buildings in the PRC, including four, three and two buildings in Huizhou, Wuxi and Tianjin, respectively, and one office premise in Huizhou and (ii) one office/warehouse premises in the US with an aggregate GFA of 37,838.69 sq.m. We used our owned properties primarily as offices, workshops, warehouses and dormitory.

As at the Latest Practicable Date, there were two temporary constructions of an aggregated GFA of approximately 3,323.14 sq.m. for storage use (the "**Temporary Constructions**") on Zhongkai Land and we failed to obtain the relevant construction planning permits with respect to the Temporary Constructions. For details of this non-compliance, please refer to the paragraph headed "Compliance and Legal Proceedings – Non-compliances – Commencement of construction works prior to obtaining relevant construction planning permits" below in this section.

Save as disclosed above, to the extent that any certificates, approvals or permits are required as at the date thereof, we held valid title certificates for all of our owned buildings and obtained the necessary approvals and permits required for the premises under construction.

Save as disclosed above, our PRC Legal Advisers and the Company's legal advisers as to US law have confirmed that, as at the Latest Practicable Date, we possessed the legal ownership of the properties for which we hold valid title certificates, which we are entitled to occupy, use, benefit from and dispose of.

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## BUSINESS

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### *Leased properties*

As at the Latest Practicable Date, we leased a number of properties in the PRC, Germany and Hong Kong, the details of which are set out below:

<u>Jurisdiction</u>	<u>Number of leased properties</u>	<u>Aggregate GFA (sq.m.)</u>	<u>Purpose of the leased properties</u>
PRC	various properties leased under 27 lease agreements	110,494.52 sq.m. (Note 1)	Production plants, offices, warehouses, dormitory, canteen and workshops
Germany	3	868.6	Office
Hong Kong	1	104.0	Office
		<u>111,467.12</u>	

*Note:*

The aggregate GFA does not include GFA of 110 dormitory units leased by us, as the GFA of each dormitory unit is not stated in the relevant lease agreement. The aggregate GFA includes three intragroup leases covering GFA of 7,678.1 sq.m.. Out of the aggregate GFA, approximately 104,693.5 sq.m., 3,534.0 sq.m., 1,654.76 sq.m. and 612.23 sq.m. are located in Huizhou, Wuxi, Tianjin and Shanghai, respectively.

As at the Latest Practicable Date, the lessors of properties with an aggregate GFA of 7,300 sq.m. (excluding those on the Tianjin Wuqing Land) leased by us were unable to provide the construction works planning permits or the relevant property ownership certificates to prove their authority to lease the relevant properties (the “**Properties Without Permits**”). As advised by our PRC Legal Advisers, if any third party challenges the legal ownership of these properties, we may no longer be able to occupy and use such properties. Our Directors confirmed that most of these properties are used as warehouses and dormitories, which are of ancillary purposes, and the aggregate GFA of these properties only account for approximately 8.2% of the total GFA of all of our leased properties (excluding those on the Tianjin Wuqing Land). As of the Latest Practicable Date, we were not aware of any third party challenging the ownership of such properties. Moreover, as at the Latest Practicable Date, the lessors of the properties with an aggregate GFA of 20,476.92 sq.m. (including Properties Without Permits) failed to register the lease agreements with the local authorities. For details of this non-compliance, please refer to the paragraph headed “Compliance and Legal Proceedings – Non-compliances – Failure to register for leases in relation to certain leased properties” below in this section.

Save as disclosed above, our PRC Legal Advisers have confirmed that, as at the Latest Practicable Date, the relevant lessors of our leased properties in the PRC had valid property ownership certificates or the construction working planning permits. The relevant property owners of our leased properties in Germany were the registered owners of such properties based on the available land registers.

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## BUSINESS

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### Plans to resolve risks related to certain of our leased land and properties

#### *Defects with respect to the Tianjin Wuqing Land*

One of our leased land is located at Su Yang Fang, Nan Cai village, Wuqing district, Tianjin (天津武清區南蔡村鎮蘇羊坊村), the PRC, with a gross floor area of approximately 6,845.2 sq.m.. The defects with respect to the Tianjin Wuqing Land involve the following three aspects:

(i) Illegal use of collective agricultural land

Our Directors confirm that 2,866.2 sq.m. out of the entire Tianjin Wuqing Land is planned for collective agricultural land (集體農用地) (the “**Agricultural Land**”). Pursuant to the PRC applicable laws, the land use right of the farmers collectively-owned land shall not be sold, transferred or leased for non-agricultural purpose, except in the case of legal transfer of the land that conforms to the general plan for the utilisation of land and is legally obtained by enterprises due to bankruptcy or acquisition. Our PRC Legal Advisers confirmed that the Agricultural Land is farmers collectively-owned land and unless under special circumstances, any transfer of land use right in the Agricultural Land or leasing of the land for non-agricultural purpose may be deemed illegitimate. We have built industrial production facilities on the Agricultural Land, which is inconsistent with the approved agricultural usage.

As advised by our PRC Legal Advisers, we are required to apply for the permission to change the use of the Agricultural Land before carrying out the construction of the industrial production facilities thereon. As we failed to do so, the relevant government authorities may, pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) and the Regulation on the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例), (i) order us to demolish/confiscate the constructions on the Agricultural land; (ii) reinstate the Agricultural Land to the previous condition; and/or (iii) impose a fine of less than RMB30 per sq.m. of the Agricultural land.

(ii) Construction without permits

We have also invested in building production facilities on the Tianjin Wuqing Land without the required construction works planning permits.

As advised by our PRC Legal Advisers, companies shall obtain construction works planning permits and construction works commencement permits for building structures. As we failed to do so, the relevant government authorities may, pursuant to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), (i) order the construction entity to demolish the constructions on the land; (ii) confiscate the constructions or illegal incomes generated therefrom; and/or (iii) impose a fine of less than 10% of the concerned construction costs.

(iii) Lack of ownership certificate

The Tianjin Land Owner fails to produce the property ownership certificate for the Agricultural Land. As advised by our PRC Legal Advisers, any third party may challenge the ownership of the land and we may not be able to use and occupy the Tianjin Wuqing Land.

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## BUSINESS

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### *Our intention with respect to the Tianjin Wuqing Land*

On the basis of the above, and having also considered that during the Track Record Period and up to the Latest Practicable Date, (i) Tianjin Jinxin had not received any eviction order from the relevant PRC governmental authorities; and (ii) Tianjin Jinxin was not aware of any third party challenging the legal ownership of land, our Directors believe that the possibility that we would be forced to relocate from the Tianjin Wuqing Land is remote. However, to eliminate the risks of us being forced to relocate, we have formulated a relocation plan as described below.

### *Relocation plan for our production operations on the Tianjin Wuqing Land*

#### *Relocation plan*

In light of the risks of being forced to move out from the Tianjin Wuqing Land, our Directors plan to relocate our affected production facilities to a electroplating plant located at Tianjin Kinport electroplating industry base\* (天津濱港電鍍產業基地) in Jinghai District, Tianjing (the “**Kinport Plant**”), which is approximately 120 kilometres away from Tianjin Jinxin.

In this connection, we have entered into a lease agreement (“**Kinport Lease Agreement**”) with Tianjin Wandafeng Surface Decoration Co., Ltd.\* (天津萬達豐金屬表面處理有限公司) (the “**Kinport Landlord**”) with respect to the Kinport Plant for a monthly rental fee of RMB19,857.0 for a period of two years from 1 June 2016 to 31 May 2018. In addition, we have entered into an environmental management services agreement with Tianjin Kinport Electroplating Enterprise Management Co., Ltd.\* (天津濱港電鍍企業管理有限公司) (“**Tianjin Kinport Enterprise**”) pursuant to which Tianjin Kinport Enterprise shall provide, among others, installation of environmental protection related facilities, waste water treatment and common areas maintenance services in relation to the Kinport Plant for a monthly charge of RMB56,262.0 from 1 June 2016 to 31 May 2018.

Although the total GFA of Tianjin Wuqing Land amounts to approximately 6,845.2 sq.m., the production facilities occupied within an area of around 1,900 sq.m. as at the Latest Practicable Date. As the GFA of Kinport Plant is approximately 1,654.8 sq.m., our Directors consider that the Kinport Plant can accommodate our existing operation in Tianjin Wuqing Land. As advised by our PRC Legal Advisers, the Kinport Landlord owns the legal title of the Kinport Plant and is entitled to lease the Kinport Plant to a third party, and the Kinport Lease Agreement is legal, valid and binding.

We have commenced the renovation of the Kinport Plant and arranged for the relevant installation in end of March 2017. Based on the scale of relocation and our experience in establishing production bases, we expect to finish the relocation of our plants and equipment on the Tianjin Wuqing Land to the Kinport Plant by the end of August 2017. We expect to incur a total cost of RMB2.4 million for the relocation exercise, which includes RMB1.6 million for the transfer of raw materials, equipment and production line and RMB0.8 million for refurbishing the Kinport Plant.

The lease agreement with respect to the Tianjin Wuqing Land is due to expire in June 2030. We plan to negotiate with the Tianjin Land Owner on the possibility of early

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## BUSINESS

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termination of the relevant lease agreement after we relocate to the Kinport Plant. In the event that we are unable to terminate the said lease before the expiry of its original term, we will have to pay for the rent of RMB4.4 million with respect to the Tianjin Wuqing Land for the remaining term of the lease. The monthly rental of our Kinport Plant is also RMB7.8 per sq.m. higher than that of the Tianjin Wuqing Land.

Considering that the actual production volume of the electroplating plant on the Tianjin Wuqing Land in 2016 only accounted for approximately 4.8% of our total production, our Directors are of the view that the relocation would not have any material financial or operational impact on our Group.

### *Increasing production in our unaffected production bases*

We expect that the relocation process may last for around five months, during which we need to partially close down our operation of the production facilities on Tianjin Wuqing Land. Although we plan to relocate to the Kinport Plant by the end of August 2017, we may be forced to vacate from the Tianjin Wuqing Land before the Kinport Plant is ready for operation. We plan to increase the utilisation rate of the electroplating plants of Wuxi Jinxin and KP (Wuxi) Electronics during the relocation period.

As at the Latest Practicable Date, the affected production facilities operated by Tianjin Jinxin on the Tianjin Wuqing Land supported one electroplating production line (“**H Line**”). The designed monthly production capacity for the H Line in 2016 was approximately 8,424 sq.m. while the actual monthly production volume was approximately 4,988.6 sq.m. with the monthly utilisation rate being around 59.2%.

As at the Latest Practicable Date, Wuxi Jinxin’s electroplating plant operated two electroplating production lines (“**A & C Lines**”). The aggregate designed monthly production capacity of the A & C Lines in 2016 was approximately 30,576 sq.m. and the unutilised monthly capacity was approximately 9,740.8 sq.m. with the overall monthly utilisation rate being around 68.1%.

On the other hand, as at the Latest Practicable Date, KP (Wuxi) Electronics’ electroplating plant operated one electroplating production line (“**D Line**”). The designed monthly production capacity of the D Line in 2016 was approximately 19,760 sq.m. and the unutilised monthly capacity was approximately 2,425.1 sq.m. with the monthly utilisation rate being around 87.7%.

As the aggregate unutilised monthly capacity of Wuxi Jinxin and KP (Wuxi) Electronics in 2016 was approximately 12,165.8 sq.m. (compared to the actual aggregate monthly production volume of 4,988.6 sq.m. for the H Line), we believe that there would be sufficient capacity in the electroplating plants of both Wuxi Jinxin and KP (Wuxi) Electronics to absorb all the production capacity of the affected electroplating plants operated by Tianjin Jinxin. We expect that there will be no loss of revenue during our relocation process if we can sufficiently increase the production capacities of the Wuxi Production Bases in a timely manner. However, as we would need to transport the finished products from Wuxi to Tianjin, based on the existing production volume of Tianjin Jinxin and the logistics fee quotation we have obtained, we estimate that an additional transportation cost of RMB17,200 per month would be incurred should we adopt this contingency plan.



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## BUSINESS

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### COMPLIANCE AND LEGAL PROCEEDINGS

We are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licences, permits and approvals in order to operate our facilities and conduct our business. For a summary of such relevant PRC laws and regulations which our business operations are subject to, please refer to the section headed “Regulatory Overview” in this prospectus.

As at the Latest Practicable Date, no member of our Group was engaged in any outstanding 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 member, that would have a material adverse effect on our results of operations or financial condition.

#### Non-compliances

During the Track Record Period and up to the Latest Practicable Date, we inadvertently failed to comply with certain regulatory requirements under the laws of the PRC. Details of them are summarised below.

#### *Under-contribution of social insurance for some of our PRC employees*

(i) Nature, extent and reasons of non-compliance

During the Track Record Period, we either did not provide full, or at all, social insurance contributions for some of our PRC employees. We estimate that the amounts of social insurance payments that we underpaid during the years ended 31 December 2014, 2015 and 2016 were approximately RMB27.8 million, RMB28.7 million and RMB44.3 million, respectively.

The human resources manager of each of the relevant PRC subsidiaries had been designated as the administrative persons-in-charge for overseeing the respective PRC subsidiary’s compliance with the PRC social insurance requirements. The non-compliance was primarily due to the human resources managers being unfamiliar with the relevant regulatory requirements. In addition, some of our PRC employees were reluctant to cooperate with our PRC subsidiaries in making contribution for social insurance as they did not want to bear their portion of contribution.

(ii) Possible legal consequences and maximum penalty

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), with regard to the failure to pay the full amount of social insurance premiums as scheduled after 1 July 2011, the relevant PRC authorities shall order the employer to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant PRC authorities shall impose a fine from one to three times the amount of overdue payment. According to the Regulations on Labour and Social Security Supervision (勞動保障監察條例), if the violation to labour and social security laws, regulations or rules is continuous or continuing, but it has not come to the attention of the relevant labour administrative departments after two years since the date of the violation’s cessation, nor has it been reported or complained about, the labour administrative departments will no longer investigate or impose punishments.

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## BUSINESS

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(iii) Potential operational and financial impact on our Group

We have contributed social insurance on the basis prescribed by laws and regulations or local policies (as appropriate) for all our eligible PRC employees since April 2016.

As confirmed by the relevant officials of Huizhou Social Insurance Bureau (惠州市社會保險基金管理局) and Huizhou Human Resources and Social Security Bureau (惠州市人力資源和社會保障局) during the interviews conducted on 10 March 2016 and 21 March 2016 respectively, (i) corporate entities in Huizhou making social insurance contribution in accordance with the local minimum prescribed base would, in principle, be considered as in compliance with the relevant rules and regulations; and (ii) for contributions which were outstanding for over two years and were not subject to report and/or complaint, the relevant authorities would not enforce strict compliance.

As confirmed by the relevant official of Wuxi Social Insurance Bureau (無錫市社會保險基金管理局) during the interviews conducted on 12 April 2016, after reviewing on the contribution bases of our relevant subsidiaries in Wuxi, no issues in relation to the contribution of social insurance were identified and our relevant subsidiaries in Wuxi may continue to make contribution in line with the base amount as prescribed by the said authority.

We further obtained written confirmations on various dates from the relevant Social Insurance Bureau and/or Human Resources and Social Security Bureaus confirming that our relevant subsidiaries in Huizhou, Tianjin and Wuxi have not been penalised for violating any laws and regulations in relation to labour and social security.

Based on the above, our PRC Legal Advisers is of the view that: (i) each of the relevant Social Insurance Bureau and the Human Resources and Social Security Bureaus is the competent authority to issue the respective written confirmations and/or to be consulted on the interpretation of the respective rules and regulations; (ii) it is unlikely for the relevant authorities to request for payment for the outstanding social insurance contributions and/or any such surcharge for non-compliance happened two years ago; and (iii) if we pay the outstanding sum within the prescribed period upon receiving the relevant request, the fine (equivalent to one to three times of the amount of overdue payment) would not be imposed upon us in connection with our non-compliance.

During the Track Record Period and up to the Latest Practicable Date, we had not received any orders or demands from the relevant government authorities requesting us to pay the unpaid social insurance contributions or any penalties.

However, in order to reflect the potential financial impact of such non-compliance on us, appropriate provisions in the sum of approximately RMB27.8 million, RMB28.7 million and RMB44.3 million therefore have been made in respect of such noncompliance events, for each of the years ended 31 December 2014 and 2015 and 2016 respectively.

Besides, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any costs, expenses and losses in connection with such amount and/or penalty, due to such non-compliance incident occurred or before the Listing Date, provided that the Controlling Shareholders will not be liable to any associated costs and expenses to the extent of any provision being made in the financial statement of the relevant members. Based on the above, our Directors consider that the non-compliance has no significant adverse operational and financial impact on our Group.

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## BUSINESS

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### *Under-contribution of housing provident fund for some of our PRC employees*

(i) Nature, extent and reasons of non-compliance

During the Track Record Period, we did not open housing provident fund accounts and either did not provide full, or at all, housing provident fund contributions for some of our PRC employees. We estimate that the amounts of housing provident fund contributions that we underpaid during the years ended 31 December 2014 and 2015 and 2016 were approximately RMB4.7 million, RMB4.2 million and RMB6.4 million, respectively.

The human resources manager of each of the relevant PRC subsidiaries had been designated as the administrative persons-in-charge for overseeing the respective PRC subsidiary's compliance with the PRC housing provident fund requirements. The non-compliance was primarily due to the human resources managers being unfamiliar with the relevant regulatory requirements. In addition, some of our PRC employees were reluctant to cooperate with our PRC subsidiaries in making contribution for housing provident fund as they did not want to bear their portion of contribution.

(ii) Possible legal consequences and maximum penalty

Under the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), where an employer fails to pay up housing provident fund within the prescribed time limit, the housing fund administration centre may order it to make payment within a certain period of time; if the employer still fails to do so, the housing fund administration centre may apply to the court for enforcement of payment of the outstanding amount. The housing fund administration centre may also impose a penalty ranging from RMB10,000 to RMB50,000 for failure to comply with the necessary account opening procedures within the time limit.

(iii) Potential operational and financial impact on our Group

We have contributed housing provident fund on the basis prescribed by laws and regulations or local policies (as appropriate) for all our eligible PRC employees since April 2016.

As confirmed by the relevant official of Huizhou Housing Provident Fund Management Centre (惠州市住房公積金管理中心) during the interview conducted on 10 March 2016, normally the authority would not request corporate entities to pay up the outstanding contribution of housing provident fund unless complaints were launched by the relevant employees.

As confirmed by the relevant official of Wuxi Housing Provident Fund Management Centre (無錫市住房公積金管理中心) during the interview conducted on 12 April 2016, the precedents that entities were required to pay up the outstanding contribution of housing provident fund were based on complaints from their employees.

We further obtained written confirmations from the relevant Housing Provident Fund Management Centre confirming that our relevant subsidiaries in Huizhou, Tianjin, Wuxi and Shanghai (i) have made contribution as to housing provident fund and (ii) have not been penalised for violating any laws or regulations in relation to housing provident fund.

Based on the above, our PRC Legal Advisers is of the view that: (i) each of the relevant Housing Provident Fund Management Centres is the competent authority to issue the

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## BUSINESS

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respective written confirmations and/or to be consulted on the interpretation of the respective rules and regulations; and (ii) unless complaints were launched by the relevant employees, the likelihood of us being requested by the relevant authorities to pay the outstanding fund contributions is low.

During the Track Record Period and up to the Latest Practicable Date, we had not received any orders or demands from the relevant government authorities requesting us to pay the unpaid housing provident fund contributions or any administrative penalties by the relevant housing fund administration centre.

However, in order to reflect the potential financial impact of such non-compliance on us, appropriate provisions in the amount of approximately RMB4.7 million, RMB4.2 million and RMB6.4 million therefore have been made in respect of such non-compliance events, for each of the years ended 31 December 2014 and 2015 and 2016 respectively.

Besides, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any costs, expenses and losses in connection with such amount and/or penalty, due to our non-compliance with laws and regulations related to such non-compliance incident occurred or before the Listing Date, provided that the Controlling Shareholders will not be liable to any associated costs and expenses to the extent of any provision being made in the financial statement of the relevant members. Based on the above, our Directors consider that the non-compliance has no significant adverse operational and financial impact on our Group.

### *Internal control measures in place to prevent recurrence of under-contribution of social insurance and housing provident fund*

To prevent recurrence of the non-compliance incidents in relation to under-contributions of social insurance fund and housing provident fund, we have adopted the following internal control measures:

- (i) management has re-confirmed with the relevant governing authorities regarding the contribution basis for social insurance and housing provident fund;
- (ii) trainings as to the relevant rules and regulations had been provided to the relevant personnel to ensure they are aware of the importance of making sufficient contributions of social insurance and housing provident fund;
- (iii) adoption of internal guidelines and policies to ensure the list of employees of the PRC subsidiaries have been properly kept and up-to-date; and
- (iv) all new employment contracts have specified that our employees shall comply with the laws and regulations, and to cooperate with our respective PRC subsidiaries, in making contributions of social insurance and housing provident fund in compliance with the relevant laws and regulations.

Our Directors are of the view that we have properly designed the internal controls to address the deficiencies for the purpose of preventing non-compliance on relation to social insurance fund and housing provident funds.

Mr. Jiang Wei, our executive Director has been assigned to periodically review the contribution payments and report any discrepancies found to ensure that contributions are

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## BUSINESS

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properly monitored and carried out in accordance with the requirements of the relevant regulations, and to report to the Board about the findings and results regularly. For details of Mr. Jiang Wei's qualifications and experience, please refer to the section headed "Directors, Senior Management and Employees – Directors – Executive Directors" in this prospectus. We will also seek legal advice on the relevant requirement in the future, as and when necessary, to ensure our continuous compliance with the relevant laws and regulations.

### ***Illegal use of collective agricultural land and construction without permit in relation to the Tianjin Wuqing Land***

(i) Nature, extent and reasons of non-compliance

As disclosed in the paragraph headed "Properties – Plans to resolve risks related to certain of our leased land and properties – Defects with respect to the Tianjin Wuqing Land" above in this section, we have (i) built certain industrial production facilities on the Agricultural Land, which is inconsistent with its approved agricultural usage; and (ii) built the above production facilities without obtaining the required construction permits.

Our non-compliance was primarily due to our local management being unfamiliar with and lack of sufficient knowledge on compliance with laws and regulations concerning land administration.

(ii) Possible legal consequences and maximum penalty

For the relevant rules and regulations, possible legal consequences and maximum penalty in relation to such non-compliance incidents, please refer to the paragraph headed "Properties – Plans to resolve risks related to certain of our leased land and properties – Defects with respect to the Tianjin Wuqing Land".

(iii) Potential operational and financial impact on our Group

As at the Latest Practicable Date, we were not subject to any penalty in respect of such non-compliance incidents and we have not received any notifications from the relevant PRC land and resources administrative authorities demanding us to demolish the industrial production facilities on the Agricultural Land and/or imposing fines on us. If a fine is imposed on us from the relevant authorities, we intend to immediately pay in full the required sum imposed.

Appropriate provision in the amount of approximately RMB6,394,000 had been made in respect of the non-compliance events for the year ended 31 December 2012, taking into account (i) the estimated amount of fines which may be imposed by the relevant government authorities in relation to such non-compliance incidents; (ii) the estimated relocation costs and (iii) the net book value of the production facilities on the Tianjin Wuqing Land as at 31 December 2011. Besides, we plan to relocate to the Kinport Plant by the end of August 2017. For further details, please refer to the paragraph headed "Properties – plans to resolve risks related to certain of our leased land and properties – Relocation plan for our production operations on the Tianjin Wuqing Land" above in this section. Furthermore, our Controlling Shareholders have agreed to indemnify us for all amount and/or penalty or any costs, expenses and losses in connection with such amount and/or penalty, due to such non-

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## BUSINESS

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compliance incidents occurred or before the Listing Date, provided that the Controlling Shareholders will not be liable to any associated costs and expenses to the extent of any provision being made in the financial statement of the relevant members. Based on the above and considering that remediation actions will be taken by us in near future, our Directors consider that the non-compliance has no material adverse operational and financial impact on our Group.

(iv) Internal control measures in place to prevent recurrence

Mr. Liu Jun, our executive Director has been assigned to carry site visits regularly in order to ensure our properties (whether owned and leased) are used consistent with their respective permitted usage and constructions are conducted after the necessary approvals and/or permits are obtained and in accordance with the requirements of the relevant regulations, and to report to the Board about the findings and results regularly. For details of Mr. Liu Jun's qualifications and experience, please refer to the section headed "Directors, Senior Management and Employees – Directors – Executive Directors" in this prospectus. We will also seek legal advice on the relevant requirement in the future, as and when necessary, to ensure our continuous compliance with the relevant laws and regulations.

***Commencement of construction works prior to obtaining relevant construction planning permits***

As disclosed in the paragraph headed "Properties – Owned properties" above in this section, as at the Latest Practicable Date, the Temporary Constructions failed to obtain the relevant construction planning permits.

As advised by our PRC Legal Advisers, pursuant to the relevant laws and regulations in the PRC, if a construction project proceeds without obtaining the construction works planning permit or is in violation of the requirements thereof, the relevant planning authorities can order the construction entity to demolish the constructions on the land or confiscate the constructions or illegal incomes generated therefrom and/or impose a fine. However, on 29 January 2016, we obtained a written reply from Huizhou Municipal Bureau of City Administration and Law Enforcement Zhongkai Hi-tech Industry Development Branch (惠州市城市管理行政執法局仲愷高新技術產業開發分局) that considering our ownership of Zhongkai Land and the town planning in the area concerned not being affected, the said authority agreed that would not be subject order of demolition and/or penalty and we are allowed to continue to use the Temporary Constructions.

Our PRC Legal Advisers are of the view that (i) the said authority is the competent authority to issue and give confirmation as such implementation of the relevant laws and regulations; and (ii) based on the said reply, the risk of us being penalised for illegal construction is remote. Our Directors therefore are of the view that the aforementioned non-compliance incident constitutes immaterial non-compliances which do not have any material adverse impact on our Group as a whole.

***Failure to register for leases in relation to certain leased properties***

During the Track Record Period, we failed to register certain lease agreements we entered into as tenant for certain properties.

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## BUSINESS

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Pursuant to the Measures for Administration of Lease of Commercial Properties 《商品房屋租賃管理辦法》, a lease agreement in relation to properties on State-owned land shall be registered with the relevant authority within 30 days after the lease agreement is signed. As advised by our PRC Legal Advisers, the non-registration of the lease agreements does not affect the validity, legality and enforceability of our leases. However, the relevant government authorities may require us to rectify the non-compliance within a period of time and, if we fail to so rectify, impose a fine of up to RMB10,000 for each unregistered lease agreement.

As at the Latest Practicable Date, 5 of the lease agreements we entered into as tenant were not register with the local authorities. The leased properties under these lease agreements are mainly used as warehouses, production plants and canteen, and account for approximately 18.5%<sup>(1)</sup> of the aggregate GFA of our total leased properties in the PRC. As registration of lease agreements requires the submission of certain documents of landlords to relevant authorities, the lease registration is subject to cooperation of landlords which is beyond our control. As at the Latest Practicable Date, we had not received any rectification order or been subject to any fine in respect of non-registration of lease agreements. Our Directors consider that the non-compliance has no material adverse operational and financial impact on our Group. Accordingly, no provision was made in our financial statements. Upon expiry of these lease agreements, we will endeavour to relocate to properties owned by landlords who can cooperate to register the relevant lease agreement(s) to the extent that such relocation would not cause material interruption to our operation and does not impact our financial position substantially.

As advised by our PRC Legal Advisers, saved as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with all relevant PRC laws and regulations in all material respects.

In light of the remedial measures adopted by us with regard to the non-compliance incidents, the fact at as of the Latest Practicable Date, no similar non-compliance incidents had been identified, reported or notified by the relevant government authorities, our Directors are of the view that our internal control measures are adequate and effective to prevent recurrence of similar non-compliance in the future, and the Sole Sponsor, on a similar basis, have no reason to disagree with our Directors' view in this regard.

### INTERNAL CONTROL

It is the responsibility of our Board to ensure that the Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our assets at all times. We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

In connection with the Global Offering, we engaged an independent internal control consultant (the “**Internal Control Consultant**”) in January 2015 to review selected areas of our internal controls over financial reporting (the “**Internal Control Review**”). The scope of the Internal Control Review in January 2015 performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected

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<sup>(1)</sup> The aggregate GFA does not include GFA of 110 dormitory units leased by us, as the GFA of each dormitory unit is not stated in the relevant lease agreement.

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## BUSINESS

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areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases and payables, inventory, fixed assets, treasury, financial reporting, payroll and general controls of information technology. The Internal Control Consultant conducted follow-up reviews (the “**Follow-up Reviews**”) in January 2016 and March 2016, and in September 2016, to review the status of the management actions by us to address the findings of the Internal Control Consultant’s January 2015 review. Having considered the report prepared by our Internal Control Consultant, the Directors confirmed that the majority of recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses.

The Internal Control Review and the Follow-up Reviews were conducted based on information provided by us, and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Highlights of our internal control system include the following:

- *Code of conduct* – Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision making and our ground rules for behaviour.
- *Management of related party transactions* – We have settled all of our non-trade balances with related parties. In future, we will continue to enhance our internal control by strictly monitoring and managing our related party transactions and only enter into transactions with related parties that are carried out in the ordinary course of our business and on normal commercial terms and are in the interests of our Shareholders as a whole.
- *Internal audit* – Our internal audit function regularly monitors key controls and procedures in order to assure our management and our Board that the internal control system is functioning as intended. The audit committee of our Board is responsible for supervising our internal audit function and financial reporting process. The audit committee consists of three Directors of our Company, namely Mr. Tang Chi Wai, Mr. Gan Weimin and Prof. Cao Lixin. Mr. Tang Chi Wai serves as the chairman of our audit committee. For the qualifications and experience of these audit committee members, please refer to the section headed “Directors, Senior Management and Employees – Directors – INEDs” in this prospectus.
- *Compliance with Listing Rules and relevant laws and regulations* – We have appointed Mr. Liu Jun, our executive Director, to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by Hong Kong legal advisers to our Directors and senior management on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions and by PRC legal advisers on PRC laws and regulations.
- *Compliance adviser* – We have appointed Somerley Capital Limited as our compliance adviser to advise us on compliance matters in relation to the Listing



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## BUSINESS

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Rules upon Listing. For further details, please refer to the section headed “Directors, Senior Management and Employees – Compliance Adviser” in this prospectus.

Our Directors are of the view that our Company has taken reasonable steps to establish internal control system and procedures to enhance the control environment at both working and monitoring levels, and the enhanced internal control measures adopted by us are adequate and effective.

### HEDGING

Nickel and its compound products are one of the major raw materials used in our production process, the costs of which amounted to RMB24.3 million, RMB26.2 million and RMB25.6 million during each of the three years ended 31 December 2016, representing approximately 10.3%, 10.8% and 9.1% of the total costs of our raw materials during the same periods, respectively. Since the price of nickel might be volatile and susceptible to fluctuation, we entered into commodity futures hedge transactions during the Track Record Period to reduce our risk exposure as a result of fluctuation in nickel price. For details of the commodity futures contract transactions entered into by us during the Track Record Period and their effect on our financial performance, please refer to the section headed “Financial Information – Description of Certain Items of Consolidated Statements of Financial Position – Derivative financial instruments”.

#### **Commodity futures hedge policy adopted by our Group**

Since January 2016, we have adopted a formal futures hedging management policy which, among other things, stipulates that:

- (i) The futures contracts entered into by us shall be limited to those traded on a futures exchange and related to nickel;
- (ii) We shall not enter into any futures contracts where the total notional quantity of nickel exceeds our production needs and our hedging positions shall not exceed 100% of the value of the nickel products purchased by us on the spot market;
- (iii) Where the total maximum value of the relevant futures contract does not exceed 10% of the net assets as stated in the latest audited accountants’ report, the Board of Directors shall have the decision-making power in the relevant hedging activities under the contract;
- (iv) Where the total maximum value of the relevant futures contract does not exceed 5% of the net assets as stated in the latest audited accountants’ report, the Chairman of our Board shall have the decision-making power in the relevant hedging activities under the contract;
- (v) Our finance department shall be responsible for the capital risk management including but not limited to (i) monitoring the actual and floating gain/loss of the hedging transactions; (ii) reporting to the Board of Directors in case of any excess positions and/or abnormality in price; and (iii) regularly obtaining updates in relation to business development and the credit standing of the futures contracts brokers and reporting the same to the Board of Director; and
- (vi) Our audit department shall be responsible for the operational risk management and reporting to the Board of Directors where, among others, (i) any officers

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## **BUSINESS**

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participating in hedging transactions do not comply with the risk management policies or procedures; (ii) our hedging activities give or may give rise to any legal risks; or (iii) any futures contracts do not conform to the relevant regulation.

Our Directors confirmed that the commodity futures hedge transactions conducted by us during the Track Record Period were for hedge purpose and not for speculation. Going forward, speculative trading in derivative financial instruments will continue to be prohibited.

### **RISK MANAGEMENT**

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and business operation. Based on assessment of our risks in terms of their likelihood and potential impact, we then prioritise and pair each risk with a mitigation plan. We provide training to our employees on risk management to ensure all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analysing risks associated with its functions, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such mitigation plans and reporting status of risk management. Our audit personnel, the audit committee of, and ultimately our Board supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, to collaborate on risk issues among different functions. For details of the qualifications and experience of the members of the audit committee and our Board, please refer to the section headed “Directors, Senior Management and Employees – Directors” in this prospectus.

There are various other risks relating to our business and industry and market risks in the ordinary course of our business. For further details of our risks, please refer to the section headed “Risk Factors” in this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### OVERVIEW

The following table sets forth certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of first joining our Group</u>	<u>Date of first becoming a Director</u>	<u>Roles and responsibilities</u>
Mr. MA Xiaoming (馬曉明先生)	51	Chairman of the Board and executive Director	August 2005	28 August 2014	Strategic planning and development, and overseeing operation and management of our Group
Mr. MENG Jun (孟軍先生)	51	Executive Director	August 2004	6 April 2016	Overseeing the overall sales and marketing management of our Group
Mr. ZHANG Yumin (張玉敏先生)	51	Executive Director	April 2006	6 April 2016	Overseeing the production process of the subsidiaries of our Group located in Long Xi District, Huizhou City
Mr. LIU Jun (劉軍先生)	41	Executive Director	December 2004	6 April 2016	Overseeing the production process of the subsidiaries of our Group located in Long Xi District, Huizhou City
Mr. HE Xiaolu (何曉律先生)	41	Executive Director	April 2006	6 April 2016	Responsible for day-to-day sales and marketing operation and management of our Group, in particular overseeing the business development and strategies of our Group's overseas subsidiaries

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of first joining our Group</u>	<u>Date of first becoming a Director</u>	<u>Roles and responsibilities</u>
Mr. JIANG Wei (蔣巍先生)	43	Executive Director	March 2004	6 April 2016	Overseeing the operations and management of the subsidiaries of our Group in Wuxi City
Mr. TANG Chi Wai (鄧智偉先生)	43	INED	June 2017	5 June 2017	See note below
Mr. GAN Weimin (甘為民先生)	51	INED	June 2017	5 June 2017	See note below
Prof. CAO Lixin (曹立新教授)	50	INED	June 2017	5 June 2017	See .note below

*Note:*

*Each INED will participate in meetings of the Board to bring an independent judgement to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be).*

The following table sets forth certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position/ Title</u>	<u>Date of joining our Group</u>	<u>Date of first becoming a member of the senior management</u>	<u>Roles and responsibilities</u>
Dr. YANG Qianshun (楊前順博士)	51	Technical director of XPC	September 2012	September 2012	Overseeing product technology, quality management and development of technical system and programme management of automotive decoration parts
Mr. XU Yongchang (徐永昌先生)	41	General manager of Wuxi Jinxin and KP (Wuxi) Moulding	August 2004	January 2013	Overseeing the daily operations and management of Wuxi Jinxin and KP (Wuxi) Moulding
Ms. LIU Shaoman (劉少曼女士)	33	Associate technical director of XPC	June 2006	January 2014	Overseeing the daily management of technical department of XPC
Mr. LI Chak Fu (李澤富先生)	48	Finance director	August 2016	August 2016	Accounting and financial management of our Group

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

Our board is responsible and has general powers for the management and conduct of our business. Our Board consists of six executive Directors and three INEDs.

#### Executive Directors

**Mr. MA Xiaoming** (馬曉明先生), aged 51, is an executive Director and the chairman of the Board. He is primarily responsible for strategic planning and development of our Group and overseeing our Group's operation and management through meetings with the senior management on a regular basis. He was appointed as our Director on 28 August 2014 and was re-designated as our executive Director and the chairman of the Board on 6 April 2016. He was awarded a Bachelor's degree in Engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝).

Mr. Ma is one of the founders of our Group. He joined our Group in August 2005 as the president and the chairman of the board of directors of XPC. Mr. Ma has been in charge of formulating and implementing the overall strategic development of our Group, overseeing the execution of the operational plans as well as the supervising the day-to-day management of our Group's business. He is currently a director of each of the subsidiaries of the Group and the president of XPC. Mr. Ma has extensive experience in the manufacturing industry, specialising in industrial management and general operation of manufacturing enterprises.

Before founding our Group, from July 1988 to September 1991, Mr. Ma worked as an assistant engineer responsible for the engineering technology development in Shanghai Xinxin Machine Factory\* (上海新新機器廠), an entity mainly engaged in the production of air conditioners and heat exchangers of automobile. In October 1991, Mr. Ma was employed by Huizhou Zhi Fat Metal & Plastic Electroplating Company Limited\* (惠州志發五金製品塑料電鍍有限公司), a company principally engaged in the electroplating of electronic parts, plastic and non-metal products. He was promoted to the office as the deputy general manager and was responsible for overseeing the management of the said company until he left the said company in July 2005.

In the three years preceding the Latest Practicable Date, Mr. Ma did not hold any directorship in other listed companies.

**Mr. MENG Jun** (孟軍先生), aged 51, is an executive Director. He is primarily responsible for overseeing the overall marketing operation and management of our Group. He was appointed as our executive Director on 6 April 2016. He was awarded a Bachelor's degree in engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝). By a certificate issued by the Personnel Department of Heilongjiang Province (黑龍江省人事廳) dated September 1999, Mr. Meng was qualified as a senior engineer (高級工程師) in applied chemistry (應用化工). Mr. Meng has over 25 years of experience in the industry.

Mr. Meng joined our Group in August 2004. From August 2004 to December 2009, Mr. Meng assumed the office as the general manager of Tianjin Jinxin, responsible for overseeing its general operation and daily management. Since January 2010, Mr. Meng has assumed the office as marketing director and has been responsible for overseeing the daily

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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management of our Group's marketing department. Mr. Meng was appointed as director of XPC in October 2011.

Before joining our Group, from October 1988 to September 1990, Mr. Meng was employed by Harbin Institute of Metallurgy\* (哈爾濱冶金研究所), an entity principally engaged in research and development of metallurgical technology, as assistant engineer (and was later promoted to the office as engineer), in which Mr. Meng was responsible for engineering technology development. Since October 1990 to December 2002, Mr. Meng joined China National Nonferrous Metals Import & Export Corporation\* (中國有色金屬進出口黑龍江分公司), a company principally engaged in import and export business of nonferrous metals, as salesman (and was later promoted to sales manager), in which Mr. Meng was responsible for managing storage and port logistics and the business of import and export of nonferrous metals.

In the three years preceding the Latest Practicable Date, Mr. Meng did not hold any directorship in other listed companies.

**Mr. ZHANG Yumin** (張玉敏先生), aged 51, is an executive Director. He is primarily responsible for overseeing the general operations of our Group. He was appointed as our executive Director on 6 April 2016. Mr. Zhang was awarded a bachelor's degree in engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical production process (電化學生產工藝).

Mr. Zhang joined our Group in April 2006. Since then and up to 31 December 2016, Mr. Zhang served as general manager of KP (Huizhou) Precision Plastic and KP (Huizhou) Electronics, respective, in which Mr. Zhang was responsible for overseeing the daily operations and management of the said companies. Mr. Zhang was appointed as a director of XPC in October 2011 and a director of Keen Point Malaysia in August 2012. Since 1 January 2017, Mr. Zhang has served as general manager of KP (Huizhou) Surface Decoration in which he was responsible for overseeing the operations and management of the said company.

Before joining our Group, from July 1988 to December 2003, Mr. Zhang was employed by Shenyang Liming Aero-Engine Group Corporation Ltd\* (沈陽黎明航空發動機(集團)有限責任公司), a company principally engaged in the production of aero and related components, as engineer in which Mr. Zhang was responsible for research and development on metallurgical technology. From January 2004 to March 2006, Mr. Zhang joined Liaoning Nengfa Weiye Group (遼寧能發偉業集團), a group of entities principally engaged in provision of intelligent flow control system and integrated energy efficiency improvement and emission reduction technology services, as deputy general manager of the branch office in Beijing, who was responsible for overseeing sales management.

In the three years preceding the Latest Practicable Date, Mr. Zhang did not hold any directorship in other listed companies.

**Mr. LIU Jun** (劉軍先生), aged 41, is an executive Director. He is primarily responsible for overseeing the general operations of the Group, in particular, XP (Huizhou) Surface Decoration. He was appointed as our executive Director on 6 April 2016. Mr. Liu was awarded a Bachelor's degree in Chemical Processing (化工工藝) from Hubei Three Gorges

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Institute\* (湖北三峽學院), the PRC, in June 1998 and was awarded a graduation certificate from the College of Advanced Continuing Education of Sun Yat-sen University\* (中山大學高等繼續教育學院), the PRC, in April 2007 for completing a one-year programme on Business Administration.

Mr. Liu joined Huizhou Haoyu Industrial Company Limited\* (惠州市浩瑜實業有限公司), the predecessor entity of KP (Huizhou) Electronics (one of our principal operating subsidiaries, in December 2002. Up till August 2014, Mr. Liu was the general manager of KP (Huizhou) Electronics and was responsible for overseeing the day-to-day general operation of the company. Since August 2010, Mr. Liu has been the general manager of XP (Huizhou) Surface Decoration and responsible for overseeing the daily business operation and management of the Company. He was appointed as a director of XPC in October 2011 and a director of Huizhou Haoyu in September 2012.

Before joining our Group, from October 1998 to June 2001, Mr. Liu was employed by Panyu Jingmei Metal and Plastic Products Company Limited\* (番禺精美五金塑料製品有限公司), a company principally engaged in manufacturing of automobile parts and accessories, as engineer responsible for product development. From July 2001 to December 2002, Mr. Liu joined Huizhou Zhi Fat Metal & Plastic Electroplating Company Limited\* (惠州志發五金製品塑料電鍍有限公司), a company principally engaged in the electroplating of electronic parts, plastic and non-metal products, as officer-in-charge and was responsible for product development.

In the three years preceding the Latest Practicable Date, Mr. Liu did not hold any directorship in other listed companies.

**Mr. HE Xiaolu** (何曉律先生), aged 41, is an executive Director. He is primarily responsible for the day-to-day sales and marketing operation and management of our Group, in particular overseeing the business development and sales and marketing strategies of our Group's overseas subsidiaries. He was appointed as our executive Director on 6 April 2016. Mr. He graduated from Fudan University (復旦大學), the PRC, majoring in History (International Tourism) (歷史學 (涉外旅遊)) in July 1997. He further obtained a degree of Executive Master of Business Administration from European University, Switzerland, in June 2005.

Mr. He joined our Group in April 2006. In April 2006, Mr. He assumed the office as the administration and human resources manager, responsible for the overseeing the administration and human resources management of XPC. Since July 2007, in addition to being the administration and human resources manager, Mr. He also assumed the office as marketing manager of XPC in which he was also responsible for formulating and overseeing marketing strategies. From July 2008 onwards, Mr. He ceased to assume dual roles in XPC and has devoted his time in overseeing the daily marketing management, in particular, overseeing the business development and strategies of overseas subsidiaries. Mr. He was appointed as director of XPC in October 2011 and a director of Keen Point Europe in January 2008.

Before joining our Group, from September 1997 to January 2004, Mr. He was employed by Shanghai Yidasheng Computer Supplies Company Limited\* (上海宜達勝電腦用品有限公司 currently known as Shanghai Yidasheng Electronics Company Limited\* (上海宜達勝科貿股份有限公司)), a company principally engaged in sales and production of computer

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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accessories and supplies, as manager (and was later promoted to the office as deputy general manager), in which Mr. He was responsible for overseeing the sales operations of the said company.

In the three years preceding the Latest Practicable Date, Mr. He did not hold any directorship in other listed companies.

**Mr. JIANG Wei** (蔣巍先生), aged 43, is an executive Director. He is primarily responsible for overseeing the operations and management of the Group. He was appointed as our executive Director on 6 April 2016. Mr. Jiang was awarded a Diploma in Administrative Management from Shanghai Business Vocational and Technical College\* (上海商業職業技術學院), the PRC, in July 2001.

Mr. Jiang joined our Group in March 2004 as the general manager of Wuxi Jinxin. He was then in charge of managing and supervising the daily operation, coordinating corporate resources in achieving business objectives and maintaining key customers of Wuxi Jinxin. In October 2011, Mr. Jiang was appointed as a director of XPC and has since been responsible for overseeing operation and management of our Group. Mr. Jiang has over 10 years of management experience in the manufacturing industry.

Before joining our Group, from March 1997 to January 2004, Mr. Jiang was employed as account manager responsible for management of sales and relationships with particular customers by Shanghai Yingrun Trading Company Limited\* (上海盈潤貿易有限公司), a company principally engaged in sales of electrical and mechanical equipment.

In the three years preceding the Latest Practicable Date, Mr. Jiang did not hold any directorship in other listed companies.

### INEDs

**Mr. TANG Chi Wai** (鄧智偉先生), aged 43, was appointed an INED of our Company on 5 June 2017. Mr. Tang has 20 years of experience in auditing, accounting and financing. From December 1996 to April 2001, Mr. Tang was employed by Deloitte Touche Tohmatsu, an accounting firm, and assumed the office as semi-senior accountant when he left the said firm in which he was responsible for audit-related work. From November 2003 to November 2007, Mr. Tang was employed by Valueplus Supply Chain Solution Limited, a logistic company, as finance manager in which he was responsible for overseeing financing management. Since June 2008, Mr. Tang has been serving as the financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1026). Mr. Tang was appointed as an INED of CHERISH Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2113), and the chairman of the audit committee and member of each of the remuneration committee and nomination committee of the board of directors of the said company in September 2016.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University, Hong Kong, in November 1996. He holds practising certificate issued by the HKICPA and the Association of Chartered Certified Accountants. He also holds various professional qualifications and memberships as set out below:

<u>Date of grant</u>	<u>Qualification</u>	<u>Name of issuing organisation</u>
September 2003	Member	The Chinese Institute of Certified Public Accountants
November 2003	Fellow	IT Accountants Association
January 2005	Fellow	The Association of Chartered Certified Accountants
September 2009	Fellow	The HKICPA
July 2010	Certified tax adviser	The Taxation Institute of Hong Kong
July 2010	Fellow	The Taxation Institute of Hong Kong
September 2014	Fellow	The Society of Registered Financial Planners
April 2015	Fellow	The Hong Kong Institute of Directors
July 2015	Fellow	The Institute of Chartered Secretaries and Administrators
July 2015	Fellow	The Hong Kong Institute of Chartered Secretaries
September 2015	Member	Hong Kong Securities and Investment Institute
September 2015	Fellow	Institute of Financial Accountants
October 2015	Member	Chartered Institute for Securities & Investment
October 2015	Fellow	Association of International Accountants
November 2015	Certified internal auditor	The Institute of Internal Auditors
December 2015	Fellow	The Society of Chinese Accountants & Auditors

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Tang did not hold any directorship in other listed companies.

**Prof. CAO Lixin** (曹立新教授), aged 50 was appointed an INED of our Company on 5 June 2017. Prof. Cao was awarded a Doctoral degree in Engineering in October 2009 from Harbin Institute of Technology (哈爾濱工業大學), the PRC, specialising in chemical engineering and technology (化學工程與技術 (專業)).

Prof. Cao has engaged in scientific researches and teaching focusing in the field of surface treatment and electrochemical cells in the School of Marine Science and Technology of Harbin Institute of Technology, Weihai\* (哈爾濱工業大學 (威海) 海洋科學與技術學院), the PRC, since October 1994.

In the three years preceding the Latest Practicable Date, Prof. Cao did not hold any directorship in any listed companies.

**Mr. GAN Weimin** (甘為民先生), aged 51, was appointed an INED of our Company on 5 June 2017. Mr. Gan was awarded a bachelor's degree in engineering in July 1986 from the Department of Optical Instruments and Engineering\* (光學儀器工程學系) of Zhejiang

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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University (浙江大學), the PRC, specialising in optical instruments (光學儀器). Mr. Gan was further awarded a Bachelor's degree in Law and a Master's degree in Law from Zhejiang University in June 1988 and April 1996, respectively. Mr. Gan passed the national qualification examination in the PRC held in 1990 which accredited him as a qualified lawyer in the PRC.

Mr. Gan has extensive experience in the PRC legal industry. Since January 2013, Mr. Gan has become a partner of Beijing Guantao Law Firm (北京觀韜律師事務所), a PRC law firm. Prior to that, Mr. Gan was a lawyer and partner of Zhe Jiang T&C Law Firm (浙江天冊律師事務所) for period from October 1997 to December 2001, a lawyer of Beijing Kaiyuan Law Firm\* (北京市凱源律師事務所) from December 2001 to December 2012, and a partner of Zhejiang High Mark Law Firm (浙江凱麥律師事務所).

As at the Latest Practicable Date and in the three years preceding that date, Mr. Gan held directorship in the following listed companies:

<u>Period of time</u>	<u>Name of listed issuer</u>	<u>Place of listing</u>	<u>Office and principal functions (if an executive)</u>
May 2009 to December 2014	Huazhi Holding (Zhejiang) Co., LTD (currently known as Zhejiang Huamei Holding CO., LTD.)	Main Board of the Shenzhen Stock Exchange (stock code: 000607)	INED
October 2009 to October 2015	Gem-Year Industrial Co., Ltd.	Shanghai Stock Exchange (stock code: 601002)	INED
August 2010 to July 2016	HangZhou Everfine Photo-E-Info Co., Ltd.	ChiNext of the Shenzhen Stock Exchange (stock code: 300306)	INED
August 2011 to February 2015	RoshowTechnology Co., Ltd.	Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002617)	INED
May 2015 to present	Shimge Pump Industry Group Co., Ltd.	Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002532)	INED
January 2017 to present	Sunrise Technology Co., Ltd	ChiNext of the Shenzhen Stock Exchange (stock code: 300360)	INED

*Note:*

Mr. Gan served as an independent non-executive director of Aupu Group Holding Company since September 2014, a company which was then listed on the Main Board of the Stock Exchange (stock

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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code: 477). The said company applied for a withdrawal of listing of its shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules and the listing of its shares on the Stock Exchange was withdrawn on 30 September 2016.

Saved as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Gan did not hold any directorship in other listed companies.

### General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2) of the Listing Rules.

Save as disclosed above or in the paragraph below, none of our Directors:

- (i) held any other positions in our Company or other members of our Group at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and
- (iv) is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

As at the Latest Practicable Date, except for such interests of Mr. Ma in the Shares which are disclosed above and in the paragraph headed “Appendix IV – Statutory and General Information – 3. Further Information about our Directors and Substantial Shareholders – 3.1 Disclosure of Interests – (a) Interests of the Directors and the chief executive of our Company” in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. Mr. Meng Jun, Mr. Zhang Yumin, Mr. Liu Jun and Mr. He Xiaolu are some of the Management Beneficiaries, who are part of the Mealth DT Discretionary Objects and do not have any fixed entitlement to the Shares.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### Senior Management

**Dr. YANG Qianshun** (楊前順博士), aged 51, is the technical director of XPC. Currently, he is primarily responsible for the product technology and quality management as well as development of technical system of our products. Dr. Yang was awarded a Bachelor’s degree in Engineering in July 1988 from the Department of Applied Chemistry of Harbin Institute of Technology (哈爾濱工業大學應用化學系), the PRC, specialising in electrochemical

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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production process. Dr. Yang was further awarded a Master degree in Engineering in April 1991 and a doctoral degree in applied chemistry in October 1994, respectively, both from the Department of Applied Chemistry of the Tianjin University (天津大學應用化學系), the PRC, specialising in applied chemistry. By a certificate issued by the Personnel Department of Guangdong Province (廣東省人事廳) in February 1999, Dr. Yang was qualified as a senior engineer in chemical engineering (化學工程高級工程師). Dr. Yang has over 20 years of experience in the chemical engineering industry.

Dr. Yang joined our Group in September 2012 as the technical director of XPC and has been in charge of product technology and quality management.

Before joining our Group, from May 1995 to May 2001, Dr. Yang was employed by Hawker Energy Storage Group, which principally engaged in the manufacturing of industrial lead-acid batteries, as deputy technical manager (and subsequently the lean enterprise strategy manager), and was mainly responsible for overseeing the manufacturing technics and research and development of lead acid battery. From November 2001 to August 2012, Dr. Yang joined Coslight Battery Inc., a member of Coslight Group which principally engaged in the battery-related manufacturing industry, as sales and marketing manager, and was responsible for marketing research, analysis and planning.

In the three years preceding the Latest Practicable Date, Dr. Yang did not hold any directorship in any listed companies.

**Mr. XU Yongchang** (徐永昌先生), aged 41, is the general manager of each of Wuxi Jinxin (one of our principal operating subsidiaries) and KP (Wuxi) Moulding, both established in the PRC. Currently, he is primarily responsible for overseeing the daily operations and management of Wuxi Jinxin and KP (Wuxi) Moulding. Mr. Xu completed his study in the Department of Fundamental Science of Huaihai Institute of Technology (淮海工學院), the PRC, specialising in computer software (計算機軟件) and was awarded with the graduation certificate in July 1997.

Mr. Xu joined our Group in August 2004 and was then the key account manager of Wuxi Jinxin, and was mainly responsible for overseeing the management of sales and relationship with particular customers. Mr. Xu was first promoted to the office as the deputy general manager of Wuxi Jinxin in July 2009 responsible for overseeing the execution of business objectives and supervising the daily operation of the said company. In January 2013, Mr. Xu was further promoted to the office as the general manager in which he was responsible for overseeing the overall operation and daily management of Wuxi Jinxin. In July 2014, Mr. Xu also assumed the office as general manager of KP (Wuxi) Moulding in which he was responsible for overseeing the overall operation and daily management.

Before joining our Group, from September 1997 to August 2000, Mr. Xu was employed by Global View Electronic Technology (Kunshan) Co., Ltd\* (遠見電子科技(昆山)有限公司), a company principally engaged in design, development and production of electronic products, as engineer (and was subsequently promoted to the office as person-in-charge of the engineering department) and was mainly responsible for overseeing production lines and new products development. From August 2000 to August 2002, Mr. Xu joined Sanmina Systems (Kunshan) Co., Ltd. (四海電子(昆山)有限公司), a company principally engaged in manufacturing of electronic products, as process engineer and was mainly responsible for production process and product quality innovation. From August 2002 to July 2004, Mr. Xu was

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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employed by Celestica Electronics (Shanghai) Co., Ltd (天弘電子(上海)有限公司), a company principally engaged in provision of electronic manufacturing service, as process engineer (and subsequently project manager) and was mainly responsible for new product development and innovation.

In the three years preceding the Latest Practicable Date, Mr. Xu did not hold any directorship in any listed companies.

**Ms. LIU Shaoman** (劉少曼女士), aged 33, is the associate technical director of XPC. Currently, she is primarily responsible for overseeing the daily management of the technical department of XPC. Ms. Liu was awarded a Bachelor's degree in Science from Huizhou University (惠州學院), the PRC in June 2006, specialising in applied chemistry.

Ms. Liu joined our Group in June 2006 as engineer (and was later promoted to deputy person-in-charge) and was responsible for technical research and development. From May 2008 to June 2011, Ms. Liu assumed the office as assistant to general manager of KP (Huizhou) Precision Plastic, and was subsequently promoted to deputy general manager and was responsible for assisting the general manager in the operation management and technical management of KP (Huizhou) Precision Plastic. From July 2011 to December 2013, Ms. Liu assumed the office as deputy general manager of XP (Huizhou) Surface Decoration and was responsible for operation management and technical management of the said company. Ms. Liu assumed the office as the technical director of XPC since January 2014.

In the three years preceding the Latest Practicable Date, Ms. Liu did not hold any directorship in any listed companies.

**Mr. LI Chak Fu** (李澤富先生), aged 48, is our finance director. He joined our Group in August 2016 and is principally responsible for the accounting and financial management of our Group, and in particular, the process of preparing for the Listing.

Mr. Li was awarded a bachelor's degree in economics from Jinan University, the PRC, specialising in commercial science in June 1990. He was further awarded a bachelor's degree in science (economics) from The University of Buckingham, the United Kingdom, specialising in accounting and financial management in February 1993. Mr. Li has been an associate of the HKICPA (formerly known as the Hong Kong Society of Accountants) since April 1996. Mr. Li has also been a fellow of the Association of Chartered Certified Accountants since February 2001.

Prior to joining our Group, Mr. Li held various positions within the commercial fields in China, Hong Kong and Singapore. Mr. Li started his career with a Hong Kong local certified public accountants and then joined Ernst & Young Hong Kong in April 1994 as staff accountant. He was responsible for the preparation of audited financial statements and statutory audits of companies and left the said firm in November 1998 as senior accountant. Since then and up to October 2005, Mr. Li joined Asia-Pac Infrastructure Development Limited, a company that engaged in infrastructural development as financial controller and was responsible for planning, developing and implementation of accounting controls for large scale projects in the PRC. From October 2005 to April 2009, Mr. Li assumed the office as manager in Ernst & Young, Hong Kong, and was transferred and promoted as senior manager in Ernst & Young (Beijing Office) in which he was responsible for advising clients on internal control and corporate governance areas in both positions. In April 2009, Mr. Li joined Seven Seas Textiles Industries Limited, a manufacturer of dyed yarn, knitted fabric

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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and garment products, as financial controller responsible for overseeing and managing the finance department and financial matters. Immediately before he joined our Group, Mr. Li was the chief financial officer of Universal Resource and Services Limited, a corporate offering a wide range of services to the PRC oil industry and listed on the main board of the Singapore Exchange Securities Trading Limited (stock code: BGO), responsible for full spectrum of financial and accounting functions, managing investor relationship and liaising with external parties in respect of Group's financial matters.

In the three years preceding the Latest Practicable Date, Mr. Li did not hold any directorship in any listed companies.

### Company Secretary

**Mr. AU Wai Keung** (區偉強), aged 45, was appointed as our company secretary on 6 April 2016 pursuant to the terms and conditions of a company secretarial service agreement entered into between our Company and Arion & Associates Limited (亞利安會計事務所有限公司), a company principally engaged in providing business consultancy services. Mr. Au is a director and shareholder of Arion & Associates Limited.

Mr. Au was awarded the degree of Bachelor of Social Science from The Chinese University of Hong Kong, Hong Kong, in December 1993 and the degree of Master of Business Administration from the City University of Hong Kong, Hong Kong, in November 1999. He is a fellow of the HKICPA and an associate member of The Institute of Chartered Accountants in England and Wales. He is currently the company secretary of Honworld Group Limited (stock code: 2226) and one of the joint company secretaries of each of China Shengmu Organic Milk Limited (stock code: 1432) and China Digital Video Holdings Limited (stock code: 8280), all being companies listed on the Main Board (or, the Growth Enterprise Market, as the case may be) of the Stock Exchange. During March 2014 to September 2015, he was the company secretary of SDM Group Holdings Limited (stock code: 8363), a company listed on the Growth Enterprise Market of the Stock Exchange. He has been reappointed as the company secretary of the said company since August 2016. He also served as company secretary of Baofeng Modern International Holdings Company Limited (stock code: 1121), a company listed on the Main Board of the Stock Exchange, from January 2011 to December 2013.

Mr. Au is an external service provider of the Company. His primary contact person at the Company is Ms. WEI Zhenqi, the secretary of the board of the Group.

### Human Resources

Our Company generally maintains good employee relations. Our Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, our Company has not suffered from any material disruption of its normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

As at 31 December 2016, we had 4,025 employees. For further information, please refer to the section headed "Business – Employees and Staff" in this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Remuneration Policy

The aggregate amounts of remuneration of our Directors in 2014, 2015 and 2016 were approximately RMB8,659,000, RMB8,181,000 and RMB9,239,000 respectively. For details of the remuneration arrangements, please refer to the paragraph headed “Appendix I – Accountants’ Report – II. Notes to Financial Information – 8. Directors’ and Chief Executive’s Remuneration” in this prospectus. Under such arrangement and pursuant to the Directors’ service agreements and letters of appointment referred to in the paragraph headed “Appendix IV – Statutory and General Information – 3. Further Information about our Directors and Substantial Shareholder – 3.2 Directors’ service contracts and letters of appointment” in this prospectus, the aggregate amount of Directors’ fee and other emoluments (excluding any discretionary bonus payable for 2017) payable to the Directors in 2017 is estimated to be approximately RMB10.7 million.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to its operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

After Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

### BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee were approved to be established by resolutions passed by our Board on 5 June 2017. The membership of such committees are as follows:

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>	<u>Nomination Committee</u>
<i>Executive Director</i>			
Mr. Ma Xiaoming (馬曉明) .....	-	Member	Chairman
Mr. Zhang Yumin (張玉敏) .....	-	-	-
Mr. Meng Jun (孟軍) .....	-	-	-
Mr. He Xiaolu (何曉律) .....	-	-	-
Mr. Liu Jun (劉軍) .....	-	-	-
Mr. Jiang Wei (蔣巍) .....	-	-	-
<i>INED</i>			
Mr. Tang Chi Wai (鄧智偉) .....	Chairman	Member	-
Mr. Gan Weimin (甘為民) .....	Member	-	Member
Prof. Cao Lixin (曹立新) .....	Member	Chairman	Member

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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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 has written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and material and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

### **Remuneration Committee**

Our Company has written terms of reference in compliance with Code B.1 the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

### **Nomination Committee**

Our Company has written terms of reference in compliance with Code A.5 the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our chairman.

## **COMPLIANCE ADVISER**

We have appointed Somerley Capital Limited to be 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 us on, among other matters, the following:

- (a) (before its publication) any regulatory announcement, circular or financial report;
- (b) a transaction is contemplated, which might be a notifiable or connected transaction or will involve Share issues and Share repurchases;
- (c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes any inquiry of us regarding unusual movements in the price or trading volume of our Shares.



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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, the following persons will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will 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 other member of our Group:

<u>Name</u>	<u>Number of Shares (Note 1)</u>	<u>Approximate percentage of shareholding</u>	<u>Capacity/ Nature of interest</u>
Green Pinnacle (Note 2)	718,596,750(L)	71.86%	Beneficial owner
Mealth PTC (Notes 2 and 3)	718,596,750(L)	71.86%	Interest in a controlled corporation and trustee
Mr. Ma (Note 3)	718,596,750(L)	71.86%	Sole shareholder and director of Mealth PTC, and settlor of the Mealth Discretionary Trust
Ms. Zhu Junhua (Note 3)	718,596,750(L)	71.86%	Interest of spouse

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Green Pinnacle is wholly owned by Mealth PTC. Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. The Mealth Discretionary Trust is a discretionary trust and its discretionary objects include Mr. Ma, the Ma Family Beneficiaries, the Management Beneficiaries and the Other Beneficiaries. Some of our Directors, namely, Mr. He Xiaolu, Mr. Meng Jun, Mr. Liu Jun and Mr. Zhang Yumin are discretionary objects under the Mealth Discretionary Trust. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure – Change in issued share capital and/or owners of our Company – The Mealth Discretionary Trust” in this prospectus.
- (3) Mealth PTC is a private trust company incorporated in BVI. Mr. Ma is the sole shareholder and director of Mealth PTC. He is also the settlor of the Mealth Discretionary Trust. Mr. Ma is deemed to be interested in 718,596,750 Shares in his capacity of settlor of the Mealth Discretionary Trust. Ms. Zhu Junhua is the spouse of Mr. Ma, and accordingly she is deemed to be interested in the aggregate of 718,596,750 Shares by virtue of the SFO. Mr. Ma is also the sole director of Euroshare which as at the Latest Practicable Date held 1.5% of issued share capital in the Company, and will (upon Listing) become the wholly-owned subsidiary of Eurochrome (in which neither Mr. Ma nor his associate has any interest).

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will 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 our Company or any of our subsidiaries.

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## SHARE CAPITAL

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The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering and the Capitalisation Issue:

<u>Number</u>	<u>(HK\$)</u>
<i>Authorised share capital:</i>	
20,000,000,000 Shares of HK\$0.1 each	2,000,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
1,000,000 Shares in issue at the date of this prospectus	100,000
749,000,000 Shares to be issued pursuant to the Capitalisation Issue	74,900,000
250,000,000 Shares to be issued under the Global Offering (assuming that the Over-allotment Option is not exercised at all)	25,000,000
Total: <u>1,000,000,000</u> Shares	<u>100,000,000</u>

### ***Assumptions***

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

*Note: The share capital of our Company will be enlarged by an additional 37,500,000 Shares in the event that the Over-allotment Option is exercised in full.*

### **MINIMUM PUBLIC FLOAT**

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

### **RANKING**

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for entitlement under the Capitalisation Issue.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme. For a summary of the principal terms of the Share Option Scheme, please refer to the paragraph headed "Appendix IV – Statutory and General Information – 4. Share Option Scheme" in this prospectus.

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## SHARE CAPITAL

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### ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value of not exceeding the sum of:

- (i) 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme; and
- (ii) the number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option. Our Directors may, in addition to the Shares which they are authorised to issue under the above mandate, to allot, issue and deal in Shares pursuant to a rights issue, an issue Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Appendix IV – Statutory and General Information – 1. Further Information about Our Group – 1.3 Resolutions in writing of our Shareholders passed on 5 June 2017” in this prospectus.

### REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. This mandate only relates to repurchases made on the Stock Exchange, 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. For a summary of the relevant requirements under the Listing Rules please refer to the

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## SHARE CAPITAL

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paragraph headed “Appendix IV – Statutory and General Information – 1. Further Information about Our Group – 1.8 Repurchases by our Company of our own securities” in this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, please refer to the paragraph headed “Appendix IV – Statutory and General Information – 1. Further Information about our Group – 1.3 Resolutions in writing of our Shareholders passed on 5 June 2017” in this prospectus.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in the section headed “Appendix I – Accountants’ Report” in this prospectus. The consolidated financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed “Risk Factors” in this prospectus.*

### OVERVIEW

We are a leading automotive plastic electroplated components supplier in China. Since established in 2002, we have expanded into a global supplier with offices in North America, Europe and Asia serving leading international Tier 1 suppliers and OEMs. Our products are generally applied to the passenger vehicle of globally renowned and luxury automotive brands mainly attributed to our strong reputation, production capability and the high quality products we can supply in the sector. According to the Frost & Sullivan Report, we were the second largest supplier and the largest exporter of automotive plastic electroplated components in the PRC, in terms of revenue in 2016. We believe that our commitment to produce high quality product and production expertise have allowed us to differentiate from our competitors and achieve solid growth during the Track Record Period. From 2014 to 2016, we have achieved a revenue and net profit CAGR of 23.7% and 28.3%, respectively, showing our success in enhancing our leadership position in the industry.

We experienced healthy growth in revenue and profit for the years during the Track Record Period. In 2014, 2015 and 2016, our total revenue was RMB1,006.2 million, RMB1,203.7 million and RMB1,540.7 million, respectively, representing a CAGR of 23.7%, while our profit for the respective years was RMB181.2 million, RMB221.9 million and RMB298.3 million, respectively, representing a CAGR of 28.3%.

Our principal products are automotive interior decorative electroplated components of passenger vehicles such as interior door handles, door trim, shifter bezels, steering wheels components, console parts and cluster rings. We place strong emphases on our one-stop production capability in mould production, plastic injection moulding and electroplating which enables us to achieve an outstanding production performance as demonstrated by our high production yield rate of approximately 90.7% in 2016, which is higher than the industry leading players according to the Frost & Sullivan Report.

### BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group on 13 October 2014.

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## FINANCIAL INFORMATION

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As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any changes of economic substances, the financial information for the Track Record Period has been presented as a continuation of the existing group using the pooling of interests method.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of change in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

#### Demand for our products

In 2014, 2015 and 2016, 90.9%, 93.7% and 97.6% of revenue were derived from sales of automotive decorative components to Tier 1 suppliers and OEMs. Therefore, our results of operations are heavily affected by the demand for our products from our customers, which in turn is largely dependent on the general development of the global automotive industry, the quality of our products and our proximity to our customers. In 2014, 2015 and 2016, we sold 230.1 million units, 276.7 million units and 314.2 million units of automotive decorative components, representing a CAGR of 16.9% between 2014 and 2016. Our revenue and margins will continue to be affected by the new products launched by and product cycles of our OEM customers, and our ability to introduce and collaborate with our customers to develop quality products that meet their stringent demands.

#### Cost of raw materials and staff cost

Cost of raw materials and staff cost are the major components of our costs and have direct impact on our profitability. In 2014, 2015 and 2016, cost of raw materials accounted for 38.2%, 32.2% and 31.0% of our cost of sales, respectively. During the Track Record Period, we greatly benefited from the general decline of commodity prices globally, which contributed to the moderate increase in our cost of raw materials as compared to our increase in sales. The CAGR of our cost of raw material is 9.2% between 2014 and 2016, while the CAGR for our total revenue is 23.7% during the same period. On the other hand, during the Track Record Period, we have increased the number of employees and compensation level to accommodate with our growth. Our total staff costs (including our Directors' and senior management's remunerations) increased from RMB238.6 million in 2014 to RMB289.6 million in 2015 and further increased to RMB354.8 million in 2016, accounting for 23.7%, 24.1% and 23.0% of our total revenue, respectively. Our employee numbers increased from 3,241 as at 31 December 2014 to 4,025 as at 31 December 2016. Our ability to control costs will continue to materially impact our operating results.

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## FINANCIAL INFORMATION

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of raw material and staff cost on our profit before tax during the Track Record Period.

	<b>Increase/decrease in the cost of raw material<sup>(1)</sup></b>					
	<b>+/-5%</b>		<b>+/-10%</b>		<b>+/-15%</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Increase/decrease in profit before tax</b>						
Year ended						
31 December 2014	-/+11,799	-/+5.2	-/+23,599	-/+10.3	-/+35,398	-/+15.5
Year ended						
31 December 2015	-/+12,104	-/+4.4	-/+24,208	-/+8.9	-/+36,312	-/+13.3
Year ended						
31 December 2016	-/+14,078	-/+3.4	-/+28,155	-/+6.8	-/+42,233	-/+10.3
	<b>Increase/decrease in the labour cost<sup>(1)</sup></b>					
	<b>+/-5%</b>		<b>+/-10%</b>		<b>+/-15%</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Increase/decrease in profit before tax</b>						
Year ended						
31 December 2014	+/-11,929	-/+5.2	+/-23,858	-/+10.4	+/-35,787	-/+15.7
Year ended						
31 December 2015	-/+14,480	-/+5.3	-/+28,960	-/+10.6	-/+43,439	-/+15.9
Year ended						
31 December 2016	-/+17,741	-/+4.3	-/+35,482	-/+8.6	-/+53,223	-/+12.9

*Note:*

Save for hypothetical fluctuations in cost of raw materials and staff cost, respectively, all other factors are assumed to be unchanged.

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

### **Product pricing**

We face pricing pressure from our customers. In 2014, 2015 and 2016, average selling price for our automotive decorative components was RMB4.0 per unit, RMB4.1 per unit and RMB4.8 per unit, respectively. OEMs generally require their Tier 1 suppliers to meet price reduction initiatives and objectives each year. Accordingly, most of our customers who are Tier 1 suppliers would in turn require step-downs in component pricing over the period of supply, generally ranging, on average, from 2% to 6% per year during the Track Record Period. Such price reductions are typically negotiated and determined on an annual basis between us and the Tier 1 suppliers or the range of such price reductions may be set forth in the supply contracts for each vehicle programme. In order to maintain a relatively stable average selling price, we must keep obtaining new models from our Tier 1 suppliers and OEMs customers to maintain our pricing. To the extent that our costs reduction in production are not sufficient to offset the price reduction required, our results of operation may be adversely affected. On the other hand, our average selling prices in different regions varies substantially. During the Track Record Period, average selling price of our automotive decorative components to the European market was the highest, ranging from RMB6.1 per unit to RMB8.6 per unit, while that to the PRC market was the lowest, ranging from RMB3.0 per unit to RMB3.8 per unit. Therefore, it is our intention to continue to expand our foot print in the European and North American market to maintain and improve our profitability.



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## FINANCIAL INFORMATION

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### **High yield rate of production**

According to Frost & Sullivan Report, high yield rate or low defective rate is a key success factor in the automotive plastic electroplated components market, which can effectively improve the profit margin of automotive plastic electroplated components suppliers. Our profitability depends on our ability to fully utilise our resources and reduce wastage and defects, which is reflected in our yield rate of production. In particular, our yield rate of production for our electroplating production were 89.4%, 90.2% and 90.7% in 2014, 2015 and 2016, respectively. According to the F&S Report, our production yield rate of approximately 90.7% in 2016 was higher than our industry peers and this was mainly attributable to our dedication to the optimisation of production process, enhancement of industrial automation and technology improvement. Our one-stop production capability from mould design and production, plastic injection moulding to electroplating process also enables us to closely monitor the entire manufacturing process and produce quality moulds with accurate specifications that directly affect the quality of the final electroplated products and the overall yield rate. We believe that our relatively high yield rate of production compared to our peers shows that we have a market niche in better utilising our resources, and thus, reducing wastage and increasing our gross profit margins consequently. During the Track Record Period, we experienced general improvement in gross profit margin from 38.5% in 2014 to 41.1% in 2016, which was greatly driven by the increased yield rate of production. In light of the continued pricing pressure from our Tier 1 suppliers during the life of a vehicle programme, which may span up to 7.5 years, we have been putting great effort in improving our yield rate of production throughout the Track Record Period and will continue on striving higher yield rate of production in the future to maintain our gross profit margin. Our Directors believe that, by leveraging on our unique one-stop production platform, continuous upgrade and automation of our production facilities, our advanced electroplating technologies and our growing market reputation, we are in a good position to maintain our gross profit margin in the future. Please refer to the paragraphs headed “Risk Factors – Increase in costs of raw materials may materially and adversely affect our operations, margins and profitability” and “Risk Factors – Higher labour costs and labour shortages should materially and adversely impact our operations, margins and profitability” in this prospectus for risks relating to gross profit margin.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies and estimates significant to the preparation of our consolidated financial information in accordance with HKFRSs. The Accountant’s Report in Appendix I to this prospectus sets forth these significant accounting policies in Note 2.4 of Section II, which are important for an understanding of our financial condition and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgements related to assets, liabilities, income, expenses and other accounting items, which are discussed in Note 2.5 in Section II of the Accountant’s Report in Appendix I to this prospectus. Our estimates are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions.

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the accountants' report in Appendix I to this prospectus.

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Revenue</b>	1,006,249	100.0	1,203,717	100.0	1,540,666	100.0
Cost of sales	<u>(618,381)</u>	<u>(61.5)</u>	<u>(751,224)</u>	<u>(62.4)</u>	<u>(907,354)</u>	<u>(58.9)</u>
<b>Gross profit</b>	387,868	38.5	452,493	37.6	633,312	41.1
Other income and gain	11,435	1.1	24,136	2.0	26,466	1.7
Selling and distribution expenses	(18,412)	(1.8)	(24,161)	(2.0)	(29,425)	(1.9)
Administrative expenses	(151,499)	(15.1)	(176,589)	(14.8)	(218,645)	(14.2)
Other expenses	-	-	(1,668)	-	-	-
Finance costs	(926)	0.0	(1,344)	(0.1)	(628)	0.0
Share of profit of an associate	7	0.0	345	0.0	348	0.0
<b>Profit before tax</b>	228,473	22.7	273,212	22.7	411,428	26.7
Income tax expense	<u>(47,265)</u>	<u>(4.7)</u>	<u>(51,349)</u>	<u>(4.3)</u>	<u>(113,087)</u>	<u>(7.3)</u>
<b>Profit for the year</b>	<u>181,208</u>	<u>18.0</u>	<u>221,863</u>	<u>18.4</u>	<u>298,341</u>	<u>19.4</u>

### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

#### Revenue

Our revenue represents sales generated from our products. Our revenue generated during the Track Record Period consist of automotive decorative components and non-automotive components.

The following table sets forth, for the periods indicated, the breakdown of our revenue by product type:

	Year ended 31 December											
	2014				2015				2016			
	<i>RMB'000</i>	%	<i>Quantity unit ('000)</i>	<i>ASP per unit RMB</i>	<i>RMB'000</i>	%	<i>Quantity unit ('000)</i>	<i>ASP per unit RMB</i>	<i>RMB'000</i>	%	<i>Quantity unit ('000)</i>	<i>ASP per unit RMB</i>
Automotive decorative components	914,439	90.9	230,143	4.0	1,128,353	93.7	276,745	4.1	1,503,085	97.6	314,190	4.8
Non-automotive components	91,810	9.1	47,701	1.9	75,364	6.3	46,763	1.6	37,581	2.4	13,220	2.8
	<u>1,006,249</u>	<u>100.0</u>	<u>277,844</u>	<u>3.6</u>	<u>1,203,717</u>	<u>100.0</u>	<u>323,508</u>	<u>3.7</u>	<u>1,540,666</u>	<u>100.0</u>	<u>327,410</u>	<u>4.7</u>

During the Track Record Period, most of our revenue was derived from automotive decorative components which accounted for 90.9%, 93.7% and 97.6% in 2014, 2015 and 2016, respectively. We expect the sales of automotive decorative components will continue to account for increasing portion of our total revenue.

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## FINANCIAL INFORMATION

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The following table sets forth the breakdown of our revenue by geographical regions for the periods indicated:

	<b>Year ended 31 December</b>					
	<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
China	483,323	48.0	571,477	47.5	673,579	43.7
North America	345,772	34.4	381,181	31.7	462,110	30.0
Europe	141,291	14.0	210,087	17.5	348,256	22.6
Others	35,863	3.6	40,972	3.3	56,721	3.7
	<u>1,006,249</u>	<u>100.0</u>	<u>1,203,717</u>	<u>100.0</u>	<u>1,540,666</u>	<u>100.0</u>

During the Track Record Period, revenue from the PRC was our largest source of revenue, represented 48.0%, 47.5% and 43.7% of our revenue in 2014, 2015 and 2016. The revenue from the sales of automotive decorative components within the PRC markets has been growing steadily from RMB391.6 million in 2014 to RMB496.2 million in 2015, and then further increased to RMB643.9 million in 2016. According to the Frost & Sullivan Report, there has been a steady growth both in China's automobile production and sales from 2011 to 2016, driven by the increased local demands of our products, our product quality and consistency, we recorded a steady growth in both volume and average unit selling prices from the sales of automotive decorative components in the PRC markets.

As we discontinued our strategic partnership with KPI (Canada) in March 2013 and setup XPNA in the US during the same period, we established our own sales and marketing function in the US and have been directly sourcing our business from the Tier 1 suppliers without the involvement of KPI (Canada). In 2014, we started to develop direct business relationship with six new US customers. As it generally takes a period of 18 months to develop and test a new product, we recorded significant increase in sales in 2015 and 2016 in the US (excluding those sales in relation to the existing programmes engaged with KPI (Canada)).

Before 2013, Keen Point Europe was under the management of Eurochrome. Since early 2013, we took over the operations and directly managed our sales and marketing team of Keen Point Europe. Since then, Keen Point Europe has successfully started to develop direct business relationship with a total of 29 new European customers. Our sales to Europe recorded substantial growth from 14.0% of our total revenue in 2014 to 17.5% of our total revenue in 2015 and further to 22.6% in 2016. For details of Eurochrome, please refer to the section headed "History, Reorganisation and Corporate Structure — Establishment and Major Changes concerning Major Members of our Group — Establishment, principal activities and major changes concerning our key subsidiaries incorporated outside the PRC — (1) Keen Point Europe" — Keen Point Europe" in this prospectus.

## FINANCIAL INFORMATION

### *Cost of Sales*

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Raw materials	235,989	38.2	242,081	32.2	281,554	31.0
Staff costs	146,871	23.8	188,081	25.0	227,111	25.1
Overheads	235,521	38.0	321,062	42.8	398,689	43.9
- Depreciation	29,404	4.8	35,373	4.7	41,715	4.6
- Processing fees	28,312	4.5	56,624	7.5	69,267	7.6
- Consumables	33,789	5.5	49,994	6.7	60,292	6.6
- Utilities	51,692	8.4	60,031	8.0	68,384	7.5
- Shipping and delivery	19,511	3.1	24,363	3.3	31,800	3.5
- Others	72,813	11.7	94,677	12.6	127,231	14.1
	<b><u>618,381</u></b>	<b><u>100.0</u></b>	<b><u>751,224</u></b>	<b><u>100.0</u></b>	<b><u>907,354</u></b>	<b><u>100.0</u></b>

Our cost of sales comprises mainly cost of raw materials, staff costs, utilities, depreciations, processing fee paid to our subcontractors and shipping and delivery costs. Raw materials are our largest component of cost of sales, accounted for 38.2%, 32.2% and 31.0% of our total cost of sales in 2014, 2015 and 2016, respectively. In particular, metallic components accounted for approximately 9.9%, 11.6% and 10.4% of our total costs of raw materials in 2014, 2015 and 2016, respectively. Our raw materials mainly include plastic resins, electroplating chemicals such as nickel sulphate, and metallic components such as phosphor copper ball. Staff costs mainly comprise salaries and benefit for those who are directly involved in the manufacturing process. Other overheads mainly include mould cost and packaging material costs.

### **Gross profit and gross profit margin**

The following table sets forth a breakdown of gross profit and gross profit margin for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	<b>Gross profit</b>	<b>Gross profit margin</b>	<b>Gross profit</b>	<b>Gross profit margin</b>	<b>Gross Profit</b>	<b>Gross profit margin</b>
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Automotive decorative components	371,348		441,929		625,216	
Non-automotive components	16,520		10,564		8,096	
Total	<b><u>387,868</u></b>	38.5	<b><u>452,493</u></b>	37.6	<b><u>633,312</u></b>	41.1

In 2014 and 2015, our gross profit margin remained relatively stable at 38.5% and 37.6%, respectively, despite the general decline of commodity prices globally which was largely offset by the increase in staff costs due to increase in the general compensation levels. In 2016, our gross profit margin increased to 41.1%. Our improvement in gross profit margin during the Track Record Period is mainly a result of the improvement in our average selling price, production yield and relatively stable cost of raw materials for our automotive decorative components segment.

## FINANCIAL INFORMATION

### Other income and gain

Other income and gain mainly represented bank interest income, income from sale of scraps, testing fee income and foreign exchange gains. Other income and gain amounted to RMB11.4 million, RMB24.1 million and RMB26.5 million in 2014, 2015 and 2016, respectively.

### Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	9,086	49.3	11,732	48.6	12,315	41.9
Travel and transportation expenses	6,564	35.7	8,822	36.5	12,193	41.4
Business development expenses	1,656	9.0	1,474	6.1	1,984	6.7
Others	1,106	6.0	2,133	8.8	2,933	10.0
	<u>18,412</u>	<u>100.0</u>	<u>24,161</u>	<u>100.0</u>	<u>29,425</u>	<u>100.0</u>

Our selling and distribution expenses amounted to RMB18.4 million, RMB24.2 million and RMB29.4 million in 2014, 2015, and 2016 respectively. Our selling and distribution expenses increased during the Track Record Period mainly as a result of increase in the number of sales staff and their compensation levels, as well as their travel and transportation expenses due to the expansion of our business.

### Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	82,621	54.5	89,783	50.8	115,391	52.8
Research and development expenses	26,886	17.7	30,748	17.4	36,024	16.5
Listing expenses	1,213	0.9	8,558	4.8	11,887	5.4
Travel and transportation expenses	4,768	3.1	8,645	4.9	10,896	5.0
Office supplies	6,556	4.3	8,315	4.7	9,572	4.4
Depreciation and amortisation	7,484	4.9	10,065	5.7	8,923	4.1
Rental expenses	5,921	3.9	6,276	3.6	6,302	2.9
Pre-operation expenses	3,833	2.5	1,071	0.6	4,460	2.0
Stamp duties and local government surcharges	1,630	1.1	2,444	1.4	2,163	1.0
Business development expenses	2,338	1.5	2,085	1.2	2,093	1.0
Loss on disposal of property, plant and equipment	1,982	1.3	1,342	0.8	1,462	0.7
Others	6,267	4.3	7,257	4.1	9,472	4.2
	<u>151,499</u>	<u>100.0</u>	<u>176,589</u>	<u>100.0</u>	<u>218,645</u>	<u>100.0</u>

Administrative expenses amounted to RMB151.5 million, RMB176.6 million and RMB218.6 million in 2014, 2015 and 2016, respectively. Staff cost is the largest component of our administrative expenses, representing the salaries and benefits of our administrative and support staffs, as well as our Directors and senior management, and provision for social insurance and housing provident funds. The pre-operation expenses represented trial operation expenses incurred for our new production facilities in Huizhou and Tianjin before such production facilities commenced mass production.

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## FINANCIAL INFORMATION

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### Other expenses

The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Fair value loss on derivative financial instruments	-	-	1,668	100.0	-	-

Other expenses amounted to nil, RMB1.7 million and nil in 2014, 2015 and 2016. Other expenses comprised of fair value loss on derivative financial instruments in 2015, mainly as a result of loss from the forward contracts entered in order to reduce price risk exposure on nickel price in 2015.

### Income tax expense

We are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5%, in 2014, 2015 and 2016 on the estimated assessable profit for the Track Record Period.

(ii) PRC corporate income tax

PRC corporate income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the relevant companies in our Group during the Track Record Period. To ascertain the tax exposure of KPL in the PRC, the Company has engaged a tax advisor to review KPL's effective management and control and permanent establishment exposures in the PRC.

*(A) Effective management and control*

Article 4 of the "Implementation Regulations ("IRs") of Corporate Income Tax Law ("CIT Law")" (Order of the State Council [2007] No. 512) 《中華人民共和國企業所得稅法實施條例》(國務院令[2007]第512號) sets out the criteria for assessing effective management and control exposure, which include analysis on "substantive overall management and control over the production and business operation, employees, accounting and properties of an enterprise". Based on the tax opinion of the Company's tax advisor (the "Tax Opinion"), in practice, the risk of KPL being regarded as a PRC tax resident enterprise by the relevant PRC tax authorities is not high based on the following:-

- (a) no detailed definitions on "Tax Resident Enterprise" and "effective management and control" are provided in the CIT Law and its IRs. While circular Guoshuifa [2009]82 was issued to clarify the criteria for creating an effective management and control by Chinese Controlled Foreign Enterprise ("CCFE"), KPL is not held by Chinese enterprises or corporate groups, therefore technically is not qualified as a CCFE and the circular Guoshuifa [2009]82 does not apply;

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## FINANCIAL INFORMATION

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- (b) in practice, the risk that the PRC tax authority exercises its discretion to apply Article 4 of the IRs of CIT Law to assess the effective management and control exposure of a non-CCFE enterprise such as KPL by making reference to the criteria stated in Guoshuifa [2009]82 is not high as there has not been any recently published case in which a foreign corporation is deemed by the PRC State Administration of Taxation as a PRC tax resident under Article 4 and is subject to PRC Corporate Income Tax on its worldwide income.

*(B) Permanent establishment in the PRC*

KPL does not have any employees, management/business organisations, establishment that provide labour services in PRC, therefore based on the Tax Opinion, the chance of KPL being deemed as having a permanent establishment in PRC is low.

Based on the Tax Opinion, in light of the risk analysis in (A) and (B) above, the overall risk of KPL being treated as a PRC tax resident enterprise which is subject to PRC Corporate Income Tax Law on its worldwide income is not high. As such, the possibility that KPL was required to make tax declaration and subject to PRC income tax for the profit that it generated during the Track Record Period was low. As advised by our PRC Legal Advisers, if any taxpayer is regarded as a PRC tax resident enterprise by the relevant PRC tax authorities and fails to make tax declaration or fails to pay or underpays the tax payable, according to Article 64 of the “Law of the PRC on the Administration of Tax Collection” 《中華人民共和國稅收徵收管理法》, the taxpayer shall be subject to an overdue daily fine equivalent to 0.05% of the amount of outstanding tax payable, a fine of not less than 50% but not more than five times of the amount of tax that fails to pay or underpays, and shall pay the amount of tax that such taxpayer fails to pay or underpays.

Nevertheless, the Group decided to adopt a more prudent approach and provisions were made in relation to the risk that KPL may be considered as a PRC tax resident pursuant to the PRC regulations. In 2014, 2015 and 2016, the PRC tax provisions for profits generated by KPL amounted to RMB18.5 million, RMB28.9 million and RMB35.6 million, respectively. KPL has not made any tax filings to the relevant PRC authorities during the Track Record Period. The relevant tax provisions will be reversed after three years if no challenge or query was raised by the PRC tax authorities. In 2014, 2015 and 2016, PRC tax provision in relation to KPL of RMB7.3 million, RMB20.5 million and RMB19.1 million was written-back, respectively. The Company expects to adopt the same approach for making provisions in the future. To further enhance our tax efficiency and ensure our future compliance with the relevant tax regulations after Listing, we will consider engaging an independent tax consultant to review and advise on tax affairs relating to our business operation after consultation with our audit committee.

(iii) PRC withholding income tax

Dividends declared by the PRC subsidiaries to parent companies incorporated outside PRC are subject to withholding tax of 10%. Withholding tax of our Group has been provided at a rate of 10% during the Track Record Period.

(iv) Taxation in the United States

XPNA is subject to U.S. federal, state, and local tax rules. Both federal and state taxation authorities in the United States impose the collection of certain annual income and

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## FINANCIAL INFORMATION

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other applicable taxes. For details of applicable taxes and their respective tax rates, please refer to the section headed “Regulatory Overview – Taxation in the United States” in this prospectus.

(v) Taxation in Germany

Keen Point Germany is subject to German corporate income tax (*Körperschaftsteuer*), trade tax, (*Gewerbesteuer*), taxation of dividend distributions, value added tax (“VAT”) and customs duties/tariff within the European Union. For details of applicable taxes and their respective tax rates, please refer to the section headed “Regulatory Overview – Taxation in Germany” in this prospectus.

Our income tax expenses were RMB47.3 million, RMB51.3 million and RMB113.1 million in 2014, 2015 and 2016, respectively; the effective tax rate for the same period was 20.7%, 18.8% and 27.5%, respectively. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

### REVIEW OF HISTORICAL RESULTS OF OPERATION

#### Year ended 31 December 2016 compared to year ended 31 December 2015

##### *Revenue*

Our revenue increased by RMB336.9 million or 28.0% to RMB1,540.7 million in 2016 from RMB1,203.7 million in 2015 as a result of increased sales of automotive decorative components by RMB374.7 million. The total units of automotive decorative components sold in 2016 increased by 37.4 million or 13.5% from 2015, while the average selling price of our automotive decorative components increased by RMB0.7 per unit or 17.3% in 2016. The increase in the sales of automotive decorative components was mainly due to (i) the steady growth in the PRC’s automobile production and sales, which led to the increased local demands of our products. The revenue from the sales of automotive decorative components within the PRC markets increased by RMB147.7 million or 29.8% to RMB643.9 million in 2016 from RMB496.2 million in 2015. The total number units of automotive decorative components sold in the PRC for 2016 increased by 19.8 million units or 13.5% from 2015, while the relevant average selling price in the PRC market remained relatively stable at RMB3.4 per unit and RMB3.8 per unit for 2015 and 2016, respectively; (ii) the increase in revenue in the US market of RMB80.9 million or 21.2% in 2016, primarily as a result of the increase in average selling price of RMB0.9 per unit from 2015 to 2016 mainly due to new products sold and depreciation of RMB against USD which our sales is denominated in; and (iii) the increase in revenue in the European market of RMB138.2 million or 65.8% in 2016, primarily as a result of approximately 41.3% increase in quantity sold to our existing suppliers as a result of increase in their demand; and the increase in average selling price of RMB1.1 per unit from 2015 to 2016 mainly due to new products sold and depreciation of RMB against USD which our sales is denominated in.

Our revenue from non-automotive components continued to decrease by RMB37.8 million or 50.1% from RMB75.4 million in 2015 to RMB37.6 million in 2016, which is in line with our strategy to focus on automotive decorative components business



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## FINANCIAL INFORMATION

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and devote less resources on non-automotive components. Revenue from non-automotive components in 2016 represented existing contracts with our customers.

### *Cost of sales*

Cost of sales increased by RMB156.1 million or 20.8% to RMB907.4 million in 2016 from RMB751.2 million in 2015. Such increase was mainly due to (i) increase in cost of raw materials by RMB39.5 million or 16.3% from RMB242.1 million in 2015 to RMB281.6 million in 2016 as a result of increase in number of products produced during 2016, partially offset by a general decrease in raw material price level in 2016; (ii) increase in staff cost of RMB39.0 million or 20.8% as a result of increase in both the compensation levels and headcount; (iii) increase in consumables of RMB10.3 million or 20.6% as a result of increase in packaging material used due to increase in sales to overseas market; and (iv) increase in mould cost of RMB20.4 million or 46.7% as a result of moulds developed for new orders received.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by RMB180.8 million or 40.0% to RMB633.3 million in 2016 from RMB452.5 million in 2015. Our gross profit margin increased to 41.1% in 2016 from 37.6% in 2015, which was mainly due to improvement in average selling price of our automotive decorative component products in North America, PRC and Europe in 2016 and the general decrease in raw material price during 2016.

### *Other income and gain*

Other income and gain increased by RMB2.3 million or 9.7% to RMB26.5 million in 2016 from RMB24.1 million in 2015. Such increase was mainly due to increase in exchange gain of RMB1.9 million due to depreciation of RMB against USD and Euros, for which 52.6% of our sales was denominated in.

### *Selling and distribution expenses*

Selling and distribution expenses increased by RMB5.3 million or 21.8% to RMB29.4 million in 2016 from RMB24.2 million in 2015. The increase was primarily due to the continued increase in staff costs as a result of increase in number of staff and their compensation level, as well as their relevant travelling expenses to cope with our business growth.

### *Administrative expenses*

Administrative expenses increased by RMB42.1 million or 23.8% to RMB218.6 million in 2016 from RMB176.6 million in 2015. The increase was primarily due to (i) increase in staff costs of RMB25.6 million due to increase in the salary level of the PRC supporting staff in order to retain talents in respect of the highly competitive human resources market in the PRC; (ii) increase in R&D costs of RMB5.3 million in relation to new model requests from our customers; and (iii) increase in Listing expenses of RMB3.3 million. The increase was partially offset by a decrease of RMB1.1 million in depreciation and amortisation in relation to our office leasehold improvement which was fully amortised in 2015.

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## FINANCIAL INFORMATION

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### *Finance costs*

Finance costs decreased by RMB0.7 million to RMB0.6 million in 2016 from RMB1.3 million in 2015. The decrease was mainly due to the repayments of outstanding bank borrowings during 2016.

### *Income tax expense*

Income tax expense increased by RMB61.7 million or 120.2% to RMB113.1 million in 2016 from RMB51.3 million in 2015. Our effective tax rate increased from 18.8% in 2015 to 27.5% in 2016. The increase in effective tax rate was primarily due to (i) the increase in statutory tax rate of KP (Huizhou) Precision Plastic from 15% to 25% as a result of the cessation of high-tech preferential tax rate by the end of 2015; and (ii) increase in our sales in the US and European markets, where the tax rates are higher.

### *Profit for the year*

As a result of the foregoing, profit for the year increased by RMB76.5 million or 34.5% to RMB298.3 million in 2016 from RMB221.9 million in 2015. Our net profit margin slightly increased from 18.4% for the year ended 31 December 2015 to 19.4% for the year ended 31 December 2016.

## **Year ended 31 December 2015 compared to year ended 31 December 2014**

### *Revenue*

Our revenue increased by RMB197.5 million or 19.6% to RMB1,203.7 million in 2015 from RMB1,006.2 million in 2014 as a result of increase in revenue from automotive decorative components by RMB213.9 million. The total units of automotive decorative components sold in 2015 increased by 46.6 million or 20.2% from 2014, while the average selling price of our automotive decorative components increased slightly by RMB0.1 per unit or 2.6% in 2015. The increase in the sales of automotive decorative components was mainly due to (i) the steadily growth in the PRC's automobile production and sales led to the increased local demands of our products. The revenue from the sales of automotive decorative components from the PRC markets increased by RMB104.6 million or 26.7% to RMB496.2 million in 2015 from RMB391.6 million in 2014. The total units of automotive decorative components sold in the PRC in 2015 increased by RMB17.3 million or 13.3% from the same period in 2014; and (ii) the increase in revenue in the European market from RMB141.3 million in 2014 to RMB210.1 million, primarily as a result of approximately 106.8% increase in the quantity sold to new customers sourced.

Our revenue from non-automotive components continued to decrease by RMB16.4 million or 17.9% from RMB91.8 million in 2014 to RMB75.4 million in 2015, which is in line with our strategy to focus on automotive decorative components business and devote less resources on non-automotive components. Revenue from non-automotive component in 2015 represented existing contracts with our customers. Our average selling price decreased from RMB1.9 per unit in 2014 to RMB1.6 per unit in 2015.

### *Cost of sales*

Cost of sales increased by RMB132.8 million or 21.5% to RMB751.2 million in 2015 from RMB618.4 million in 2014. Such increase was mainly due to (i) increase in staff costs

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## FINANCIAL INFORMATION

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of RMB41.2 million mainly as a result of increase in the compensation levels; (ii) increase in processing fee paid to our sub-contractors of RMB28.3 million as a result of the increase in production requirements; (iii) increase in utilities expenses of RMB8.3 million as a result of the increase in production activities; and (iv) increase in consumables of RMB16.2 million due to additional consumables consumed as a result of the commencement of usage of the new production line in Huizhou in the second half of 2014. Our cost of raw material consumed increased at a slower pace by RMB6.1 million mainly due to the decrease in purchasing price for metal in 2015.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by RMB64.6 million or 16.7% to RMB452.5 million in 2015 from RMB387.9 million in 2014. Our gross profit margin slightly decreased to 37.6% in 2015 from 38.5% in 2014, which was mainly due to increase in staff cost and relating benefits and cost of consumables and depreciation due to additional consumables consumed as a result of the commencement of usage of the new production line in Huizhou in the second half of 2014.

### *Other income and gain*

Other income and gain increase by RMB12.7 million or 111.1% to RMB24.1 million in 2015 from RMB11.4 million in 2014. Such increase was mainly due to (i) increase in foreign exchange gain of RMB4.5 million due to depreciation of RMB against USD and Euros, for which 52.6% of our sales was denominated in; (ii) increase in testing fee income of RMB3.3 million as a result of increase in new customers which required testing on their moulds before commencing production; and (iii) increase in bank interest income of RMB2.2 million.

### *Selling and distribution expenses*

Selling and distribution expenses increased by RMB5.7 million or 31.2% to RMB24.2 million in 2015 from RMB18.4 million in 2014. The increase was primarily due to (i) increase in staff costs of RMB2.6 million as a result of additional marketing staff recruited for the development of the North American and European markets; and (ii) increase in travel and transportation expenses of RMB2.3 million due to the reason mentioned above.

### *Administrative expenses*

Administrative expenses increased by RMB25.1 million or 16.6% to RMB176.6 million in 2015 from RMB151.5 million in 2014. The increase was primarily due to (i) increase in staff costs of RMB7.2 million due to increase in staff and salaries; (ii) increase in Listing expenses of RMB7.3 million; and (iii) increase in travel and transportation expenses of RMB3.9 million as a result of more frequent business travels to the North America and Europe in order to support the increased business activities within those markets.

### *Other expenses*

Our other expenses increased from nil to RMB1.7 million in 2015 mainly as a result of fair value loss on derivative financial instruments of RMB1.7 million resulted from our commodity futures hedge for exposure of the nickel price, which decreased in 2015.

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## FINANCIAL INFORMATION

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### *Finance costs*

Finance costs increased by RMB0.4 million to RMB1.3 million in 2015 from RMB0.9 million in 2014. The increase was mainly due to the increased balance of interest-bearing bank borrowings in 2015.

### *Income tax expense*

Income tax expense increased by RMB4.1 million or 8.6% to RMB51.3 million in 2015 from RMB47.3 million in 2014. Our effective tax rates decreased from 20.7% in 2014 to 18.8% in 2015 mainly due to the recognition of deferred tax asset arose from certain provisions made for accrued staff welfare, inventories and other deductible temporary difference.

### *Profit for the year*

As a result of the foregoing, profit for the year increased by RMB40.7 million or 22.4% to RMB221.9 million in 2015 from RMB181.2 million in 2014. Our net profit margin slightly increased from 18.0% in 2014 to 18.4% in 2015.

## FINANCIAL INFORMATION

### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table summarises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	263,837	312,693	428,706
Prepaid land lease payments	17,403	34,601	33,814
Investment in an associate	625	970	718
Prepayments, deposits and other receivables	32,079	31,865	52,966
Deferred tax assets	4,551	9,152	10,267
Total non-current assets	<u>318,495</u>	<u>389,281</u>	<u>526,471</u>
<b>CURRENT ASSETS</b>			
Inventories	148,459	179,828	218,788
Trade and bills receivables	261,607	319,615	445,060
Prepayments, deposits and other receivables	48,495	56,842	93,667
Derivative financial instruments	4,405	2,737	3,256
Prepaid land lease payments	434	780	794
Amounts due from shareholders	206	-	-
Cash and cash equivalents	183,779	293,298	229,648
	<u>647,385</u>	<u>853,100</u>	<u>991,213</u>
Assets of a disposal group classified as held for sale	-	25,091	-
Total current assets	<u>647,385</u>	<u>878,191</u>	<u>991,213</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	88,742	106,371	184,343
Other payables and accruals	114,077	208,160	169,870
Interest-bearing bank and other borrowings	8,000	25,880	4,015
Tax payable	72,704	89,473	130,470
	<u>283,523</u>	<u>429,884</u>	<u>488,698</u>
Liabilities directly associated with assets held for sale	-	9,529	-
Total current liabilities	<u>283,523</u>	<u>439,413</u>	<u>488,698</u>
<b>NET CURRENT ASSETS</b>	<u>363,862</u>	<u>438,778</u>	<u>502,515</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>682,357</u>	<u>828,059</u>	<u>1,028,986</u>
<b>NON-CURRENT LIABILITY</b>			
Interest-bearing bank and other borrowings	-	5,134	1,050
Total non-current liability	<u>-</u>	<u>5,134</u>	<u>1,050</u>
Net assets	<u>682,357</u>	<u>822,925</u>	<u>1,027,936</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	79	79	79
Reserves	668,202	822,846	1,027,857
	<u>668,281</u>	<u>822,925</u>	<u>1,027,936</u>
<b>Non-controlling interests</b>	14,076	-	-
Total equity	<u>682,357</u>	<u>822,925</u>	<u>1,027,936</u>

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## FINANCIAL INFORMATION

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### Inventories

Our inventories comprised raw materials, work-in-progress and finished goods of our products. Our raw materials primarily consist of plastic resins, electroplating chemicals such as nickel sulphate, and metallic components such as phosphor copper ball. The following table sets forth the components of our inventories as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	38,045	39,392	52,577
Work-in-progress	46,932	48,032	44,979
Finished goods	63,482	92,404	121,232
	<b>148,459</b>	<b>179,828</b>	<b>218,788</b>
Inventory turnover days ( <i>Note</i> )	<b>78</b>	<b>80</b>	<b>80</b>

*Note:*

Inventory turnover days are calculated by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365 days.

Our balance of inventories increased during the Track Record Period in line with our growth in sales. Our work-in-progress remained relatively stable throughout the Track Record period and our finished goods increased from RMB63.5 million as at 31 December 2014 to RMB92.4 million as at 31 December 2015 and further increased to RMB121.2 million as at 31 December 2016 mainly due to the finished goods stocked up in preparation for increased demands from the US and European markets to be delivered in early 2017. As at 31 March 2017, RMB204.7 million or 93.6% of our inventory balance as at 31 December 2016 has been consumed.

We adopt stringent inventory control and endeavour to maintain low inventory level required for our operations through effective inventory management. We also periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. We manage our inventory levels principally based on the anticipated demand.

Our average inventory turnover days remained stable during the Track Record Period at 78 days to 80 days. Going forward, we expect our inventory turnover days to be controlled below 90 days.

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## FINANCIAL INFORMATION

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### Trade and bills receivables

The following table sets forth the total amounts of our trade and bills receivables as at the dates indicated and the trade receivables turnover days for the periods indicated:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	<u>261,607</u>	<u>319,615</u>	<u>445,060</u>
Trade and bills receivables turnover days ( <i>Note</i> )	<u>88</u>	<u>88</u>	<u>91</u>

*Note:*

Trade and bills receivables turnover days are calculated by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables for the relevant periods by revenue and multiplying by 365 days.

The increase in our trade receivables balances during the Track Record Periods was generally in line with increase in our revenue.

In 2014, 2015 and 2016, our trade receivables turnover days remained relatively stable at 88 days, 88 days and 91 days, respectively. We seek to maintain control over outstanding receivables and ensure overdue balances are regularly reviewed. We run ageing analysis of our trade receivables every week and report to the senior management outstanding trade receivables that need to be followed up. We also classify our customers into different categories by location and review our relationship with them every year, including reviewing their credit history.

The following tables sets forth the ageing analysis of our trade and bills receivables as of the dates indicated, based on the invoice dates:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one month	155,692	209,134	290,886
One to two months	74,441	76,109	110,639
Two to three months	22,239	23,169	36,324
Over three months	9,235	11,203	7,211
	<u>261,607</u>	<u>319,615</u>	<u>445,060</u>

Our trading terms with our customers are mainly on credit. Before accepting any new customers, we will assess the potential customer's credit quality and define credit period by customer. The credit period is generally for a period of three months for major customers. We seek to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

Our policy for impairment on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgement and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on

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## FINANCIAL INFORMATION

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an ongoing basis, and assessments are made by our management on the collectability of overdue balances. As at 31 December 2014 and 2015 and 2016, respectively, no provisions for individually impaired trade receivables were recorded.

As at 31 March 2017, RMB424.6 million or 95.4% of our trade receivables outstanding as at 31 December 2016 were settled.

### Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the dates indicated.

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current portion			
Prepayments for construction and equipments	32,079	31,865	52,966
Current portion			
Prepayments for purchase of raw materials	5,441	13,157	16,666
Deposits for rentals	14,558	3,053	11,776
Deposits for land	11,425	-	-
Export tax refund	7,449	3,901	1,914
Input VAT at year end	8,561	22,744	48,093
Prepayments for Listing expenses	-	3,333	6,432
Others	1,061	10,654	8,786
	48,495	56,842	93,667
	<b>80,574</b>	<b>88,707</b>	<b>146,633</b>

Our prepayments, deposits and other receivables increased from RMB80.6 million as at 31 December 2014 to RMB88.7 million as at 31 December 2015 which was mainly attributable to (i) increase in input VAT of RMB14.2 million mainly from our purchase of raw materials and plant and machinery which was not yet offset by output VAT; (ii) increase in prepayments for purchase of raw materials of RMB7.7 million to cater our increase in expected sales. The amount was partially offset by (i) deposits for land of RMB11.4 million which was transferred to prepaid land lease payments upon acquisition of land in Huizhou; (ii) decrease in deposits in rentals of RMB11.5 million mainly due to termination of certain lease of staff quarters upon completion of the expansion of our production base; and (iii) decrease in export tax refund of RMB3.5 million mainly due to more timely settlement of export tax refund from relevant tax authority as a result of more efficient approval processes undertaken by the relevant tax authority in 2016.

The amount then further increased to RMB146.6 million as at 31 December 2016 which was mainly attributable to (i) increase in input VAT of RMB25.3 million mainly from our purchase of raw materials and plant and machinery which was not yet offset by output VAT; (ii) further increase in prepayments for purchase of raw materials of RMB3.5 million to cater for our increase in expected sales; (iii) increase in non-current prepayments for construction and equipment of RMB21.1 million in relation to our Huizhou New Production Base which focuses on plastic injection moulding and components assembly; and (iv) increase in rental deposits for new electroplating lines in relation of our Huizhou Production Base of RMB8.7 million.



## FINANCIAL INFORMATION

### Derivative financial instruments

During the Track Record Period, we have entered into forward metal contracts in order to hedge our risk exposure related to our major raw material, nickel. For each of the three years ended 31 December 2016, our forward metal contracts amounted to RMB4.4 million, RMB2.7 million and RMB3.3 million, respectively, while the changes in fair value during the respective years resulted in gain of RMB0.5 million in 2014, loss of RMB1.7 million in 2015 and gain of RMB0.3 million in 2016, respectively.

The fair value of derivative financial instruments purchased by us were determined by the quote price in active markets and were recorded in accordance with applicable accounting framework. Any changes in the fair value of derivative financial instruments will not cause actual cash inflow or outflow for any unrealised gain or loss on derivative financial instruments until settlement of such contracts. The gain or loss on fair value change of such forward metal contracts accounted for a relatively insignificant portion to our total revenue at 0.05%, -0.14% and 0.02%, respectively. As at 31 December 2016, the nominal value of the unsettled derivative financial instruments purchased by us on 28 November 2016 amounted to US\$494,634.

As at the Latest Practicable Date, we had entered into an aggregate of seven forward metal contracts. The following table sets out the details of these forward contracts:

<u>Contract</u>	<u>Trading date</u>	<u>Expiry date/ Last settlement date</u>	<u>Term</u>	<u>Total notional quantity</u>	<u>Trade price</u>
Primary nickel future					
– London Metal Exchange	22 May 2017	22 August 2017	3 months	Seven lots (42 tonnes)	US\$9,415/tonne

For further details on our internal policy in relation to investment in such derivative financial instruments, please refer to the section headed “Business – Hedging – Commodity futures hedge policy adopted by our Group” in this prospectus.

### Amounts due from shareholders

The amounts due from shareholders represented the amount due from Mr. Ma and Ms. Lau Tsz Ching. The amount was non-trade in nature, unsecured, non-interest-bearing and repayable on demand. Balance of RMB0.2 million as at 31 December 2014 had been fully settled in 2015.

### Trade payables

The following table sets forth the total amounts of our trade payables as at the dates indicated and the trade payables turnover days for the periods indicated:

	<u>As at 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade payable	<u>88,742</u>	<u>106,371</u>	<u>184,343</u>
Trade payable turnover days <sup>(1)</sup>	<u>48</u>	<u>47</u>	<u>58</u>

*Note:*

Trade payable turnover days are calculated by dividing the arithmetic mean of the opening and closing balances of trade payable for the relevant periods by cost of sales and multiplying by 365 days.

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## FINANCIAL INFORMATION

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Our trade payables balances as at 31 December 2014, 2015 and 2016 were RMB88.7 million, RMB106.4 million and RMB184.3 million, respectively. The increase in our trade payable balances during the Track Record Periods primarily reflected increase in purchase of raw materials to satisfy our increasing production needs.

Our suppliers generally offer us non-interest-bearing trade credit periods of 30 to 60 days. In 2014 and 2015 and 2016, our trade payables turnover days were 48 days, 47 days and 58 days, respectively, which were in line with the credit periods.

The following tables sets forth the ageing analysis of our trade payables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one month	68,812	79,630	149,583
One to two months	12,919	15,306	21,216
Two to three months	3,292	4,825	6,252
Over three months	3,719	6,610	7,292
	<u>88,742</u>	<u>106,371</u>	<u>184,343</u>

As at 31 March 2017, RMB177.7 million or 96.4% of trade payables outstanding as at 31 December 2016 had been fully settled.

### Other payables and accruals

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrual of social insurance and housing provident fund contributions	68,236	69,445	87,286
Salary and benefits payables	14,957	30,186	41,692
Receipt in advance	2,888	4,187	4,194
Accrued utilities and processing expenses	5,750	6,751	8,834
Provisions for VAT and other taxes	14,554	17,768	15,879
Dividend payable	-	66,762	-
Accrued Listing expenses	-	2,769	4,855
Other payables and accruals	7,692	10,292	7,130
	<u>114,077</u>	<u>208,160</u>	<u>169,870</u>

Our other payables and accruals mainly represent accrual of social insurance and housing provident fund contributions, salary and bonus payables, accrued utilities and processing fees, provision for VAT and other taxes, dividend payable and other payables and accruals.

During the Track Record Period, staff-related accrual payables, such as salaries and benefits payable and accrual for social insurance and housing provident fund contributions increased as a result of the general increase in our number of employees and their compensation levels. For details of accruals of social insurance and housing provident fund contributions, please refer to the section headed “Business – Compliance and Legal Proceedings – Non-compliances” in this prospectus.

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## FINANCIAL INFORMATION

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### LIQUIDITY AND CAPITAL RESOURCES

#### Cash Flow

Our primary uses of cash are for the payment of purchases from suppliers, staff costs, various operating expenses and capital expenditure. Historically, we have been funded our capital expenditures and working capital requirements through a combination of cash generated from our operations and bank borrowings.

The following table summarises, for the periods indicated, our statements of cash flows:

	<b>For the year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	165,661	232,399	311,921
Net cash used in investing activities	(92,744)	(119,238)	(189,033)
Net cash (used in)/from financing activities	(63,226)	2,184	(203,339)
Net increase/(decrease) in cash and cash equivalents	9,691	115,345	(80,451)
Cash and cash equivalents at beginning of year	173,322	183,779	302,230
Effect of foreign exchange rate changes, net	766	3,106	7,869
Cash and cash equivalents at end of year	<u>183,779</u>	<u>302,230</u>	<u>229,648</u>

#### *Operating activities*

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our products. Our cash outflow used in operating activities was principally for purchases of raw materials.

In 2016, we had net cash generated from operating activities of RMB311.9 million, mainly represented our profit before tax of RMB411.4 million adjusted for (i) increase in trade payables of RMB77.6 million mainly due to increase in purchase of raw materials for our operations; and (ii) depreciation for property, plant and equipment of RMB59.2 million. This is partially offset by (i) increase in trade and bills receivables of RMB80.8 million mainly due to increase in sales; (ii) increase in prepayments, deposits and other receivables of RMB33.9 million mainly due to increase in input VAT of RMB25.3 million mainly from our purchase of raw materials and plant and machinery which was not yet offset by output VAT; and (iii) increase in inventories of RMB40.0 million for increase in expected sales.

In 2015, we had net cash generated from operating activities of RMB232.4 million, mainly represented our profit before tax of RMB273.2 million adjusted for (i) depreciation for property, plant and equipment of RMB51.7 million; (ii) increase in other payables and accruals of RMB28.5 million mainly attributable to the increase in accrued salaries and welfare to our staff; and (iii) increase in trade payables of RMB23.3 million mainly due to increase in sales. This is partially offset by (i) increase in trade and bills receivables of RMB66.6 million which is in line with the increase in revenue; (ii) increase in inventories of RMB35.9 million for increase in expected sales; and (iii) increase in prepayments, deposits and other receivables of RMB9.5 million mainly due to prepayments for purchase of raw materials.

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## FINANCIAL INFORMATION

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In 2014, we had net cash generated from operating activities of RMB165.7 million, mainly represented our profit before tax of RMB228.5 million adjusted for (i) depreciation for property, plant and equipment of RMB39.4 million; (ii) increase in trade payables of RMB16.0 million mainly due to increase in purchase of raw materials; and (iii) increase in other payables and accruals of RMB9.5 million as a result of the increase in accruals of RMB5.5 million mainly for accrual of social insurance and housing provident fund contributions. This is partially offset by (i) increase in trade and bills receivables of RMB40.3 million which was in line with the increase in revenue; (ii) increase in inventories of RMB33.3 million for increase in purchase of raw materials for expected sales; and (iii) increase in prepayments, deposits and other receivables of RMB17.4 million mainly due to deposits for rental of warehouse and staff quarters.

### *Investing activities*

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposal of property, plant and equipment. Our cash outflow used in investing activities was principally for purchases of property, plant and equipment and payment for prepaid lease payment.

In 2016, our net cash used in investing activities of RMB189.0 million primarily consisted of (i) payment of RMB176.8 million for the capital expenditure in relation to the addition of factory buildings, new production lines and machinery for Huizhou Production and Wuxi Production Bases; and (ii) deposits paid for property, plant and equipment of RMB21.1 million in relation to our Huizhou New Production Base. This was partially offset by proceeds from disposal of Shanghai Zhiyuan amounting to RMB7.3 million and proceeds of RMB1.1 million from the disposal of items of property, plant and equipment.

In 2015, our net cash used in investing activities of RMB119.2 million primarily consisted of payment of RMB108.3 million for the capital expenditure in relation to the addition of factory buildings, new production lines and machinery and payment of RMB18.2 million for prepaid land lease payments in relation to the acquisition of a piece of land in Huizhou for our production line expansion. This was partially offset by proceeds of RMB7.3 million from the disposal of items of property, plant and equipment.

In 2014, our net cash used in investing activities of RMB92.7 million primarily consisted of payment of RMB94.7 million for the capital expenditure in relation to the addition of new production lines and machinery in Huizhou. This was partially offset by proceeds of RMB1.9 million from the disposal of items of property, plant and equipment.

### *Financing activities*

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from bank borrowings. Our cash outflow used in financing activities was principally for the repayment of bank borrowings payment of dividend and acquisition of non-controlling interests.

In 2016, we had net cash outflow from financing activities of RMB203.3 million primarily attributable to (i) payment of dividend for 2014 and 2015 of RMB67.0 million and RMB110.0 million, respectively; and (ii) repayments of interest-bearing bank loans of RMB22.1 million.

## FINANCIAL INFORMATION

In 2015, we had net cash generated from financing activities of RMB2.2 million primarily attributable to increase in a net repayment of interest-bearing bank loans of RMB8.0 million. The amount is partially offset by (i) a net increase in other loan of RMB31.0 million; and (ii) acquisition of non-controlling interest in 49% issued shares in Keen Point Europe of RMB19.5 million.

In 2014, we had net cash used in financing activities of RMB63.2 million primarily attributable to (i) the payment of final dividend for 2013 of RMB41.0 million during the year; and (ii) repayment of interest-bearing bank borrowings of RMB34.4 million. The amount is partially offset by the increase in interest-bearing bank borrowings of RMB13.0 million.

### Net Current Assets

We recorded net current assets of RMB363.9 million, RMB438.8 million, RMB502.5 million and RMB494.4 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>
<b>CURRENT ASSETS</b>				
Inventories	148,459	179,828	218,788	234,118
Trade and bills receivables	261,607	319,615	445,060	450,752
Prepayments, deposits and other receivables	48,495	56,842	93,667	97,668
Derivative financial instruments	4,405	2,737	3,256	3,065
Prepaid land lease payments	434	780	794	794
Amounts due from shareholders	206	-	-	-
Cash and cash equivalents	<u>183,779</u>	<u>293,298</u>	<u>229,648</u>	<u>229,023</u>
	647,385	853,100	991,213	1,015,420
Assets of a disposal group classified as held for sale	-	<u>25,091</u>	-	-
Total current assets	<u>647,385</u>	<u>878,191</u>	<u>991,213</u>	<u>1,015,420</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	88,742	106,371	184,343	195,385
Other payables and accruals	114,077	208,160	169,870	216,183
Interest-bearing bank and other borrowings	8,000	25,880	4,015	3,661
Tax payable	<u>72,704</u>	<u>89,473</u>	<u>130,470</u>	<u>105,734</u>
	283,523	429,884	488,698	520,963
Liabilities directly associated with assets held for sale	-	<u>9,529</u>	-	-
Total current liabilities	<u>283,523</u>	<u>439,413</u>	<u>488,698</u>	<u>520,963</u>
<b>NET CURRENT ASSETS</b>	<u><u>363,862</u></u>	<u><u>438,778</u></u>	<u><u>502,515</u></u>	<u><u>494,457</u></u>

Our net current assets increased from RMB363.9 million to RMB438.8 million as at 31 December 2015 mainly due to increase in cash and cash equivalent of RMB109.5 million and increase in trade and bills receivables of RMB58.0 million, mainly due to increase in revenue.

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## FINANCIAL INFORMATION

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On 10 December 2015, JIL and KP Share Ltd. entered into an equity transfer agreement pursuant to which JIL transferred 100% equity interest in Shanghai Zhiyuan to KP Share Ltd. at a total consideration of RMB22 million. In accordance with the relevant accounting standards, the assets and liabilities in relation to Shanghai Zhiyuan were presented separately as “Assets of a disposal group classified as held for sale” and “Liabilities directly associate with assets held for sale” on the consolidated statements of financial positions as at 31 December 2015. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure – Reorganisation – Detailed steps of the Reorganisation – 6. Disposal of Shanghai Zhiyuan” in this prospectus.

Our net current assets further increased to RMB502.5 million as at 31 December 2016 mainly due to (i) increase in trade and bills receivables of RMB125.4 million which was a result of our increase in revenue; (ii) increase in inventories of RMB39.0 million for increase in expected sales; and (iii) decrease in current portion of interest-bearing bank and other borrowings of RMB21.9 million; and partially off set by increase of trade payables of RMB78.0 million to cater increased level of our production.

Our net current assets decreased to RMB494.4 million as at 30 April 2017. The decrease was primarily due to increase of unpaid dividend of RMB70.0 million declared in March 2017.

### Working Capital

Taking into account the financial resources available to us including cash flow from operating activities, existing banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed “Future Plans and Use of Proceeds” in this prospectus.

## CONTRACTUAL AND CAPITAL COMMITMENTS

### Operating lease commitments

We lease certain of our office premises and production plants under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years. The table below sets forth the details of our operating lease commitment as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within one year	9,088	15,151	26,215
In the second to fifth years, inclusive	14,890	27,040	51,746
After five years	135	1,944	5,210
	<u>24,113</u>	<u>44,135</u>	<u>83,171</u>

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## FINANCIAL INFORMATION

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### Capital commitments

We had the following capital commitments, which were not provided for in our consolidated financial statements:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:			
Acquisition of plant and equipment	<u>9,188</u>	<u>62,582</u>	<u>63,106</u>

### CAPITAL EXPENDITURES

Our capital expenditures are principally for acquisitions of property, plant and equipment for our operations. During the Track Record Period, we incurred capital expenditures of RMB94.7 million, RMB108.3 million and RMB176.8 million, respectively, mainly for the new investments in our production plants and factory buildings. Between 31 December 2016 and the Latest Practicable Date, we did not make any material capital expenditures.

For the year ending 31 December 2017, we estimate that the capital expenditures will amount to RMB320.5 million primarily for expanding and improving our production facilities in the PRC and initial investments for constructing the new production base in Mexico.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Listing, cash generated from our operating activities and proceeds from borrowings and notes.

### PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests did not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

## FINANCIAL INFORMATION

### INDEBTEDNESS

The following table sets out our total debts as at 31 December 2014, 2015 and 2016 and 30 April 2017:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Non Current:				
Finance lease payables	-	5,134	1,050	-
Current:				
Finance lease payables	-	3,787	4,015	3,661
Bank loans-secured	8,000	-	-	-
Bank loans-unsecured	-	22,093	-	-
Total	8,000	25,880	4,015	3,661
	<u>8,000</u>	<u>31,014</u>	<u>5,065</u>	<u>3,661</u>

The following table sets forth the repayment schedule of our borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Analysed into:				
Bank loans repayable:				
Within one year or on demand	8,000	22,093	-	-
Other borrowings repayable:				
Within one year or on demand	-	3,787	4,015	3,661
In the second year	-	4,070	1,050	-
In the third to fifth years, inclusive	-	1,064	-	-
	-	8,921	5,065	3,661
	<u>8,000</u>	<u>31,014</u>	<u>5,065</u>	<u>3,661</u>

The following table sets out the range of interest rates for our borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
Bank borrowings	6.0%	2.0% – 7.0%	7.0%	7.0%



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## FINANCIAL INFORMATION

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Our bank borrowings were pledged by certain of our assets situated in the PRC. At the close of business on 30 April 2017, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of RMB3.7 million which was secured by certain of our assets. As at 30 April 2017, we had aggregate banking facilities of RMB298.8 million, of which RMB295.1 million was unutilised.

During the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this prospectus, we did not have any plan for material external debt financing. We confirm we do not have material financial covenants nor any breach of such covenants during the Track Record Period.

### Contingent liabilities

As at 30 April 2017, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity risks.

Details of the risk to which we are exposed are set out in note 36 to Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for each year as at each of the dates indicated:

	For the year ended 31 December		
	2014	2015	2016
Gross profit margin (%) (Note 1)	38.5	37.6	41.1
Net profit margin (%) (Note 2)	18.0	18.4	19.4
Return on equity (%) (Note 3)	26.6	27.0	29.0
Return on total assets (%) (Note 4)	18.8	17.5	19.7
	As at 31 December		
	2014	2015	2016
Current ratio (Note 5)	2.3	2.0	2.0
Quick ratio (Note 6)	1.8	1.6	1.6
Gearing ratio (%) (Note 7)	1.2	3.8	0.5

*Notes:*

- (1) Gross profit margin is gross profit for the year as a percentage of total revenue for the year. For more details on our gross profit margins please refer to the paragraph headed "Review of Historical Results of Operation" in this section.
- (2) Net profit margin is net profit for the year as a percentage of total revenue for the year. For more details on our net profit margins please refer to the paragraph headed "Review of Historical Results of Operation" in this section.
- (3) Return on equity is profit for the year as a percentage of total equity as at respective year end.

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## FINANCIAL INFORMATION

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- (4) Return on total assets is profit for the year as a percentage of total assets as at respective year end.
- (5) Current ratio is total current assets as at year end divided by the total current liabilities as at the respective year end.
- (6) Quick ratio is total current assets less inventories divided by the total current liabilities as at the end of the year end.
- (7) Gearing ratio is the total debt as at the respective year/period end as a percentage of the total equity as at the respective year end.

### **Return on equity**

Our return on equity was 26.6%, 27.0% and 29.0% in 2014, 2015 and 2016, respectively. The return on equity remained relatively stable in 2014 and 2015, and increased to 29.0% in 2016. The increase was mainly due to the increase in profit for the year.

### **Return on total assets**

Our return on total assets was 18.8%, 17.5% and 19.7% in 2014, 2015 and 2016, respectively. Our return on total assets remained stable throughout the Track Record Period as we had increasing profits with increasing of capital expenditure for expansion.

### **Current ratio**

Our current ratio was 2.3, 2.0 and 2.0 in 2014, 2015 and 2016, respectively, which remained relatively stable. The slightly higher ratio in 2014 was mainly due to relatively lower current portion of bank and other borrowings at RMB8.0 million.

### **Quick ratio**

Our quick ratio remained stable at 1.8, 1.6 and 1.6 in 2014, 2015 and 2016, respectively. The slightly higher ratio in 2014 was mainly due to relatively lower current portion of bank and other borrowings at RMB8.0 million.

### **Gearing ratio**

Our gearing ratio was 1.2%, 3.8% and 0.5% as at 31 December 2014, 2015 and 2016 respectively. The decrease to 0.5% as at 31 December 2016 was mainly due to our repayment of bank loans of RMB25.9 million during the year.

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As at the Latest Practicable Date, we did not have any material off-balance sheet commitments and arrangements.

## **DIVIDEND POLICY**

During the Track Record Period, no dividend has been paid or declared by our Company since its date of incorporation. The dividends declared is paid by our subsidiaries to shareholders in the amounts of RMB41.0 million, RMB67.0 million and RMB110.0 million in 2014, 2015 and 2016, respectively. On 5 March 2017, we declared dividends of approximately RMB100.0 million, which has been paid to our Shareholders as at the Latest Practicable Date. All the dividends declared were paid in cash out of our internally generated resources to the then Shareholders.

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## **FINANCIAL INFORMATION**

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Subject to the Companies Law and our Articles of Association, we may declare dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by our Board. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

The declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which our Board may deem relevant.

Following the completion of the Global Offering, we plan to distribute not less than 30% of our distributable profits of each financial year beginning from the year ending 31 December 2017. After completion of the Global Offering, we may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of final dividends shall be formulated by our Board and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial conditions, operating and capital expenditure requirements, distributable profits as determined under the HKFRSs and other applicable laws and regulations and other factors that our Board may consider important.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 28 August 2014 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

### **LISTING EXPENSES**

The total Listing expenses (based on the mid-point of the Offer Price range) are estimated to be RMB72.3 million. Prior to the Track Record Period, we incurred Listing expenses of RMB0.7 million. During the Track Record Period, we incurred Listing expenses of RMB28.1 million, of which RMB1.2 million, RMB8.5 million and RMB11.9 million, were recognised as expenses in 2014, 2015 and 2016, respectively. By the completion of the Global Offering, we expect to further incur Listing expenses of RMB43.5 million, of which RMB17.3 million is to be recognised as expenses and the remaining is expected to be charged to equity.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set forth in the accountants' report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to us than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

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## **FINANCIAL INFORMATION**

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### **UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

For our unaudited pro forma adjusted net tangible assets, please refer to the section headed “Appendix II – Unaudited Pro Forma Financial Information” in this prospectus.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed “Business – Strategies and Future Plans” in this prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$770.1 million (after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering without taking into account any additional discretionary incentive fee), assuming no Over-allotment Option is exercised and an Offer Price of HK\$3.28 per Share, being the mid-point of the indicative Offer Price range of HK\$3.13 to HK\$3.42 per Share. We intend to use the net proceeds we will receive from this Global Offering for the following purposes:

- (i) approximately 35.9% (approximately HK\$276.3 million) will be used for expanding and improving our production facilities in the PRC, comprising (i) approximately HK\$161.0 million for XP (Huizhou) Precision Components to set up the Huizhou New Production Base; (ii) approximately HK\$80.0 million for KP (Wuxi) Moulding to construct the Wuxi New Production Base; (iii) approximately HK\$23.9 million for KP (Huizhou) Surface Decoration to construct a new electroplating production line, namely the O Line; and (iv) HK\$11.4 million for KP (Huizhou) Precision Plastic to invest in plastic injection equipment;
- (ii) approximately 40.2% (approximately HK\$309.5 million) for constructing the new production base in Mexico and investing in production facilities and equipment;
- (iii) approximately 5.4% (approximately HK\$41.3 million) for reinforcing our market position and enhancing our sales, increasing our direct exposure in the mid-to-high end automobile manufacturing segment as well as our market shares in North America and Europe. We plan to expand our marketing, technology, engineering and customer services departments and bring in additional sales manpower in North America and Europe. Furthermore, we plan to optimise the turnover of our goods by enhancing the promotion and publicity of our products;
- (iv) approximately 5.7% (approximately HK\$43.6 million) for enhancing our product quality, product safety and R&D capabilities by setting up laboratories, adopting advanced technologies, procuring testing equipment, recruiting additional engineers and research staff as well as providing subsidies to research studies undertaken by the major universities in the PRC, chemical engineering and physics research institutes and other external research institutes;
- (v) approximately 4.8% (approximately HK\$36.7 million) for enhancing our information technology and customer services systems, comprising upgrading and maintaining the EPR management system for our production sales and logistics, human resources management system and financial management system, and regularly upgrading our information technology infrastructure; and
- (vi) approximately 8.0% (approximately HK\$62.7 million) will be used as working capital and general corporate purposes.

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## FUTURE PLANS AND USE OF PROCEEDS

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In the event of any material changes in the social, economic and political conditions in Mexico and/or trade relationships between US and Mexico and if, after assessing the impacts of such changes, our management forms the view that such changes are likely to adversely impede our expansion of business in North America and/or Mexico, we will internally assess the risks associated with our business and consider adjusting the net proceeds of approximately HK\$309.5 million for constructing the new production base in Mexico. We will issue an announcement if there is any material change in the above proposed use of proceeds.

In the event that the Offer Price is set at HK\$3.42 per Offer Share, being the high point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming the Over-allotment Option is not exercised, will increase to approximately HK\$804.1 million. In the event that the Offer Price is set at HK\$3.13 per Offer Share, being the low point of the indicative Offer Price range, the net proceeds of the Global Offering will decrease to approximately HK\$733.8 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes (iii) to (vi) accordingly on a pro rata basis. The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK\$124.4 million (assuming an Offer Price of HK\$3.42 per Offer Share, being the high-end of the indicative Offer Price range), (ii) HK\$119.3 million (assuming an Offer Price of HK\$3.28 per Offer Share, being the mid-point of the indicative Offer Price range) and (iii) HK\$113.8 million (assuming an Offer Price of HK\$3.13 per Offer Share, being the low-end of the indicative Offer Price range).

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business. For further details, please refer to the section headed “Risk Factors – Risks relating to conducting business in the PRC – Current PRC regulations on loans provided by, and foreign direct investment by, an offshore holding company to Chinese companies may delay or prevent us from using the proceeds from the Global Offering to fund our business operations in China” in this prospectus.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Green Pinnacle will directly hold about 71.86% of the issued share capital of our Company. The entire issued share capital of Green Pinnacle is held by Mealth PTC, the trustee of the Mealth Discretionary Trust where Mr. Ma is the settlor. The discretionary objects of the Mealth Discretionary Trust include Mr. Ma himself, the Ma Family Beneficiaries, the Management Beneficiaries and the Other Beneficiaries. Mr. Ma is also the sole shareholder and director of Mealth PTC and the sole director of Green Pinnacle. For the purpose of the Listing Rules, Mr. Ma, Green Pinnacle (being the trust asset of the Mealth Discretionary Trust) and Mealth PTC were the Controlling Shareholders of our Company as at the Latest Practicable Date.

### Information on other companies owned by our Controlling Shareholders

As at the Latest Practicable Date, our Controlling Shareholders and their respective close associates also had controlling interest in other companies (the “Excluded Business”) which mainly includes the following:

Name of company	Place of incorporation	Amount of registered capital	Percentage equity holding of our Controlling Shareholders and its close associates	Principal business activities
Shanghai Zhiyuan	PRC	US\$1 million	100% (held by KP Share, which was owned as to 97.272% by Green Pinnacle and 2.728% by Ms. Lau Tsz Ching as at the Latest Practicable Date)	Manufacturing and sale of plastic parts and components of photocopying machines
上海信勝進出口貿易有限公司 (Shanghai Xinsheng Import and Export Trading Co., Ltd.*)	PRC	RMB1 million	100% (held by Mr. Ma as at the Latest Practicable Date)	Import and export of goods and technology

Our Directors believe that the Excluded Business do not compete, directly or indirectly, with our Group’s business given that these companies are engaged in business of different sectors from our Group.

Our Directors have considered that it is either unnecessary or not in the best interest of our Group to include the Excluded Business in our Group for the purpose of Listing in order for our Group to focus on our principal business as automotive plastic electroplated components supplier.

As at the Latest Practicable Date, our Group and our Controlling Shareholders did not have any common or shared facilities or resources. Our Group has independent access to the

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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sources of supplies for our businesses. Neither our Controlling shareholders nor any of their respective close associates is a supplier or an intermediary for our Group's suppliers. We have independent access to our customers. Our Directors believe that our Group has not unduly relied on the Controlling Shareholders or their respective close associates to carry on its business during the Track Record Period.

### **Financial independence**

During the Track Record Period, we principally financed our operations through a combination of (i) cash generated from our operations and (ii) borrowings from banks. During the Track Record Period, finance lease of RMB8.9 million and RMB5.1 million in 2015 and 2016 respectively were secured by guarantees given by our Controlling Shareholders. All guarantees provided by our Controlling Shareholders in connection with our Group's finance lease will be fully released upon Listing.

Save as mentioned above, our source of funding is independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting and internal control systems, independent treasury function for receiving cash and making payments and we had independent access to third party financing. Our Group is capable of making financial decisions according to our business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders and their respective close associates.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective close associates by virtue of their provision of financial assistance.

### **Management independence**

Our Board comprises six executive Directors and three INEDs. Mr. Ma, one of our executive Directors, is one of the Controlling Shareholders of our Company.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit 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 close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Apart from our executive Directors who oversee the operations and management of our Group, we have an independent management team to carry out the business decisions of our Group independently and to perform all essential management functions without unduly requiring the support of our Controlling Shareholders. Our INEDs have sufficient and competent industry knowledge and experience, and will bring independent judgement to the decision making process of our Board, taking into account the advice of the senior management of our Group.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

### Operational independence

Our Group has our own management team to carry out our business and operations, including business development, manufacturing, research and development, marketing and sales operations, which will operate separately and independently from the Controlling Shareholders. Such management team comprises managers who have considerable experience in the automotive electroplated components business in the PRC for both the domestic and key overseas markets. Our Group does not rely on referral of business opportunities from the Controlling Shareholders. Our Group is able to continue to operate independently from the Controlling Shareholders.

### COMPETITION AND CONFLICT OF INTERESTS

#### Undertakings given by our Controlling Shareholders

To protect our Group from any potential competition, the Controlling Shareholders have executed the Deed of Non-competition in favour of our Company on 5 June 2017, pursuant to which each of our Controlling Shareholders has, among other matters, unconditionally and irrevocably undertaken to us on a joint and several basis that, each of our Controlling Shareholders shall, and shall procure that his/its close associates and/or companies controlled by him/it (other than our Group):

- (i) at any time during the Relevant Period (as defined below) not, directly or indirectly, alone or jointly with another person, in any form be interested, involved, engaged in or assist or support any third party in the operation of, or invest, participate, acquire or hold any right or interest (in each case whether for his/its own account or for that of any person, firm or company (other than any member of our Group) and whether through medium of any company which is its close associate (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or controlled by any of its close associates) or as a principal, shareholder, partner, director, employee, consultant, agent or otherwise and whether for profit, reward or otherwise (“**Relevant Capacity**”)) in any business (other than our Group) or is about to be engaged in any business (other than our Group) which is the same or similar to that carried on by our Group and/or which competes or may compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the manufacturing and selling of automotive plastic electroplated components, other non-automotive electroplated components and businesses ancillary thereto) in the PRC, the U.S., Germany and any other country or jurisdiction and other principal business activities engaged by our Group from time to time (the “**Restricted Activity**”); and
- (ii) at any time during the Relevant Period if there is any project or new business opportunity that relates to the Restricted Activity, first refer such project or new business opportunity to our Company within a reasonable period of time for consideration.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The above undertakings are subject to the exception that any of the Controlling Shareholders and/or his/its close associates (excluding our Group) is entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity containing or for the pursuit of the Restricted Activity, regardless of value, which project or business opportunity has been offered or made available to our Group and rejected by the Board only after step of careful scrutiny and approval from the Board will have been taken, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors.

The steps to be taken by the Board include the relevant Board meeting shall be participated by our INEDs who should have been allowed a reasonable period of time to consider the subject matters and without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs that our Group has rejected such project or business opportunity and/or otherwise not to be involved or engaged, or not to participate, in the relevant Restricted Activity and that the principal terms on which that relevant Controlling Shareholder and/or his/its close associate(s) invest, participate or engage in the Restricted Activity are substantially the same as or not more favourable than those disclosed to and considered by our Company. Subject to the above, if the relevant Controlling Shareholder and/or his/its close associate(s) decide to be involved, engaged or to participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The factors which our Directors would take into account when deciding whether or not our Group shall take up such new projects or business opportunities include, among others, the costs and risks involved, the short-term and long-term benefits expected to be brought to our Group, possible compliance issues and whether such opportunities are in the interests of our Group and Shareholders as a whole.

Notwithstanding his taking up of the new projects or business opportunities (if any), Mr. Ma shall, as a Director, always perform his duties in good faith and in the interest of our Company, and shall not allow his commitment to devote substantially all his time to our Group be undermined in any way.

Each of our Controlling Shareholders has also undertaken under the Deed of Non-Competition that he/it shall, among others:

- (i) provide or procure the provision to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Deed of Non-competition by the relevant Controlling Shareholder and his/its close associates; and
- (ii) allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of the relevant Controlling Shareholder and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

In connection with the Deed of Non-competition, where the equity capital in our Company and/or Green Pinnacle form the whole or part of the trust asset of the Mealth Discretionary Trust (or any subsequent replacement trust arrangement) which is managed by

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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any professional trust company, the Deed of Non-competition shall not be applicable to the following persons (notwithstanding their being deemed to be the associates of Green Pinnacle under the Listing Rules):

- (a) the corporate directors of Green Pinnacle who are nominated by the said professional trust company who are represented by employees or officers of such professional trust company; and
- (b) any holding company, subsidiaries or fellow subsidiaries of the professional trust company,

provided that any person falling under (a) or (b) above who is a discretionary object of the Meath Discretionary Trust shall not be entitled to the above exclusion.

Notwithstanding the undertakings given under the Deed of Non-competition, the non-competition undertakings given by the Controlling Shareholders are subject to the exception that any of the Controlling Shareholders and their respective close associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which (i) are the direct or indirect investments of the relevant Controlling Shareholder and/or his/its close associates (excluding our Group and any associated companies of our Company) in any member of our Group or such associated companies, and/or (ii) any other companies which the relevant Controlling Shareholder does not hold more than 5% interest and does not participate in the management of such company and at all times there is a holder of such shares or securities holding (together, where appropriate, with its close associate(s)) a larger percentage of the shares or securities of such company than the Controlling Shareholder and his/its close associate(s) together hold.

The provisions contained in the Deed of Non-competition are conditional on the conditions stated in the section headed “Structure and Conditions of the Global Offering – Conditions of the Global Offering” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties under the Deed of Non-competition may agree, such deed shall become null and void and cease to have effect.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) the date on which our Controlling Shareholders and their respective close associates (individually or taken as a whole) cease to own at least 30% or the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules and do not have power to control our Board and there is at least one other Shareholder (together with its associate(s)) holding more Shares than the Controlling Shareholders and their close associates then taken together; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange.

### **Confirmation given by Directors**

Each Director confirms that he/she does not have any competing business with our Group.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Corporate governance

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Deed of Non-competition, we have adopted the following corporate governance measures:

- (a) the INEDs would review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders and if any, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders and/or their respective close associates on their existing or future competing businesses. Such options, pre-emptive rights or first rights of refusals relate to business which our Group may engage in the future (and, in such context, does not mean the automotive plastic electroplated component business currently engaged by our Group);
- (b) our Company shall disclose decisions with basis on matters reviewed by the INEDs relating to non-compliance and enforcement of the Deed of Non-competition (including whether to take up the options, pre-emptive rights or first rights of refusals) either through annual report, or by way of announcement and/or other documents issued or published by the Company as required under the Listing Rules;
- (c) our Company shall disclose in the corporate governance report of the annual reports on how the terms of the Deed of Non-competition are complied with and enforced;
- (d) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-competition or other proposed transactions in which such Directors and/or their respective close associates have material interest, such Directors may not vote on the resolutions of our Board considering and approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provision in the Articles; and
- (e) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the INEDs), the appointment of such independent professional will be made at our Company's expenses.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

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## **WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

### **WAIVER FROM COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES**

Rules 8.12 of the Listing Rules require that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

The core business and operations of our Group are primarily located, managed and conducted in the PRC. Substantially all of our Group's assets are based in the PRC. Except for Mr. Ma and Mr. Li Chak Fu, our finance director, all of the others executive Directors and our Group's senior management are ordinarily based in the PRC. Our Company does not contemplate in the foreseeable future that it will have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, namely Mr. Ma (an executive Director) and Mr. Au Wai Keung (our company secretary) and one alternate authorised representative, namely Mr. Li Chak Fu (finance director of the Company), to act as our principal channel of communication with the Stock Exchange. Mr. Li Chak Fu will act as an alternate to Mr. Ma. Both of Mr. Au Wai Keung and Mr. Li Chak Fu are ordinarily resident in Hong Kong. Each of the authorised representatives (including the alternate authorised representative) shall be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange, and will also be accessible by telephone, facsimile and electronic means. Our Company will inform the Stock Exchange promptly if there is any change in our authorised representatives or the contact details of any of them;
- (b) all such authorised representatives (including the alternate authorised representative) have means to contact all our Directors (including independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact them for any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange;
- (c) those Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or are entitled to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant officers of the Stock Exchange within a reasonable period when required;
- (d) each Director has provided his or her contact phone number, fax number and email address to the Stock Exchange if those contact details are available;
- (e) each Director has confirmed that, in the event that he or she expects to travel or be out of office, he or she will provide the phone number of the place of his or her accommodation or other means of communications to our authorised representatives (including the alternate authorised representative);

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (f) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Somerley Capital Limited to act as our compliance adviser for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange; and
- (g) our Company will maintain a principal place of business in Hong Kong at Unit 1503, 15/F, Midas Plaza, 1 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.

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## CORNERSTONE INVESTOR

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### CORNERSTONE PLACING

We have entered into one cornerstone investment agreement (the “**Cornerstone Agreement**”) with a cornerstone investor, Greater Talent Investments Limited (the “**Cornerstone Investor**” or “**Greater Talent**”), pursuant to which the Cornerstone Investor has agreed to subscribe at the Offer Price for 63,500,000 Offer Shares (the “**Cornerstone Placing**”). Such number of Offer Shares subscribed represents approximately (i) 6.35% of the Shares in issue upon completion of the Global Offering and 25.4% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 6.12% of the Shares in issue upon completion of the Global Offering and 22.09% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is exercised in full.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party, not our connected person and not an existing Shareholder of our Company or its close associate.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. The Cornerstone Investor will not subscribe for Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Agreement). Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will it become a substantial shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering as described in “Structure and Conditions of the Global Offering – The Hong Kong Public Offering – Reallocation and clawback”.

### CORNERSTONE INVESTOR

The information about our Cornerstone Investor set out below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing:

Greater Talent is a company incorporated in the BVI with limited liability. Greater Talent is an investment entity wholly-owned by Bull Capital China Growth Fund II, L.P. (“**Fund II**”), an exempted limited partnership registered in the Cayman Islands, and Bull Capital GP II Limited, a Cayman islands entity, is the general partner of Fund II. Bull Capital Partners Ltd. is the investment manager of Fund II. According to information provided by Greater Talent, Fund II is a private equity fund dedicated to direct investment primarily in high growth companies based or operating in the Greater China Region, including China, Hong Kong, Macau and Taiwan with particular emphasis on consumption/retail and services, advance manufacturing/technology and environment-related sectors.

### CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into, become effective and having become

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## **CORNERSTONE INVESTOR**

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unconditional (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties thereto) by no later than the respective time and date as specified therein;

- (b) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- (c) the Offer Price having been agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters); and
- (d) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and that such approval having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

### **RESTRICTIONS ON THE CORNERSTONE INVESTOR**

The Cornerstone Investor has undertaken to our Company, the Sole Global Coordinator and the Sole Sponsor that, without the prior written consent of each of the Sole Global Coordinator, the Sole Sponsor and our Company, it will not at any time during the period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the Cornerstone Agreement) any of the relevant Shares or any interest in any company or entity (directly or indirectly) holding any of the relevant Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiaries of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary gives a written undertaking agreeing to, and the Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, be bound by the Cornerstone Investor's obligations under the Cornerstone Agreement.



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## UNDERWRITING

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### **HONG KONG UNDERWRITERS**

#### **BNP Paribas Securities (Asia) Limited**

59/F-63/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

#### **ABCI Securities Company Limited**

10/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

#### **Pacific Foundation Securities Limited**

11/F, New World Tower Two  
16-18 Queen's Road Central  
Hong Kong

### **THE HONG KONG PUBLIC OFFERING**

#### **Hong Kong Underwriting Agreement**

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 25,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription under the Hong Kong Public Offering at the Offer Price on and subject to the terms the conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, our Shares to be issued pursuant to the Global Offering (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered that are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

#### **Grounds for Termination**

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war,

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## UNDERWRITING

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calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, PRC, the United States of America, the European Union, Mexico, Germany, Switzerland, the Cayman Islands, BVI or where any member of the Group was incorporated (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or
- (iv) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, Japan or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) any new laws, statutes, ordinances, legal codes, regulations or rules, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, statutes, ordinances, legal codes, regulations or rules, in each case, in or affecting any of the Relevant Jurisdictions; or
- (viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment

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## UNDERWRITING

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regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or

- (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or any co-chief executive officer of our Company vacating his or her office; or
- (xii) an authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) a contravention by any member of our Group of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or
- (xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or
- (xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the CO (Winding Up) or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or any member of the Group; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or may make it inadvisable or

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## UNDERWRITING

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inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

- (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice in connection with the Hong Kong Public Offering (the “**Formal Notice**”) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading in the context of the Global Offering, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, the Formal Notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
- (ii) that 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 from any of this prospectus, the Application Forms, the Formal Notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters or the International Underwriters); or
- (iv) any material adverse change or any development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or any member of our Group; or
- (v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or
- (vii) approval by the Listing Committee the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under

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## UNDERWRITING

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the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

- (viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

### UNDERTAKINGS

#### Undertakings Given to the Stock Exchange Pursuant to the Listing Rules

##### *(A) Undertaking by Our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances provided under Rule 10.08 of the Listing Rules.

##### *(B) Undertaking by the Controlling Shareholders*

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Stock Borrowing Agreement:

- (a) it/he will not and will procure that the relevant registered holders will not, at any time during the period commencing on the date by reference to which disclosure of the respective shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; and
- (b) it/he will not and will procure that the relevant registered holders will not, at any time during the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, it will then cease to be a Controlling Shareholder of our Company.

Note (2) of Rule 10.07(2) of the Listing Rules provides that the rule does not prevent a Controlling Shareholder from using the Shares beneficially owned by it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

It is further noted that nothing in the above shall prevent the share lending arrangement to be entered into by the Controlling Shareholders pursuant to Rule 10.07(3) of the Listing Rules.

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## UNDERWRITING

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Pursuant to note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that it/he will, within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by it in favour of any authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by it/him, whether verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other securities will be disposed of.

### **Undertakings Pursuant to the Hong Kong Underwriting Agreement**

#### ***(A) Undertaking by our Company***

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Capitalisation Issue, the grant of options pursuant to the Share Option Scheme and the exercise of the options to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that falls six months after the Listing Date (the “**First Six-Month Period**”), our Company undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), the Joint Bookrunners and the Joint Lead Managers and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member

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## UNDERWRITING

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of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company. Our Controlling Shareholders undertake to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the above undertakings.

***(B) Undertaking by the Controlling Shareholders***

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders undertakes to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, save pursuant to the Stock Borrowing Agreement or otherwise mentioned in this prospectus, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), the Joint Bookrunners, the Joint Lead Managers, and unless in compliance with the requirements of the Listing Rules:

- (a) it/he will not, at any time during the First Six-Month Period,
  - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or

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## UNDERWRITING

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other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) it/he will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company;

(c) until the expiry of the Second Six-Month Period, in the event that it/he enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announce any intention to effect any such transaction, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of our Company; and

within the First Six-Month Period and the Second Six-Month Period, (i) when it pledges or charges any Shares or other securities of the Company or any interest therein (“**Relevant Securities**”) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong) for a bona fide commercial loan) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, it will immediately inform the Company and the Sole Sponsor in writing of such pledges or charges together with the number of Relevant Securities and nature of interest so pledged or charged, and (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Relevant Securities will be sold, transferred or disposed of, it will immediately inform the Company and the Sole Sponsor in writing of such indications.

Each of the Controlling Shareholders jointly and severally undertakes to indemnify and keep fully indemnified (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters (for themselves, respectively, and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### COMMISSION

The Company shall pay or cause to be paid to the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) an underwriting commission equal to 3.0% of the aggregate



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## UNDERWRITING

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Offer Price in respect of all of the Hong Kong Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Sole Global Coordinator and the Hong Kong Underwriters. In addition, the Company agrees solely at its discretion to pay to the Sole Global Coordinator for its own account an incentive fee equal to 1% of the aggregate Offer Price in respect of all the Offer Shares under the Global Offering (including any Shares to be issued upon the exercise of the Over-allotment Option).

### **THE INTERNATIONAL PLACING**

In connection with the International Placing, it is expected that our Company and the Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions, agree to purchase themselves or through their affiliates, or to procure purchasers on the Company's behalf to purchase, their respective applicable proportions of the International Placing Shares being offered pursuant to the International Placing.

Under the International Underwriting Agreement, the Company intend to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price per Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of covering over-allotments, if any, in the International Placing.

### **TOTAL COMMISSIONS AND EXPENSES FOR THE GLOBAL OFFERING**

Assuming an Offer Price of HK\$3.28 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering without taking into account any additional discretionary incentive fee, are estimated to amount in aggregate to be approximately HK\$72.3 million which are payable by us.

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

Except for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

### **SPONSOR'S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Placing, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases. All of these activities may occur both during and after the end of the stabilising period described under the section headed “Structure and Conditions of the Global Offering – Stabilisation” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Sole Global Coordinator and their affiliates as the Stabilisation Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BNP Paribas Securities (Asia) Limited is the Sole Global Coordinator of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 25,000,000 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” below in this section; and
- the International Placing of initially 225,000,000 Shares (subject to reallocation and exclusive of the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S as described in the paragraph headed “The International Placing” below in this section.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 25.0% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming no Shares are issued under the Share Option Scheme.

### THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the paragraph headed “Conditions of the Global Offering” in this section) for the subscription in Hong Kong of, initially, 25,000,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors.

#### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares 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 Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of 25,000,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 12,500,000 Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

### **Reallocation and clawback**

The allocation of our Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. Currently, we have allocated 25,000,000 Shares to the Hong Kong Public Offering, representing 10% of our Shares initially available in the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available for subscription under the Hong Kong Public Offering, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Shares (in the case of (i)), 100,000,000 Shares (in the case of (ii)) and

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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125,000,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Offer Shares available under the Global Offering (before any exercise of the Over-allotment Option). In addition, the Sole Global Coordinator has the discretion to reallocate our Shares offered in the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may, in its discretion, reallocate to the International Placing all or any unsubscribed Shares offered in the Hong Kong Public Offering in such amount as it deems appropriate.

### THE INTERNATIONAL PLACING

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 225,000,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme.

#### Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. 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.

Allocation of the International Placing Shares to investors under the International Placing will be determined by the Sole Global Coordinator 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 the relevant investor is likely to buy further, and/or hold or sell its International Placing Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company intends to grant the Over-allotment Option to the Sole Global Coordinator on behalf of the International Underwriters.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The Over-allotment Option gives the Sole Global Coordinator the right, exercisable at any time from the day on which trading of our Shares commences on the Stock Exchange within 30 days from the last day for the lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price to cover over-allocations in the International Placing, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

The Sole Global Coordinator may cover any over-allocations by using Shares purchased by the Stabilisation Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 37,500,000 Shares, representing 15% of the Shares available under the Global Offering.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer price of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulations in place, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilisation Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30<sup>th</sup> day after the last day for lodging applications under the Hong Kong Public Offering. The stabilising period is expected to expire on 21 July 2017. However, there is no obligation on the Stabilisation Manager, or its affiliates or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the Shares available under the Global Offering. For purposes of covering such over-allocations, the Stabilisation Manager may borrow from Green Pinnacle up to 18,750,000 Shares, which is equivalent to the maximum number of Shares to be sold upon exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement.

Stabilising action is permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes (a) primary stabilisation, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimising any reduction in the market price of the Shares, and (b) ancillary

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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stabilisation in connection with any primary stabilising action, including: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) offering or attempting to do anything described in (ii), (iii) or (iv). The Stabilisation Manager may take any one or more of the stabilising actions described above.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilisation Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilisation Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilisation Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30<sup>th</sup> day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilisation Manager may choose to borrow up to 18,750,000 Shares from Green Pinnacle pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

The stock borrowing arrangement will only be effected by the Stabilisation Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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complied with. The same number of Shares so borrowed must be returned to Green Pinnacle on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; and (ii) the day on which the Over-allotment Option is exercised in full and (iii) such earlier time as may be agreed in writing between Green Pinnacle and the Stabilisation Manager. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Green Pinnacle by the Stabilisation Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

### PRICING

#### Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Wednesday, 21 June 2017 and in any event, no later than Tuesday, 27 June 2017. The Offer Price will not be more than HK\$3.42 per Offer Share and is expected to be not less than HK\$3.13 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice will also be available at the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at <http://en.xinpoint.com/index/html>.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Sole Global Coordinator (on behalf of the Underwriters) and us will be fixed within such revised Offer Price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed “Financial Information – Liquidity and Capital Resources – Working capital” in this prospectus, the offering statistics as currently disclosed in the sections headed “Summary – Global Offering Statistics” and “Information about this Prospectus and the Global Offering” in this prospectus, the use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” in this prospectus and any other financial information which may change as a result of such



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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reduction. If we do not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the indicative Offer Price range as stated in this prospectus.

If we are unable to reach an agreement with the Sole Global Coordinator (on behalf of the Underwriters) on the Offer Price by Tuesday, 27 June 2017, the Global Offering will not proceed and will lapse.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Placing and the level of applications and the basis of allocation of the Hong Kong Offer Shares, on Tuesday, 27 June 2017.

### **Price Payable on Application**

The Offer Price will not be more than HK\$3.42 and is expected to be not less than HK\$3.13, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK\$3.42 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 1,000 Offer Shares, you should pay HK\$3,454.46 at the time of your application.

If the Offer Price is lower than HK\$3.13, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

### **UNDERWRITING**

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Placing are subject to the conditions described in the section headed “Underwriting” in this prospectus. In particular, we and the Sole Global Coordinator (on behalf of the Underwriters), must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was entered into on Thursday, 15 June 2017 and, is subject to an agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and us for purposes of the Hong Kong Public Offering. The International Underwriting Agreement including the agreement on the Offer Price among us and the Sole Global Coordinator (on behalf of the International Underwriters for purposes of the International Placing) is expected to be entered into on Wednesday, 21 June 2017, being the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional upon, among other things:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading in our Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement and the Stock Borrowing Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the paragraph headed “How to Apply for Hong Kong Offer Shares – 13. Refund of application monies” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other banks licenced under the Banking Ordinance.

We expect to dispatch share certificates for the Offer Shares on or before Tuesday, 27 June 2017. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 28 June 2017 provided that:

- the Global Offering has become unconditional in all respects; and
- the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 28 June 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 28 June 2017. The Shares will be traded in board lots of 1,000 Shares each.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **white** or **yellow** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

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.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **white** or **yellow** Application Form if you or the person(s) for whose benefit you are applying, are an individual, and:

- 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 apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

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 Sole Global Coordinator 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 and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **white** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong 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 between 9:00 a.m. to 5:00 p.m. from Friday, 16 June 2017 to 12:00 noon on Wednesday, 21 June 2017 from:

1. the following offices of the Hong Kong Underwriters:

**BNP Paribas Securities (Asia) Limited**

62/F, Two International Finance Centre  
8 Finance Street Central  
Hong Kong

**ABCI Securities Company Limited**

10/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

**Pacific Foundation Securities Limited**

11/F, New World Tower Two  
16-18 Queen's Road Central  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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2. any of the branches of The Bank of East Asia, Limited

	<b>Branch</b>	<b>Address</b>
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Shauiwan Branch	G/F, Ka Fook Building, 289–293 Shau Kei Wan Road, Shau Kei Wan
Kowloon	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo
	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
New Territories	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, 1 Wan Hang Road, Tseung Kwan O

You can collect a **yellow** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 16 June 2017 until 12:00 noon on Wednesday, 21 June 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong, or from your stockbroker.

### **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 "The Bank of East Asia (Nominees) Limited – Xin Point Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Friday, 16 June 2017 – 9:00 a.m. to 5:00 p.m.
- Saturday, 17 June 2017 – 9:00 a.m. to 1:00 p.m.
- Monday, 19 June 2017 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 20 June 2017 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 21 June 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 21 June 2017, the last application day or such later time as described in paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

### **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 or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or their agents or nominees), as

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

- (b) agree to comply with the Companies Law, the CO (Winding Up), and the Memorandum of Association and the Articles;
- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) 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 International Placing nor participate in the International Placing;
- (h) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, 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;
- (i) 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 the Company, the Sole Global Coordinator 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;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Hong Kong 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;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions 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 have fulfilled the criteria mentioned in "Personal Collection" section in this prospectus to collect the share certificate(s) and/ or refund cheque(s) in person;
- (p) 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;
- (q) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (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 or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (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** in behalf of that other person as his agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **yellow** Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 16 June 2017 until 11:30 a.m. on Wednesday, 21 June 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 21 June 2017, or such later time under the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the CO (Winding Up) (as applied by Section 342E of the CO (Winding Up)).

### **Environmental Protection**

The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 per each “Xin Point Holdings Limited” White Form eIPO application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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 contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer service centre  
1/F, One & Two Exchange  
Square 8 Connaught Place Central,  
Hong Kong

and complete an input request form.

You can also collect a copy of this 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 Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **white** Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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;
- (b) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong 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 Hong Kong 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 Offer Shares under the International 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 his agent;
  - confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong 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 the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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 the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their 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 for this purpose any day which is a 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 the Company agreeing that it will not offer any Hong Kong Offer Shares to any person 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), 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 CO (Winding Up) (as applied by Section 342E of the CO (Winding Up) 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 the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company for itself and for the benefit of each Shareholder (and so that the 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 our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the CO (Winding Up), the Memorandum of Association 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 the 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 Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum 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 and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on 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 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong 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 Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 16 June 2017 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Monday, 19 June 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Tuesday, 20 June 2017 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Wednesday, 21 June 2017 – 8:00 a.m. to 12:00 noon<sup>(1)</sup>

*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 Friday, 16 June 2017 until 12:00 noon on Wednesday, 21 June 2017 (24 hours daily, except from 3:00 a.m. on Saturday, 17 June 2017 until 7:00 a.m. on Sunday, 18 June 2017 and on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 21 June 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in 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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong 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 Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the 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 CO (Winding Up) (as applied by Section 342E of the CO (Winding Up)).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, 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.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service provider to public investors. 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. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong 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 Wednesday, 21 June 2017.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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.

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 or through **White Form eIPO** Service, 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

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- 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).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **white** and **yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum 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** or **yellow** Application Form or through the **White Form eIPO** Service Provider in respect of a minimum of 1,000 Hong Kong Public Offering Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), 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, please refer to the section headed “Structure and Conditions of the Global Offering – Pricing” in this prospectus.

### 10. 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 Wednesday, 21 June 2017. 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 Wednesday, 21 June 2017 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” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 27 June

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at <http://en.xinpoint.com/index.html> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at <http://en.xinpoint.com/index.html> and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than Tuesday, 27 June 2017;
- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 27 June 2017 to 12:00 midnight on Monday, 3 July 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 27 June 2017 to Friday, 30 June 2017;
- in the special allocation results booklets which will be available for inspection during opening hours on Tuesday, 27 June 2017, Wednesday, 28 June 2017 and Thursday, 29 June 2017 at all the receiving bank branches.

If the 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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please refer to the section headed "Structure and Conditions of the Global Offering" in 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.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong 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 or to **White Form eIPO** service provider, 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 a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company, and to become binding when you lodge your Application Form or give **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider and an application has been made by HKSCC Nominees or **White Form eIPO** service provider on your behalf accordingly. This collateral contract will

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person 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), except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only 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 a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the CO (Winding Up) (as applied by Section 342E of the CO (Winding Up)) 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 the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, our Hong Kong Share Registrar the **White Form eIPO** service provider 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.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee 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 the 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) Hong Kong Offer Shares and International Placing Shares;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- 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 Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$3.42 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in 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 or before Tuesday, 27 June 2017.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (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).

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** 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 Hong Kong Offer Shares allotted to you (for **yellow** Application Forms, share certificates will be deposited into CCASS as described below); and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, 27 June 2017. 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 Wednesday, 28 June 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in 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**

#### ***(a) If You Apply Using a White Application Form:***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 June 2017 or such other date as notified by us in the newspapers.

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 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 dispatched 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 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, 27 June 2017 by ordinary post and at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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***(b) If You Apply Using a Yellow Application Form:***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, 27 June 2017 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 on Tuesday, 27 June 2017 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 Hong Kong Public Offering Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- **If you are Applying as a CCASS Investor Participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner as described in the paragraph headed "11. Publication of Results" above in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 27 June 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(c) If You Apply through the White Form eIPO Service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 June 2017, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificate/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on **White Form eIPO** Service Provider by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(d) If you apply via Electronic Application Instructions to HKSCC:*

*Allocation for Hong Kong Offer Shares*

For the purposes of allocating Hong Kong 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 Tuesday, 27 June 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of Results" above in this section on Tuesday, 27 June 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 pm, Tuesday, 27 June 2017 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 Hong Kong 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 Hong Kong 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 Tuesday, 27 June 2017. Immediately following the credit of the Hong Kong 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 Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/ or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 27 June 2017.

### **15. 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, Ernst & Young, Certified Public Accountants, Hong Kong.*



22/F  
CITIC Tower  
1 Tim Mei Avenue,  
Central  
Hong Kong

16 June 2017

The Directors  
Xin Point Holdings Limited  
BNP Paribas Securities (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of Xin Point Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 (the “Relevant Periods”) and the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, and the statements of financial position of the Company as at 31 December 2014, 2015 and 2016, together with the notes thereto (the “Financial Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 16 June 2017 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as a company with limited liability on 28 August 2014. Pursuant to a group reorganisation (the “Reorganisation”) as set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in the Prospectus, the Company became the holding company of the other subsidiaries comprising the Group on 13 October 2014. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the end of the Relevant Periods, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2014, 2015 and 2016, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

#### DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

#### REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

#### OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group and the Company as at 31 December 2014, 2015 and 2016 and of the financial performance and cash flows of the Group for each of the Relevant Periods.

## I. FINANCIAL INFORMATION

## 1. Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
REVENUE	4	1,006,249	1,203,717	1,540,666
Cost of sales		(618,381)	(751,224)	(907,354)
Gross profit		387,868	452,493	633,312
Other income and gains	4	11,435	24,136	26,466
Selling and distribution expenses		(18,412)	(24,161)	(29,425)
Administrative expenses		(151,499)	(176,589)	(218,645)
Other expenses		-	(1,668)	-
Finance costs	5	(926)	(1,344)	(628)
Share of profits of an associate		7	345	348
PROFIT BEFORE TAX	6	228,473	273,212	411,428
Income tax expense	7	(47,265)	(51,349)	(113,087)
PROFIT FOR THE YEAR		<u>181,208</u>	<u>221,863</u>	<u>298,341</u>
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		4,329	5,191	16,670
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>4,329</u>	<u>5,191</u>	<u>16,670</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>185,537</u>	<u>227,054</u>	<u>315,011</u>
Profit attributable to:				
Owners of the parent		174,586	228,446	298,341
Non-controlling interests		6,622	(6,583)	-
		<u>181,208</u>	<u>221,863</u>	<u>298,341</u>
Total comprehensive income attributable to:				
Owners of the parent		180,359	234,738	315,011
Non-controlling interests		5,178	(7,684)	-
		<u>185,537</u>	<u>227,054</u>	<u>315,011</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>				
Basic and diluted	10	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>



## 2. Consolidated statements of financial position

	Notes	As at 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	263,837	312,693	428,706
Prepaid land lease payments	14	17,403	34,601	33,814
Investment in an associate	15	625	970	718
Prepayments, deposits and other receivables	16	32,079	31,865	52,966
Deferred tax assets	17	4,551	9,152	10,267
Total non-current assets		<u>318,495</u>	<u>389,281</u>	<u>526,471</u>
<b>CURRENT ASSETS</b>				
Inventories	18	148,459	179,828	218,788
Trade and bills receivables	20	261,607	319,615	445,060
Prepayments, deposits and other receivables	16	48,495	56,842	93,667
Derivative financial instruments	19	4,405	2,737	3,256
Prepaid land lease payments	14	434	780	794
Amounts due from shareholders	21	206	-	-
Cash and cash equivalents	22	183,779	293,298	229,648
		<u>647,385</u>	<u>853,100</u>	<u>991,213</u>
Assets of a disposal group classified as held for sale	12	-	25,091	-
Total current assets		<u>647,385</u>	<u>878,191</u>	<u>991,213</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	23	88,742	106,371	184,343
Other payables and accruals	24	114,077	208,160	169,870
Interest-bearing bank and other borrowings	25	8,000	25,880	4,015
Tax payable		72,704	89,473	130,470
		<u>283,523</u>	<u>429,884</u>	<u>488,698</u>
Liabilities directly associated with assets held for sale	12	-	9,529	-
Total current liabilities		<u>283,523</u>	<u>439,413</u>	<u>488,698</u>
<b>NET CURRENT ASSETS</b>		<u>363,862</u>	<u>438,778</u>	<u>502,515</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>682,357</u>	<u>828,059</u>	<u>1,028,986</u>

## 2. Consolidated statements of financial position (continued)

	Notes	As at 31 December		
		2014	2015	2016
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITY</b>				
Interest-bearing bank and other borrowings	25	-	5,134	1,050
Total non-current liability		-	5,134	1,050
Net assets		<u>682,357</u>	<u>822,925</u>	<u>1,027,936</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	27	79	79	79
Reserves	28	668,202	822,846	1,027,857
		668,281	822,925	1,027,936
<b>Non-controlling interests</b>		14,076	-	-
Total equity		<u>682,357</u>	<u>822,925</u>	<u>1,027,936</u>

## 3. Consolidated statements of changes in equity

	Attributable to owners of the parent							
	Share capital	Merger reserve	Exchange fluctuation reserve	Surplus reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	-	828	(1,883)	30,389	499,518	528,852	8,898	537,750
Profit for the year	-	-	-	-	174,586	174,586	6,622	181,208
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	5,773	-	-	5,773	(1,444)	4,329
Total comprehensive income for the year	-	-	5,773	-	174,586	180,359	5,178	185,537
Transfer of surplus reserve	-	-	-	3,857	(3,857)	-	-	-
Final 2013 dividend declared	-	-	-	-	(41,009)	(41,009)	-	(41,009)
Issue of shares	79	-	-	-	-	79	-	79
At 31 December 2014 and 1 January 2015	79	828*	3,890*	34,246*	629,238*	668,281	14,076	682,357
Profit for the year	-	-	-	-	228,446	228,446	(6,583)	221,863
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	6,292	-	-	6,292	(1,101)	5,191
Total comprehensive income for the year	-	-	6,292	-	228,446	234,738	(7,684)	227,054
Transfer of surplus reserve	-	-	-	14,805	(14,805)	-	-	-
Final 2014 dividend declared	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Interim 2015 dividend	-	-	-	-	(22,000)	(22,000)	-	(22,000)
Acquisition of non-controlling interests <sup>1</sup>	-	-	-	-	(13,094)	(13,094)	(6,392)	(19,486)
At 31 December 2015 and 1 January 2016	79	828*	10,182*	49,051*	762,785*	822,925	-	822,925

## 3. Consolidated statements of changes in equity (continued)

	Attributable to owners of the parent						Total equity RMB'000
	Share capital RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	
At 31 December 2015 and 1 January 2016	79	828*	10,182*	49,051*	762,785*	822,925	822,925
Profit for the year	-	-	-	-	298,341	298,341	298,341
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	16,670	-	-	16,670	16,670
Total comprehensive income for the year	-	-	16,670	-	298,341	315,011	315,011
Transfer of surplus reserve	-	-	-	16,833	(16,833)	-	-
Final 2015 dividend declared	-	-	-	-	(110,000)	(110,000)	(110,000)
At 31 December 2016	79	828*	26,852*	65,884*	934,293*	1,027,936	1,027,936

<sup>1</sup> On 28 December 2015, the Group acquired an additional 49% equity interest in Keen Point (Europe) Inc., thereby increasing its ownership interest therein to 100%, at a consideration of RMB19,486,000.

\* These reserve accounts comprise the consolidated reserves of RMB1,027,857,000 (2015: RMB822,846,000; 2014: RMB668,202,000) in the consolidated statement of financial position.

## 4. Consolidated statements of cash flows

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		228,473	273,212	411,428
Adjustments for				
Finance costs	5	926	1,344	628
Depreciation	13	39,437	51,653	59,168
Recognition of prepaid land lease payments	14	432	739	773
Loss on disposal of items of property, plant and equipment	6	1,982	1,342	1,462
Share of profits of an associate		(7)	(345)	(348)
Gain on disposal of a subsidiary	29	-	-	(233)
Changes in fair value of derivative financial instruments		(517)	1,668	(519)
Interest income	4	(851)	(3,070)	(2,519)
		269,875	326,543	469,840
Increase in inventories		(33,282)	(35,900)	(40,037)
Increase in trade and bills receivables		(40,283)	(66,626)	(80,790)
Increase in prepayments, deposits and other receivables		(17,448)	(9,525)	(33,947)
Decrease in amounts due from shareholders		2,390	206	-
Increase in trade payables		15,952	23,284	77,630
Increase/(decrease) in other payables and accruals		9,461	28,495	(18,592)
Cash generated from operations		206,665	266,477	374,104
Interest received		851	3,070	2,519
Taxes paid		(41,855)	(37,148)	(64,702)
Net cash flows from operating activities		165,661	232,399	311,921
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of items of property, plant and equipment		(94,693)	(108,299)	(176,847)
Additions to deposits paid for property, plant and equipment		-	-	(21,101)
Proceeds from disposal of items of property, plant and equipment		1,949	7,344	1,053
Disposal of a subsidiary	29	-	-	7,262
Additions to prepaid land lease payments		-	(18,283)	-
Dividend received from an associate		-	-	600
Net cash flows used in investing activities		(92,744)	(119,238)	(189,033)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New bank loan		13,000	73,668	-
Repayment of bank loan		(34,370)	(49,154)	(22,093)
Capital element of finance lease rental payments		-	(1,500)	(3,856)
Interest paid		(926)	(1,344)	(628)
Dividends paid		(41,009)	-	(176,762)
Proceeds for issue of shares		79	-	-
Acquisition of non-controlling interests		-	(19,486)	-
Net cash flows (used in)/from financing activities		(63,226)	2,184	(203,339)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		9,691	115,345	(80,451)
Cash and cash equivalents at beginning of year		173,322	183,779	302,230
Effect of foreign exchange rate changes, net		766	3,106	7,869
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>183,779</b>	<b>302,230</b>	<b>229,648</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents as stated in the statement of financial position		183,779	293,298	229,648
Cash and cash equivalents as attributable to a disposal group classified as held for sale	12	-	8,932	-
Cash and cash equivalents as stated in the statement of cash flows		183,779	302,230	229,648

## 5. Statements of financial position

	<u>Notes</u>	<u>31 December</u> <u>2014</u> <i>RMB'000</i>	<u>31 December</u> <u>2015</u> <i>RMB'000</i>	<u>31 December</u> <u>2016</u> <i>RMB'000</i>
NON-CURRENT ASSET				
Investment in a subsidiary	35	828	828	828
CURRENT ASSETS				
Due from a subsidiary		-	66,762	-
Cash and cash equivalents	22	-	9	289
Total current assets		-	66,771	289
CURRENT LIABILITIES				
Amount due to a subsidiary		-	47	2,939
Other payables and accruals	24	-	66,762	-
Total current liabilities		-	66,809	2,939
NET CURRENT LIABILITIES		-	(38)	(2,650)
Net assets/(liabilities)		<u>828</u>	<u>790</u>	<u>(1,822)</u>
EQUITY				
Share capital	27	79	79	79
Reserves	28	749	711	(1,901)
Total equity		<u>828</u>	<u>790</u>	<u>(1,822)</u>

## II. NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION AND REORGANISATION

The Company is a limited liability company incorporated in the Cayman Islands and its registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries are principally engaged in the manufacture and sale of automotive and electronic components.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the Prospectus.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xin Point Corporation 信邦實業有限公司 <sup>(1)</sup>	British Virgin Islands ("BVI") 22 August 2005	US\$100,000	100	-	Investment holding
Keen Point Limited ("KPL") 建邦有限公司 <sup>(1)</sup>	BVI 5 May 2004	US\$10,000	-	100	Trading of automotive and electronic components
Xin Point North America Inc. <sup>(11)</sup>	US 1 March 2013	US\$30,000	-	100	Trading of automotive and electronic components
Jingxing Industry Ltd. ("JIL") 金信實業有限公司 <sup>(1)</sup>	BVI 16 March 2004	US\$50,000	-	100	Investment holding
Keen Point (Europe) Inc. ("KPE") <sup>(1)</sup>	BVI 23 October 2007	US\$10,000	-	100	Investment holding
Maksun Limited 緯益有限公司 <sup>(5)</sup>	Hong Kong 4 October 2005	HK\$1	-	100	Trading of raw materials
Keen Point (Europe) GmbH. <sup>(4)</sup>	Germany 7 October 2008	Euro 25,000	-	100	Trading of automotive products
Huizhou Keen Point Precision Plastic Co., Ltd.**# 惠州建邦精密塑膠有限公司 <sup>(3)</sup>	China 22 November 2004	HK\$110,000,000	-	100	Manufacture and sale of automotive and electronic products
Keen Point (M) Sdn. Bhd. <sup>(8)</sup>	Malaysia 14 August 2012	RM1,000	-	100	Inactive

## 1. CORPORATE INFORMATION AND REORGANISATION (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huizhou Keen Point Electronics Co., Ltd. **# 惠州建邦电子有限公司 <sup>(3)</sup>	China 17 December 2004	HK\$10,000,000	-	100	Manufacture and sale of automotive and electronic components
Tianjin Jinxin Precision Plastic Components Co., Ltd. **# 天津金信精密塑膠部件有限公司 <sup>(7)</sup>	China 17 June 2005	US\$4,600,000	-	100	Manufacture and sale of automotive and electronic components
Wuxi Jinxin Surface Decoration Co., Ltd. **# 無錫金信表面處理有限公司 <sup>(6)</sup>	China 14 May 2004	US\$3,000,000	-	100	Manufacture and sale of automotive and electronic components
Huizhou Xin Point Surface Decoration Co., Ltd. **# 惠州信邦表面處理有限公司 <sup>(2)</sup>	China 19 September 2011	RMB30,000,000	-	100	Manufacture and sale of automotive and electronic components
Huizhou Haoyu Technology Co., Ltd. **# 惠州市浩瑜科技有限公司 <sup>(2)</sup>	China 12 June 2009	RMB1,000,000	-	100	Trading of automotive and electronic products
Wuxi Keen Point Electronics Co., Ltd. **# 無錫建邦電子有限公司 <sup>(9)</sup>	China 31 August 2004	RMB59,677,639	-	100	Manufacture and sale of automotive and electronic components
Shanghai Xinyu Import & Export Trading Co., Ltd. #*** 上海信裕進出口貿易有限公司 <sup>(10)</sup>	China 12 May 2011	RMB1,000,000	-	100	Trading of automotive and electronic components
Wuxi Keen Point Automobile Precision Molding Co., Ltd. **# 無錫建邦汽車精密模具有限公司 <sup>(12)</sup>	China 23 June 2014	US\$20,000,000	-	100	Trading of automotive and electronic components
Huizhou Xin Point Precision Components Co., Ltd. **# 惠州信邦精密部件有限公司 <sup>(13)</sup>	China 9 October 2014	RMB10,000,000	-	100	Trading of automotive and electronic components
Huizhou Keen Point Surface Decoration Co., Ltd. #*** 惠州建邦表面處理有限公司 <sup>(14)</sup>	China 16 October 2015	RMB10,000,000	-	100	Manufacture and sale of automotive and electronic products
Huizhou Xinsheng #*** Technology Co., Ltd (“HXTCL”) 惠州信升科技有限公司 <sup>(1)</sup>	China 21 March 2016	RMB5,000,000	-	100	Manufacture and sale of automotive and electronic products
Key Apps Limited*/*** (“KAL”) 環傑有限公司 <sup>(1)</sup>	Hong Kong 16 June 2016	HK\$100	-	100	Inactive
Xin Point Europe AG*** (“XPE”) <sup>(1)</sup>	Switzerland 27 July 2016	CFH100,000	-	100	Inactive
Xin Point Mexico S.DE R.L. DE C.V. *** (“XPMX”) <sup>(1)</sup>	Mexico 21 December 2016	MXN500,000	-	100	Inactive



**1. CORPORATE INFORMATION AND REORGANISATION (continued)***Notes:*

- \* Incorporated as a limited liability company under the Hong Kong Companies Ordinance.
  - \*\* Registered as a wholly-foreign-owned enterprise under the law of China.
  - \*\*\* No audited financial statements have been prepared for these entities.
  - # The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they have not registered any official English names.
- (1) No statutory financial statements have been prepared for Xin Point Corporation, KPL, JIL, KPE, HXTCL, KAL, XPE and XPMX since the dates of incorporation as they were not subject to any statutory auditing requirement under relevant rules and regulations in their jurisdictions of incorporation.
  - (2) The statutory financial statements of Huizhou Haoyu Technology Co., Ltd. and Huizhou Xin Point Surface Decoration Co., Ltd. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") and were audited by 惠州市正大會計師事務所有限公司.
  - (3) The statutory financial statements of Huizhou Keen Point Precision Plastic Co., Ltd. and Huizhou Keen Point Electronics Co., Ltd. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with PRC GAAP and were audited by 惠州榮德會計師事務所.
  - (4) The statutory financial statements of Keen Point (Europe) GmbH. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with German principles of proper accounting and were audited by Consult + Concept GmbH.
  - (5) The statutory financial statements of Maksun Limited for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with HKFRSs and were audited by Right Point CPA Limited.
  - (6) The statutory financial statements of Wuxi Jinxin Surface Decoration Co., Ltd. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with PRC GAAP and were audited by 無錫梁溪會計師事務所有限公司.
  - (7) The statutory financial statements of Tianjin Jinxin Precision Plastic Components Co., Ltd. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with PRC GAAP and were audited by 天津國財有限責任會計師事務所.
  - (8) The statutory financial statements of Keen Point (M) Sdn. Bhd. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with Malaysian GAAP and were audited by Richard Ho & Associates.
  - (9) The statutory financial statements of Wuxi Keen Point Electronics Co., Ltd. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with PRC GAAP and were audited by 無錫公眾會計師事務所有限公司.
  - (10) The statutory financial statement of Shanghai Xinyu Import & Export Trading Co., Ltd. for the financial year ended 31 December 2014, 2015 and 2016 were prepared in accordance with PRC GAAP and were audited by Shanghai Jinrui Certified Public Accountants.
  - (11) The statutory financial statements of Xin Point North America Inc. for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with US GAAP and were audited by PSLZ Certified Public Accountants.
  - (12) The statutory financial statements of Wuxi Keen Point Automobile Precision Molding Co., Ltd. for the financial period from 23 June 2014 (date of incorporation) to 31 December 2014, and the financial years ended 31 December 2015 and 2016 were prepared in accordance with PRC GAAP and were audited by 無錫梁溪會計師事務所有限公司.
  - (13) The statutory financial statements of Huizhou Xin Point Precision Components Co., Ltd. for the financial period from 9 October 2014 (date of incorporation) to 31 December 2014, and the financial years ended 31 December 2015 and 2016 were prepared in accordance with PRC GAAP and were audited by 惠州市正大會計師事務所有限公司.
  - (14) The statutory financial statements of Huizhou Keen Point Surface Decoration Co., Ltd. for the financial period from 16 October 2015 (date of incorporation) to 31 December 2015 and the financial year ended 31 December 2016 were prepared in accordance with PRC GAAP and were audited by 惠州榮德會計師事務所.

## 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 13 October 2014.

As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any changes of economic substances, the Financial Information for the Relevant Periods has been presented as a continuation of the existing group using the pooling of interests method.

Accordingly, the Financial Information is prepared as if the current group structure had been in existence throughout the Relevant Periods.

All intra-group transactions and balances have been eliminated on consolidation.

## 2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. A disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.4. The Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

**2.2 BASIS OF PREPARATION (continued)**Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurements of Share-based Payment Transactions<sup>2</sup></i>
Amendments to HKFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts<sup>2</sup></i>
HKFRS 9	<i>Financial Instruments<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to HKFRS 15	<i>Clarification to IFRS 15 Revenue from Contracts with Customers<sup>2</sup></i>
HKFRS 16	<i>Leases<sup>3</sup></i>
Amendments to HKAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but available for adoption

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)**

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018.

The management of the Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the detailed review is performed by the Group. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard. In addition, contract that contains two or more performance obligations would be accounted for separately and this might have an impact on pattern of revenue and profit recognition.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) — Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) — Int 15 Operating Leases — Incentives and HK(SIC) — Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019. Based on the Group's undiscounted operating lease commitment of HK\$83,171,000 as set out in note 32 to the Financial Information. The directors of the Company are currently assessing the impact of HKFRS 16 upon adoption and expect that a certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and the lease liabilities.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

#### Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investment in an associate (continued)

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets of a disposal group classified as held for sales), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Related parties (continued)

- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	4.5% - 8% or over the lease terms, whichever rate is higher
Leasehold improvements	20% or over the lease terms, whichever rate is higher
Plant and machinery	5% - 33.3%
Furniture, fixtures and equipment	5% - 33.3%
Motor vehicles	10% - 18%
Computer equipment	10% - 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected



**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment and depreciation (continued)

from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

*Research and development costs*

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets*Initial recognition and measurement*

Financial assets are all classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments and other financial assets (continued)

income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gain in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Derecognition of financial assets (continued)

involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and other borrowings.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Government grants (continued)

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (ii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 10% to 20% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.



**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Employee benefits (continued)

Payments to state-managed retirement benefit schemes in jurisdictions other than China are charged as expenses when employees have rendered service entitling them to the contributions.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the weighted average exchange rates for the year.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

**2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

*Useful lives and residual values of items of property, plant and equipment*

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

*Write-down of inventories to net realisable value*

Management reviews the condition of inventories of the Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Group estimates

**2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**Estimation uncertainty (continued)

the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each of the Relevant Periods.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made.

Impairment of trade receivables

The Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset is impaired. To determine whether there is an objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is an objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

**3. OPERATING SEGMENT INFORMATION**

The Group is principally engaged in the manufacture and sale of automotive and electronic components. For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

## (a) Revenue from external customers

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China	483,323	571,477	673,579
North America	345,772	381,181	462,110
Europe	141,291	210,087	348,256
Other countries	35,863	40,972	56,721
	<u>1,006,249</u>	<u>1,203,717</u>	<u>1,540,666</u>

The revenue information of operations above is based on the locations of the customers.

## (b) Non-current assets

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China	288,198	357,341	493,948
Other countries	25,746	22,788	22,256
	<u>313,944</u>	<u>380,129</u>	<u>516,204</u>

**3. OPERATING SEGMENT INFORMATION (continued)**Geographical information (continued)

The non-current assets information of operations above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue derived from sales of the automotive products to a single customer which accounted for 10% or more of the Group's revenue for the Relevant Periods, are set out below:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	313,450	248,403	206,811

**4. REVENUE, OTHER INCOME AND GAINS**

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Revenue</u>			
Sale of non-automotive components	91,810	75,364	37,581
Sale of automotive decorative components	914,439	1,128,353	1,503,085
	<u>1,006,249</u>	<u>1,203,717</u>	<u>1,540,666</u>
<u>Other income</u>			
Bank interest income	851	3,070	2,519
Government subsidies*	971	458	1,532
Sale of scraps	3,720	4,703	5,551
Sale of raw materials	808	1,418	1,899
Sale of samples	502	2	-
Testing fee income	1,154	4,464	1,556
Interest income from a related party	496	-	-
Compensation from insurance companies	696	566	920
Others	1,144	4,335	4,963
	<u>10,342</u>	<u>19,016</u>	<u>18,940</u>
<u>Gains</u>			
Fair value gain on derivative financial instruments, net	517	-	262
Foreign exchange gain, net	576	5,120	7,031
Gain on disposal of a subsidiary	-	-	233
	<u>11,435</u>	<u>24,136</u>	<u>26,466</u>

\* There are no unfulfilled conditions or contingencies relating to these grants

**5. FINANCE COSTS**

An analysis of finance costs is as follows:

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	<u>926</u>	<u>1,344</u>	<u>628</u>

**6. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Notes</b>	<b>Year ended 31 December</b>		
		<b>2014</b>	<b>2015</b>	<b>2016</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold		618,381	751,224	907,354
Depreciation	13	39,437	51,653	59,168
Amortisation of land lease payments	14	432	739	773
Minimum lease payments under operating leases		14,188	22,489	23,727
Research and development		26,886	30,748	36,024
Fair value (gain)/loss on derivative financial instruments, net		(517)	1,668	(262)
Auditors' remuneration		1,115	2,048	3,247
Employee benefit expense (including directors' and chief executive's remuneration (note 8))				
Wages and salaries		218,096	263,234	303,114
Pension scheme contributions		20,482	26,362	51,703
		<u>238,578</u>	<u>289,596</u>	<u>354,817</u>
Loss on disposal of items of property, plant and equipment, net		1,982	1,342	1,462
Foreign exchange differences, net		(576)	(5,120)	(7,031)
Gain on disposal of a subsidiary		-	-	(233)
		<u>-</u>	<u>-</u>	<u>(233)</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015 and 2014 : 16.5%) on the estimated assessable profits arising in Hong Kong during the year. For the Group's subsidiary established in the United State of America ("U.S."), income tax is calculated at the rate of 34.0% (2015 and 2014 : 34.0%). For the Group's subsidiary established in Germany, income tax is calculated at the rate of 28.0% (2015 and 2014: 28.0%). Tax on profits assessable in China has been calculated at the applicable China corporate income tax ("CIT") rate of 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current – China			
Charge for the year	49,971	69,311	109,935
Overprovision in prior years	(7,292)	(20,520)	(19,145)
Current – Hong Kong	395	540	10,595
Current – Germany	5,126	4	2,698
Current – U.S.	-	6,615	10,119
Deferred tax (note 17)	(935)	(4,601)	(1,115)
Total tax charge for the year	<u>47,265</u>	<u>51,349</u>	<u>113,087</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	<b>Year ended 31 December</b>					
	<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>228,473</u>		<u>273,212</u>		<u>411,428</u>	
Tax at the statutory tax rate	57,118	25.0	68,303	25.0	102,857	25.0
Lower tax rate(s) enacted by local authority	(5,018)	(2.2)	(4,366)	(1.6)	(4,584)	(1.1)
Higher tax rate(s) enacted by local authority	559	0.2	1,751	0.6	8,823	2.1
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	1,000	0.4	3,280	1.2	-	-
Adjustments in respect of current tax of previous periods	(7,292)	(3.2)	(20,520)	(7.5)	(19,145)	(4.7)
Profits attributable to an associate	(2)	(0.0)	(86)	(0.0)	(87)	(0.0)
Income not subject to tax	(4,933)	(2.2)	(5,990)	(2.1)	(4,393)	(1.1)
Expenses not deductible for tax	5,686	2.7	8,837	3.3	29,616	7.3
Others	147	0.0	140	0.0	-	-
Tax charge at the Group's effective rate	<u>47,265</u>	<u>20.7</u>	<u>51,349</u>	<u>18.8</u>	<u>113,087</u>	<u>27.5</u>

**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

The directors and chief executive of the Company received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors and chief executive as recorded in the financial statements of the subsidiaries for the Relevant Periods, is as follows:

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	1,349	1,783	1,783
Other emoluments:			
Salaries, allowances and benefits in kind	2,435	2,620	3,172
Performance related bonuses	4,842	3,748	4,220
Pension scheme contributions	33	30	65
	<u>7,310</u>	<u>6,398</u>	<u>7,457</u>

*(a) Independent non-executive directors*

The Company did not have any independent non-executive directors at any time during the Relevant Periods.

Subsequent to the end of the Relevant Periods, Mr. Cao Lixin, Mr. Gan Weimin and Mr. Tang Chi Wai were appointed as independent non-executive directors of the Company on 5 June 2017.

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and chief executive

	Salaries, allowances and benefits		Performance related bonuses	Pension scheme contributions	Total remuneration
	Fees	in kind			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended</b>					
<b>31 December 2014</b>					
Executive directors:					
Ma Xiaoming*	669	744	1,650	-	3,063
He Xiaolu	120	306	1,067	5	1,498
Meng Jun	120	371	895	5	1,391
Zhang Yumin	200	475	726	5	1,406
Liu Jun	120	317	454	5	896
Jiang Wei	120	222	50	13	405
	<u>1,349</u>	<u>2,435</u>	<u>4,842</u>	<u>33</u>	<u>8,659</u>
<b>Year ended</b>					
<b>31 December 2015</b>					
Executive directors:					
Ma Xiaoming*	1,063	-	1,800	-	2,863
He Xiaolu	120	610	418	6	1,154
Meng Jun	120	654	420	6	1,200
Zhang Yumin	240	667	660	9	1,576
Liu Jun	120	450	413	9	992
Jiang Wei	120	239	37	-	396
	<u>1,783</u>	<u>2,620</u>	<u>3,748</u>	<u>30</u>	<u>8,181</u>
<b>Year ended</b>					
<b>31 December 2016</b>					
Executive directors:					
Ma Xiaoming*	1,063	-	1,890	-	2,953
He Xiaolu	120	656	439	7	1,222
Meng Jun	120	837	441	7	1,405
Zhang Yumin	240	665	693	7	1,605
Liu Jun	120	792	693	16	1,621
Jiang Wei	120	221	64	28	433
	<u>1,783</u>	<u>3,171</u>	<u>4,220</u>	<u>65</u>	<u>9,239</u>

\* Mr. Ma XiaoMing is also the chief executive of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year included five directors in each of the Relevant Periods, details of whose remuneration are set out in note 8 above.



**10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

No earnings per share information is presented as its inclusion, for the purpose of the report, is not considered meaningful due to the preparation of the Financial Information for the Relevant Periods as disclosed in note 2.1 above.

**11. DIVIDENDS**

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared to the then shareholders			
Interim dividend-nil (2015: RMB22; 2014: nil) per ordinary share	-	22,000	-
Final dividend-RMB110 (2015: RMB45; 2014: RMB41) per ordinary share	41,009	45,000	110,000
	<u>41,009</u>	<u>67,000</u>	<u>110,000</u>

**12. ASSETS AND LIABILITIES HELD FOR SALE**

On 10 December 2015, the Group entered into an equity transfer agreement pursuant to which the Group transferred 100% equity interest in Shanghai Zhiyuan Plastic Products Co. Ltd. to KP Share Ltd. at a total consideration of RMB22 million. The disposal was completed on 29 February 2016.

The major classes of assets and liabilities of Shanghai Zhiyuan Plastic Products Co., Ltd. classified as held for sale as at 31 December 2015 are as follows:

	<b>Note</b>	<b><i>RMB'000</i></b>
<i>Assets</i>		
Property, plant and equipment	13	1,832
Inventories		4,531
Trade and bills receivables		8,618
Prepayments, deposits and other receivables		1,178
Cash and cash equivalents		8,932
Assets classified as held for sale		<u>25,091</u>
<i>Liabilities</i>		
Trade payables		5,655
Other payables and accruals		3,815
Tax payable		59
Liabilities directly associated with assets held for sale		<u>9,529</u>
Net assets directly associated with the disposal group		<u>15,562</u>

## 13. PROPERTY, PLANT AND EQUIPMENT

## Group

	Freehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Computer equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014, net of accumulated depreciation	19,208	31,274	14,297	126,491	11,432	7,909	6,738	2,198	219,547
Additions	-	364	12,783	49,730	2,785	1,161	18,244	1,928	86,995
Transfers	-	-	-	17,129	-	-	(17,129)	-	-
Depreciation provided during the year	-	(1,962)	(8,878)	(24,230)	(2,140)	(1,899)	-	(328)	(39,437)
Disposals/write-off	-	-	-	(2,588)	-	(17)	-	-	(2,605)
Exchange realignment	(742)	71	1	1	2	4	-	-	(663)
At 31 December 2014 and 1 January 2015, net of accumulated depreciation	18,466	29,747	18,203	166,533	12,079	7,158	7,853	3,798	263,837
Additions	-	95	8,374	867	3,007	1,331	93,770	1,069	108,513
Transfers	-	-	-	71,764	-	-	(71,764)	-	-
Depreciation provided during the year	-	(1,883)	(8,673)	(35,767)	(2,537)	(2,273)	-	(520)	(51,653)
Disposals/write-off	-	(114)	(68)	(2,541)	(811)	(124)	-	-	(3,658)
Reclassified as held for sale	-	-	-	(1,780)	(21)	(31)	-	-	(1,832)
Exchange realignment	(2,737)	199	-	-	-	24	-	-	(2,514)
At 31 December 2015 and 1 January 2016, net of accumulated depreciation	15,729	28,044	17,836	199,076	11,717	6,085	29,859	4,347	312,693
Additions	-	23,106	14,195	65,643	2,409	535	70,492	467	176,847
Transfers	-	-	-	12,999	-	-	(12,999)	-	-
Depreciation provided during the year	-	(2,842)	(12,298)	(38,006)	(3,132)	(2,122)	-	(768)	(59,168)
Disposals/write-off	-	-	(21)	(2,178)	(86)	(129)	-	-	(2,414)
Exchange realignment	380	95	118	(56)	(385)	696	-	(100)	748
At 31 December 2016	16,109	48,403	19,830	237,478	10,523	5,065	87,352	3,946	428,706

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Construction in progress	Computer equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014 and 1 January 2015:									
Cost	18,466	41,684	49,338	260,908	19,704	12,065	7,853	4,665	414,683
Accumulated depreciation	-	(11,937)	(31,135)	(94,375)	(7,625)	(4,907)	-	(867)	(150,846)
Net carrying amount	<u>18,466</u>	<u>29,747</u>	<u>18,203</u>	<u>166,533</u>	<u>12,079</u>	<u>7,158</u>	<u>7,853</u>	<u>3,798</u>	<u>263,837</u>
At 31 December 2015 and 1 January 2016:									
Cost	15,729	41,864	57,644	329,218	21,879	13,265	29,859	5,734	515,192
Accumulated depreciation	-	(13,820)	(39,808)	(130,142)	(10,162)	(7,180)	-	(1,387)	(202,499)
Net carrying amount	<u>15,729</u>	<u>28,044</u>	<u>17,836</u>	<u>199,076</u>	<u>11,717</u>	<u>6,085</u>	<u>29,859</u>	<u>4,347</u>	<u>312,693</u>
At 31 December 2016:									
Cost	16,109	65,056	71,859	376,508	21,320	13,754	87,352	6,202	658,160
Accumulated depreciation	-	(16,653)	(52,029)	(139,030)	(10,797)	(8,689)	-	(2,256)	(229,454)
Net carrying amount	<u>16,109</u>	<u>48,403</u>	<u>19,830</u>	<u>237,478</u>	<u>10,523</u>	<u>5,065</u>	<u>87,352</u>	<u>3,946</u>	<u>428,706</u>

At 31 December 2016, the Group had not yet obtained the building ownership certificates of the Group's buildings with a net carrying amount of approximately RMB4,027,000 (2015: RMB4,320,000; 2014: RMB4,613,000) from the relevant government authorities.

As at 31 December 2014, 2015 and 2016, certain of the Group's property, plant and equipment with net carrying amounts of approximately RMB15,000,000, RMB10,100,000 and RMB8,500,000 respectively, were pledged to secure general bank loans of RMB8,000,000, RMB8,900,000 and RMB5,100,000 granted to the Group (note 25).

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery at 31 December 2014, 2015 and 2016 were approximately nil, RMB10,115,000 and RMB8,548,000 respectively (note 26).

**14. PREPAID LAND LEASE PAYMENTS****Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of the year	18,269	17,837	35,381
Additions	-	18,283	-
Recognised during the year	(432)	(739)	(773)
Carrying amount at end of the year	17,837	35,381	34,608
Current portion	(434)	(780)	(794)
Non-current portion	<u>17,403</u>	<u>34,601</u>	<u>33,814</u>

**15. INVESTMENT IN AN ASSOCIATE****Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	<u>625</u>	<u>970</u>	<u>718</u>

Particulars of the material associate are as follows:

<u>Name</u>	<u>Particulars of issued shares held</u>	<u>Place of registration and business</u>	<u>Percentage of ownership interest attributable to the Group</u>	<u>Principal activities</u>
Suzhou City Keen Point Precision Molding Co., Ltd. #	RMB2,000,000	China	30	Manufacture and sale of automotive and electronic products

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Suzhou City Keen Point Precision Molding Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group engaged in the manufacture and sale of automotive and electronic products and is accounted for using the equity method.

**15. INVESTMENT IN AN ASSOCIATE (continued)**

The following table illustrates the summarised financial information in respect of Suzhou City Keen Point Precision Molding Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	6,090	2,436	5,487
Non-current assets	13,486	12,710	11,306
Current liabilities	(17,493)	(11,913)	(14,400)
Net assets	<u>2,083</u>	<u>3,233</u>	<u>2,393</u>
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	30%	30%	30%
Group's share of net assets of the associate and carrying amount of the investment	<u>625</u>	<u>970</u>	<u>718</u>
Revenues	18,125	25,250	23,956
Profit for the year	24	1,149	1,162
Total comprehensive income for the year	<u>24</u>	<u>1,149</u>	<u>1,162</u>

**16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES****Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	38,053	48,999	76,156
Deposits and other receivables	42,521	39,708	70,477
	80,574	88,707	146,633
Non-current portion	(32,079)	(31,865)	(52,966)
Current portion	<u>48,495</u>	<u>56,842</u>	<u>93,667</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 17. DEFERRED TAX ASSETS

## Group

	<b>Provision for accrued staff welfare</b>	<b>Provision for inventories</b>	<b>Other deductible temporary difference</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014	3,240	263	113	3,616
Deferred tax credited/(charged) to profit or loss during the year (note 7)	744	277	(86)	935
At 31 December 2014 and 1 January 2015	3,984	540	27	4,551
Deferred tax credited to profit or loss during the year (note 7)	2,734	1,603	264	4,601
At 31 December 2015 and 1 January 2016	6,718	2,143	291	9,152
Deferred tax credited/(charged) to profit or loss during the year (note 7)	2,173	(793)	(265)	1,115
At 31 December 2016	<u>8,891</u>	<u>1,350</u>	<u>26</u>	<u>10,267</u>

Deferred tax assets have not been recognised in respect of the following items:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses	588	561	707

The Group has tax losses arising in Malaysia of RMB707,000 (2015: RMB561,000, 2014: RMB 588,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in a subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in China in respect of earnings generated from 1 January 2008.

As at the end of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB 541.8 million (31 December 2015: RMB 394.9 million, 31 December 2014: RMB 318.1 million) that are subject to withholding taxes of a subsidiary of the Group established in China. In the opinion of directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that its subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividend by the subsidiaries to its shareholders.

**18. INVENTORIES****Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	38,045	39,392	52,577
Work in progress	46,932	48,032	44,979
Finished goods	63,482	92,404	121,232
	<u>148,459</u>	<u>179,828</u>	<u>218,788</u>

**19. DERIVATIVE FINANCIAL INSTRUMENTS****Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Forward metal contracts	<u>4,405</u>	<u>2,737</u>	<u>3,256</u>

The Group has entered into various forward metal contracts to manage its commodity price exposures. These forward metal contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Gain arising from changes in the fair value of non-hedging derivatives amounting to RMB262,000 was charged to profit or loss during the year ended 31 December 2016 (31 December 2015: loss of RMB1,668,000; 31 December 2014: gain of RMB517,000).

**20. TRADE AND BILLS RECEIVABLES****Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	<u>261,607</u>	<u>319,615</u>	<u>445,060</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

**20. TRADE AND BILLS RECEIVABLES (continued)**

An aged analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of provision, is as follows:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	155,692	209,134	290,886
1 to 2 months	74,441	76,109	110,639
2 to 3 months	22,239	23,169	36,324
Over 3 months	9,235	11,203	7,211
	<u>261,607</u>	<u>319,615</u>	<u>445,060</u>

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	252,372	308,412	436,658
Less than 1 month past due	8,541	6,882	4,343
1 to 3 months past due	693	2,185	2,741
Over 3 months past due	1	2,136	1,318
	<u>261,607</u>	<u>319,615</u>	<u>445,060</u>

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.



**21. AMOUNTS DUE FROM SHAREHOLDERS****Group**

Particulars of the amounts due from shareholders are as follows:

	Interest rate	31 December	Maximum amount outstanding during the year	1 January
	%	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>				
Due from shareholders				
Ma Xiaoming	16	-	1,310	1,310
Lau Tsz Ching*	10	206	1,286	1,286
		<u>206</u>	<u>2,596</u>	<u>2,596</u>
<b>31 December 2015</b>				
Due from a shareholder				
Lau Tsz Ching*				
	<u>10</u>	<u>-</u>	<u>206</u>	<u>206</u>

**31 December 2016**

No amount due from shareholders was noted during the year.

\* *Ms. Lau Tsz Ching is a non-controlling shareholder and not a related party of the Company.*

The balances with the shareholders are interest-bearing, unsecured and have no fixed terms of repayment.

**22. CASH AND CASH EQUIVALENTS****Group**

At 31 December 2014 2015 and 2016, the Group's cash and bank balances denominated in RMB amounted to RMB80,121,000, RMB182,354,000 and RMB79,383,000 respectively. The RMB is not freely convertible into other currencies, however, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**Company**

The cash and cash equivalents of the Company are denominated in HK\$ and US\$.

**23. TRADE PAYABLES**

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

**Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	68,812	79,630	149,583
1 to 2 months	12,919	15,306	21,216
2 to 3 months	3,292	4,825	6,252
Over 3 months	3,719	6,610	7,292
	<u>88,742</u>	<u>106,371</u>	<u>184,343</u>

Trade payables are non-interest-bearing and are normally settled with terms of 30-60 days.

**24. OTHER PAYABLES AND ACCRUALS****Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	26,698	32,109	31,107
Accruals	84,491	105,102	134,569
Receipts in advance	2,888	4,187	4,194
Dividend payable	-	66,762	-
	<u>114,077</u>	<u>208,160</u>	<u>169,870</u>

**Company**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	-	66,762	-
	<u>-</u>	<u>66,762</u>	<u>-</u>

Other payables are non-interest bearing and have an average term of three months.

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

## Group

	As at 31 December 2014		As at 31 December 2015		As at 31 December 2016	
	Contractual interest rate (%)	Maturity	Contractual interest rate (%)	Maturity	Contractual interest rate (%)	Maturity
		RMB'000		RMB'000		RMB'000
<b>Current:</b>						
Finance lease payables (Note 26)	-	-	7	2016	7	2017
Bank loans – unsecured	-	-	2	2016	-	-
Bank loans – secured	6	2015	-	-	-	-
		8,000		-		-
		<u>8,000</u>		<u>25,880</u>		<u>4,015</u>
<b>Non-current:</b>						
Finance lease payables (Note 26)	-	-	7	2017-2018	7	2018
		<u>8,000</u>		<u>5,134</u>		<u>1,050</u>
		<u>8,000</u>		<u>31,014</u>		<u>5,065</u>

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	8,000	22,093	-
Other borrowings repayable:			
Within one year or on demand	-	3,787	4,015
In the second year	-	4,070	1,050
In the third to fifth years, inclusive	-	1,064	-
	-	8,921	5,065
	8,000	31,014	5,065

*Notes:*

- (a) Certain of the Group's bank loans are secured by property, plant and equipment situated in China, which had net carrying amounts of approximately RMB15,000,000, RMB10,100,000 and RMB8,500,000 at 31 December 2014 and 2015 and 2016, respectively (note 13).
- (b) Borrowings of the Group are denominated in RMB, US\$ and HK\$.

## 26. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its automotive decorative components business. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 31 December 2014, 2015 and 2016, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments			Present value of minimum lease payments		
	31 December			31 December		
	2014	2015	2016	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable:						
Within one year	-	4,308	4,250	-	3,787	4,015
In the second year	-	4,308	1,062	-	4,070	1,050
In the third year	-	1,077	-	-	1,064	-
Total minimum finance lease payments	-	9,693	5,312	-	8,921	5,065
Future finance charges	-	(772)	(247)			
Total net finance lease payables	-	8,921	5,065			
Portion classified as current liabilities (note 25)	-	(3,787)	(4,015)			
Non-current portion (note 25)	-	5,134	1,050			

**27. SHARE CAPITAL**

The Company is a limited liability company incorporated in the Cayman Islands on 28 August 2014. The authorised and issued share capital of the Company was HK\$1,000,000 and HK\$100,000, respectively, divided into 10,000,000 and 1,000,000 shares of HK\$0.1 each, respectively.

	<b>31 December 2014, 31 December 2015 and 31 December 2016</b>	
	<i>HK\$</i>	<u>Equivalent to</u> <i>RMB</i>
Issued and fully paid:		
1,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>79,000</u>

During the years ended 31 December 2014 and 2015 and 2016, the movement in the Company's share capital is as follows:

- (a) Pursuant to an ordinary resolution passed on 28 September 2014, 1,000,000 ordinary shares of HK\$0.1 each were allotted and issued to the Company's initial subscribers.

**28. RESERVES****Group**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity from pages I-6 to I-7.

The Group's merger reserve represents the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation set out in note 1.

**Company**

	<b>Share capital</b>	<b>Retained profits/ (Accumulated Losses)</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2014	-	-	-
Issue of shares	79	-	79
Profit for the year	-	749	749
At 31 December 2014 and 1 January 2015	79	749	828
Profit for the year	-	66,962	66,962
Final 2014 dividend declared	-	(45,000)	(45,000)
Interim 2015 dividend	-	(22,000)	(22,000)
At 31 December 2015 and 1 January 2016	79	711	790
Profit for the year	-	107,388	107,388
Final 2015 dividend declared	-	(110,000)	(110,000)
At 31 December 2016	<u>79</u>	<u>(1,901)</u>	<u>(1,822)</u>

**29. DISPOSAL OF A SUBSIDIARY**

	<u>Note</u>	<u>29 Feb 2016</u> <i>RMB'000</i>
Net assets disposed of:		
Property, plant and equipment		1,731
Inventories		5,608
Trade and bill receivables		5,627
Prepayments, deposits and other receivables		802
Cash and cash equivalents		14,738
Trade payables		(4,013)
Other payables and accruals		(2,726)
		<u>21,767</u>
Gain on disposal of a subsidiary	6	<u>233</u>
		<u><u>22,000</u></u>
Satisfied by:		
Cash		<u><u>22,000</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<u>29 Feb 2016</u> <i>RMB'000</i>
Cash consideration	22,000
Cash and bank balances disposed of	(14,738)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u>7,262</u></u>

**30. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

Major non-cash transactions

During 2014, 2015 and 2016, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of nil, RMB11,810,000 and nil respectively.

**31. PLEDGE OF ASSETS**

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 25 to the Financial Information.

**32. OPERATING LEASE ARRANGEMENTS**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years.

**32. OPERATING LEASE ARRANGEMENTS (continued)**

As lessee

At 31 December 2014, 2015 and 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

**Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	9,088	15,151	26,215
In the second to fifth years, inclusive	14,890	27,040	51,746
After five years	135	1,944	5,210
	<u>24,113</u>	<u>44,135</u>	<u>83,171</u>

**33. COMMITMENTS**

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

**Group**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:			
Plant and equipment	<u>9,188</u>	<u>62,582</u>	<u>63,106</u>

**34. RELATED PARTY TRANSACTIONS**

- (a) The Group had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
Purchase of tooling:				
Suzhou City Keen Point Precision Molding Co., Ltd.	(i) (ii)	15,165	21,866	10,220
Sales of goods:				
Suzhou City Keen Point Precision Molding Co., Ltd.	(i) (ii)	-	472	23
Acquisition of non- controlling interests:				
KP Share Ltd.	(i) (iii)	N/A	19,486	N/A
Interest income from a loan to:				
Shareholders				
- Ma Xiaoming		369	-	-
- Lau Tsz Ching		84	27	-
		<u>453</u>	<u>27</u>	<u>-</u>

*Notes:*

- (i) The transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.
- (ii) Suzhou City Keen Point Precision Molding Co., Ltd. is an associate of the Group.
- (iii) Mr. Ma Xiaoming is the controlling shareholder of KP Share Ltd.

- (b) Other transaction with a related party

On 10 December 2015, the Group entered into an equity transfer agreement pursuant to which the Group transferred 100% equity interest in Shanghai Zhiyuan Plastic Products Co., Ltd. to KP Share Ltd. at a total consideration of RMB22 million. Further details are included in note 12 to the Financial Information.

- (c) Balances with related parties:

Details of the Group's amounts due from its shareholders and a related company as at the end of each reporting period are included in note 21 to the Financial Information.

- (d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Short term employee benefits	12,155	11,889	12,726
Post-employment benefits	-	-	-
Total compensation paid to key management personnel	<u>12,155</u>	<u>11,889</u>	<u>12,726</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the Financial Information.



**35. INVESTMENT IN A SUBSIDIARY****Company**

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted shares, at cost	828	828	828

Particulars of the subsidiary are disclosed in note 1 to the Financial Information.

**36. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2014

Financial assets

	<b>Loans and receivables</b>	<b>Financial asset at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	261,607	-	261,607
Financial assets included in prepayments, deposits and other receivables	42,521	-	42,521
Derivative financial instruments	-	4,405	4,405
Amount due from a shareholder	206	-	206
Cash and cash equivalents	183,779	-	183,779
	<u>488,113</u>	<u>4,405</u>	<u>492,518</u>

Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<i>RMB'000</i>
Trade payables	88,742
Financial liabilities included in other payables and accruals	27,996
Interest-bearing bank and other borrowings	8,000
	<u>124,738</u>

## 36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2015

Financial assets

	<b>Loans and receivables</b>	<b>Financial asset At fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	319,615	-	319,615
Financial assets included in prepayments, deposits and other receivables	39,708	-	39,708
Derivative financial instruments	-	2,737	2,737
Cash and cash equivalents	293,298	-	293,298
	<u>652,621</u>	<u>2,737</u>	<u>655,358</u>

Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<i>RMB'000</i>
Trade payables	106,371
Financial liabilities included in other payables and accruals	104,340
Interest-bearing bank and other borrowings	31,014
	<u>241,725</u>

As at 31 December 2016

Financial assets

	<b>Loans and receivables</b>	<b>Financial asset At fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	445,060	-	445,060
Financial assets included in prepayments, deposits and other receivables	70,477	-	70,477
Derivative financial instruments	-	3,256	3,256
Cash and cash equivalents	229,648	-	229,648
	<u>745,185</u>	<u>3,256</u>	<u>748,441</u>

**36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<u>RMB'000</u>
Trade payables	184,343
Financial liabilities included in other payables and accruals	78,390
Interest-bearing bank and other borrowings	5,065
	<u>267,798</u>

**37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	<b>Carrying amounts As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Financial liability</b>			
Interest-bearing bank and other borrowings	8,000	31,014	5,065
	<b>Fair values As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Financial liability</b>			
Interest-bearing bank and other borrowings	8,002	32,144	5,312

Management has assessed that the fair values of cash and bank equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the derivative financial instruments are based on quoted market prices.

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current portion of finance lease payables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of other financial assets and financial liabilities carried at amortised cost approximate to their carrying amounts.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value

	<u>As at 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Derivative financial instruments			
– Fair value measurement using quoted prices in active markets (Level 1)	4,405	2,737	3,256

The Group did not have any financial liabilities measured at fair value as at 31 December 2014, 2015 and 2016.

During the Relevant Periods, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments other than derivatives comprise cash and cash equivalents, finance leases and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables, other payables and balances with shareholders.

The Group also enters into derivative transactions, including forward metal contracts, to manage the commodity price exposures arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and other price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and bank balances and bank loans with a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and cash and cash equivalents).

	Increase/ (decrease) In basis points	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
RMB	100	721	2,018	794
HKD	100	72	(57)	24
US\$	100	802	614	1,098
RMB	(100)	(721)	(2,018)	(794)
HKD	(100)	(72)	57	(24)
US\$	(100)	(802)	(614)	(1,098)

*Foreign currency risk*

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 56% (31 December 2015: 55%; 31 December 2014: 57%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
If RMB weakens against US\$	1	4,203	4,542	5,143
If RMB weakens against Euro	1	1,546	2,120	3,491
If RMB weakens against JPY	1	37	75	44
If RMB weakens against HKD	1	5	12	13
If RMB strengthens against US\$	(1)	(4,203)	(4,542)	(5,143)
If RMB strengthens against Euro	(1)	(1,546)	(2,120)	(3,491)
If RMB strengthens against JPY	(1)	(37)	(75)	(44)
If RMB strengthens against MYR	(1)	(5)	(12)	(13)

*Credit risk*

Credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and balances with shareholders, arise from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

At the end of each of the Relevant Periods, the Group had certain concentration of credit risk as 17% , 12% and 6% of the Group's trade and bills receivables were due from the Group's largest customer for the years ended 31 December 2014, 2015 and 2016 respectively. Concentrations of credit risk are managed by establishing credit verification procedures. The management determines there are minimal concentrations of credit risk within the Group as the customers of the Group's trade and bills receivables are recognised and creditworthy.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the Financial Information.

*Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of long term bank loans and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	<b>On demand or no later than 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2014</b>				
Trade payables	88,742	-	-	88,742
Other payables and accruals	27,996	-	-	27,996
Interest-bearing bank and other borrowings	8,520	-	-	8,520
	<u>125,258</u>	<u>-</u>	<u>-</u>	<u>125,258</u>
<b>As at 31 December 2015</b>				
Trade payables	106,371	-	-	106,371
Other payables and accruals	104,340	-	-	104,340
Interest-bearing bank and other borrowings	26,401	5,372	12	31,785
	<u>237,112</u>	<u>5,372</u>	<u>12</u>	<u>242,496</u>
<b>As at 31 December 2016</b>				
Trade payables	184,343	-	-	184,343
Other payables and accruals	78,390	-	-	78,390
Interest-bearing bank and other borrowings	4,250	1,062	-	5,312
	<u>266,983</u>	<u>1,062</u>	<u>-</u>	<u>268,045</u>

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)***Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2014, 2015 and 2016.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt represents interest-bearing bank and other borrowings. The gearing ratios as at the end of each of the Relevant Periods were as follows:

Group

	<b>As at 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total debt	8,000	31,014	5,065
Total equity	682,357	822,925	1,027,936
Gearing ratio	<u>1.2%</u>	<u>3.8%</u>	<u>0.5%</u>

**III. EVENTS AFTER THE RELEVANT PERIODS**

On 5 June 2017, a deed of indemnity by the Controlling Shareholders in favour of the Company that they will indemnify and keep the Group fully indemnified from any losses arising from or in connection with the implementation of the Reorganisation, any liability for Hong Kong estate duty which might be incurred by the Group by reason of any transfer of property, tax liabilities which might be payable by the Group.

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any year subsequent to 31 December 2016.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
 Hong Kong

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information sets out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and "Appendix I – Accountants' Report" in this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2016. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 December 2016 or any future dates:

	Consolidated net tangible assets attributable to owners of the Company as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited Pro forma adjusted consolidated net tangible assets	Unaudited Pro forma adjusted consolidated net tangible per Share	Unaudited Pro forma adjusted consolidated net tangible per Share
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3 and 4)</i>	<i>(HK\$ equivalent)</i>
Based on an Offer Price of HK\$3.13 per Share	<u>1,027,936</u>	<u>639,712</u>	<u>1,667,648</u>	<u>1.67</u>	<u>1.91</u>
Based on an Offer Price of HK\$3.42 per Share	<u>1,027,936</u>	<u>701,020</u>	<u>1,728,956</u>	<u>1.73</u>	<u>1.98</u>

*Notes:*

- The combined net tangible assets attributable to owners of the Company as at 31 December 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$3.13 and HK\$3.42 per Share, after deduction of the under writing fees and other related expenses payable by the Company.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares expected to be in issue immediately following the completion of the Share Offer without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- The unaudited pro forma adjusted consolidated net tangible assets per Share does not take into account the dividends in the aggregate amount of approximate RMB100.0 million which the Company declared on 5 March 2017 and was fully paid as of the Latest Practicable Date. Had such dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible asset per Share would be RMB1.57 (HK\$1.80) and RMB1.63 (HK\$1.87), assuming the Offer Price range of HK\$3.13 and HK\$3.42 per Share respectively at an exchange rate of RMB1 to HK\$1.147.
- No adjustment has been made to reflect any trading results or other transactions of the Group, entered into subsequent to 31 December 2016.



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## **APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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### **B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, received from the reporting accountants of the Company, Ernst & Young , Certified Public Accountants , Hong Kong, for the purpose of incorporation in this prospectus, in respect of the Group's pro forma financial information.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

16 June 2017

To the Directors of Xin Point Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Xin Point 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 pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2016 and related notes as set out in Appendix II to the prospectus of the Company dated 16 June 2017 (the “Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note 1 to note 5.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the public offer and placing of shares of the Company on the Group’s financial position as at 31 December 2016 as if the transaction had taken place at 31 December 2016. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2016, on which an accountants’ report has been published.

#### **DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION**

The Directors are responsible for compiling the 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 (“AG”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

#### **OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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## **APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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### **REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the 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 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 plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of public offer and placing of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**OPINION**

In our opinion:

- (a) the 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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**

Certified Public Accountants

Hong Kong

Set out below is a summary of certain provisions of the Memorandum of Association and the Articles of Association and of certain aspects of the Companies Law.

## **1. MEMORANDUM OF ASSOCIATION**

The Memorandum of Association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the Memorandum of Association which is available for inspection at the address and during the period specified in the section headed "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus. As an exempted company, 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.

## **2. ARTICLES OF ASSOCIATION**

The Articles of Association were adopted on 5 June 2017. The following is a summary of certain provisions of the Articles.

### **(a) Directors**

#### *(i) Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time 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 Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

#### *(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 although the Directors may 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 relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

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 the giving of security for loans to Directors*

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

*(v) Financial assistance to purchase shares of the Company or its holdings company*

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

*(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 an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be 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, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors 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 they think 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. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of 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 will any contract with regard thereto 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. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not

accorded to any other members or debenture or other securities holders or to the public;

- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company 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 and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.

*(vii) Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time 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 they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The

foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

*(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 three or 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 least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.



A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. 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 breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they 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 so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

*(ix) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or 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: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.*

*(x) Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

*(xi) Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

**(b) Alterations to constitutive documents**

The Memorandum of Association may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

**(c) Alterations of capital**

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are 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;

- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

**(d) Variation of rights of existing shares or classes of shares**

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied 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 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, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

**(e) Special resolutions – majority required**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, 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 respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with Article 2(i) below for further details.

**(f) Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of

proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall 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 authorised 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.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

**(g) Requirements for annual general meetings**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

**(h) Accounts and audit**

The Directors 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 receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by 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 of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or HKFRSs or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

**(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 not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting

and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

**(j) Transfer of shares**

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee 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, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to 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 Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must 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 transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they 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, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time 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 30 days in any year.

**(k) Power for the Company to purchase its own shares**

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

**(l) Power of any subsidiary to own securities in the Company**

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors 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, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company

that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in 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 to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy 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 as if it were an individual member.

**(o) Corporate representatives**

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

**(p) Calls on shares and forfeiture of shares**

The Directors may from time to time make such calls as it may think fit 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) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. 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 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state 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 Directors 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 moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

**(q) Inspection of register of members**

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

**(r) Inspection of register of Directors**

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

**(s) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (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 convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

**(t) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

**(u) Procedures on liquidation**

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, 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 is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property 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 sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

**(v) Untraceable members**

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

**(w) Stock**

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

**(x) Other provisions**

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a

subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

### **3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the Memorandum of Association may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum of Association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than twenty one (21) clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together not less than 95 per cent. of the total voting rights at the meeting of all the members.

### **4. CAYMAN ISLANDS COMPANIES LAW**

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### **(a) 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 or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

**(b) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

**(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares 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. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, 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 redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the 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. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is 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 subscription 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.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

**(d) Dividends and distributions**

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

**(e) 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 a 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 wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of 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 shall be wound up.

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 memorandum and articles of association of the company.

**(f) 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 is required, 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.

**(g) Accounting and auditing requirements**

The Companies Law requires a company to cause proper records of accounts 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. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(h) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(i) Taxation**

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

**(j) Stamp duty**

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

**(k) Inspection of corporate records**

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. 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 of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

#### **(I) Winding up**

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. 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. 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.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

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 purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

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. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

### **5. GENERAL**

Conyers Dill & Pearman, the Company's legal advisers as to Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands



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**APPENDIX III****SUMMARY OF THE CONSTITUTION OF THE  
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed “Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection” in this prospectus. Any person wishing to have a detailed summary of the companies 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.

## 1. FURTHER INFORMATION ABOUT OUR GROUP

### 1.1 Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 August 2014 with an authorised share capital of HK\$1 million divided into 10 million Shares of HK\$0.10 each.

As our Company was incorporated in the Cayman Islands, our operations are subject to the Companies Law and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in Appendix III to this prospectus.

### 1.2 Changes in the share capital of our Company

#### (a) Change in authorised and issued share capital

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$1 million divided into 10 million shares of HK\$0.10 each.

On 28 August 2014 (i.e. the date of the Company's incorporation), one share of HK\$0.10 was allotted and issued, nil paid, to an officer of Conyers Trust Company (Cayman) Limited (formerly known as "Codan Trust Company (Cayman) Limited", the corporate-secretarial company affiliated with our Company's legal advisers as to Cayman Islands law), which was transferred to Mr. Ma on the same date. On the same date, our Company further allotted and issued 999,999 Shares, nil-paid, as to (i) 972,720 Shares to Mr. Ma and (ii) 27,280 Shares to Ms. Lau Tsz Ching. These 1 million nil-paid Shares were credited as fully-paid at par on 5 June 2017.

On 5 June 2017, the authorised share capital was conditionally increased from HK\$1 million divided into 10 million Shares to HK\$2,000 million divided into 20,000 million Shares of HK\$0.1 each by the creation of 19,990 million Shares of HK\$0.1 each, each ranking *pari passu* with the Shares then in issue in all aspects pursuant to a resolution passed by our Shareholders on 5 June 2017.

On 5 June 2017, our Shareholders resolved that conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors were authorised to capitalise an amount of HK\$74.9 million standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 749 million Shares. Such Shares to be allotted and issued to the shareholders whose names are on the register of members of the Company on the date before the listing date of the Company in proportion to their shareholdings in the Company; and so that the shares be allotted and issued, pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued shares and the Directors were authorised to give effect to such capitalisation.

Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or upon the exercise of the Over-allotment Option, the authorised share capital of our Company remains to be HK\$2,000 million divided into 20,000 million Shares, of which 1,000 million Shares will be issued fully paid or credited as fully paid, and 19,000 million Shares will remain unissued.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Global Offering and the Capitalisation Issue:

<u>Number</u>		<u>(HK\$)</u>
<i>Authorised share capital:</i>		
20,000,000,000	Shares of HK\$0.1 each	2,000,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
1,000,000	Shares in issue at the date of this prospectus	100,000
749,000,000	Shares to be issued pursuant to the Capitalisation Issue	74,900,000
250,000,000	Shares to be issued under the Global Offering (assuming that the Over-allotment Option is not exercised at all)	25,000,000
Total:	<u>1,000,000,000</u> Shares	<u>100,000,000</u>

#### *Assumptions*

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

Immediately following completion of the Capitalisation Issue and the Global Offering and assuming the exercise of the Over-allotment Option in full (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), it is expected that 1,037,500,000 Shares will be in issue, all of which will be fully paid or credited as fully paid.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$2,000 million divided into 20,000 million Shares, and an issued share capital of HK\$100,000 divided into 1,000,000 Shares, credited as fully paid.

#### *(b) Founder shares*

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and in the paragraph headed “1.3 Resolutions in writing of our Shareholders passed on 5 June 2017” below in this section, there has been no alteration in the share capital of our Company since its incorporation.

**1.3 Resolutions in writing of our Shareholders passed on 5 June 2017**

Pursuant to the written shareholders' resolutions passed by all our Shareholders on 5 June 2017, among others:

- (a) the Memorandum of Association and the Articles of Association were approved and adopted with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$1 million divided into 10 million Shares to HK\$2,000 million divided into 20,000 million Shares of HK\$0.1 each by the creation of further 19,990 million Shares of HK\$0.1 each Shares;
- (c) the Directors were authorised to credit as fully paid at par the 1 million issued Shares (which were nil paid as at 5 June 2017);
- (d) conditional on all the conditions set out in the section headed "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus being fulfilled:
  - (i) the Global Offering and the grant of the Over-allotment Option were approved and the Directors were authorised to allot and issue the Global Offering Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
  - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
  - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise HK\$74.9 million (i.e. Capitalisation Issue) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749 million Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 5 June 2017 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and the Directors were authorised to give effect to such capitalisation;
  - (iv) a general unconditional mandate (i.e. the "Issuing Mandate") was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the

Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules, or under the Global Offering or the Capitalisation Issue, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme) and (bb) the total number of Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vii) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate (i.e. “Repurchase Mandate”) was given to the Directors to exercise all powers of our Company to purchase Shares not exceeding 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above; and
- (e) the form and substance of each of the service agreements made between our executive Directors with us, and the form and substance of each of the appointment letters made between each of our INEDs with us were approved.

#### **1.4 Reorganisation**

For details of the Reorganisation in preparation for the Listing of our Shares on the Stock Exchange, please refer to the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus.

### 1.5 Further information about our Group's PRC subsidiaries and associate

As at the Latest Practicable Date, our Group had interest in the registered capital of 13 companies established in the PRC, including 12 subsidiaries and one associate. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

	<b>1. KP (Huizhou) Electronics</b>	<b>2. KP (Huizhou) Precision Plastic</b>	<b>3. KP (Wuxi) Moulding</b>	<b>4. Wuxi Jinxin</b>
(i) Full name of company	惠州建邦電子有限公司 (Huizhou Keen Point Electronics Co., Ltd.*)	惠州建邦精密塑膠有限公司 (Huizhou Keen Point Precision Plastic Co., Ltd.*)	無錫建邦汽車精密模具有限公司 (Wuxi Keen Point Automobile Precision Moulding Co., Ltd.*)	無錫金信表面處理有限公司 (Wuxi Jinxin Surface Decoration Co., Ltd.*)
(ii) Date of establishment	17 December 2004	22 November 2004	23 June 2014	14 May 2004
(iii) Economic nature	WFOE	WFOE	WFOE	WFOE
(iv) Registered holder(s)	KPL (100%)	KPL (100%)	KPL (100%)	JIL (100%)
(v) Total investment amount (where applicable)	HK\$12 million	HK\$143 million	US\$29.98 million	US\$4.28 million
(vi) Registered capital	HK\$10 million (fully paid)	HK\$110 million (fully paid)	US\$20 million (80% paid up)	US\$3 million (fully paid)
(vii) Percentage equity interest attributable to our Group	100%	100%	100%	100%
(viii) Term of operation	From 17 December 2004 to 16 December 2024	From 22 November 2004 to 21 November 2024	From 23 June 2014 to 22 June 2064	From 14 May 2004 to 13 May 2024
	<b>5. Tianjin Jinxin</b>	<b>6. XP (Huizhou) Surface Decoration</b>	<b>7. XP (Huizhou) Precision Components</b>	<b>8. Huizhou Haoyu</b>
(i) Full name of company	天津金信精密塑膠部件有限公司 (Tianjin Jinxin Precision Plastic Component Co., Ltd.*)	惠州信邦表面處理有限公司 (Huizhou Xin Point Surface Decoration Co., Ltd.*)	惠州信邦精密部件有限公司 (Huizhou Xin Point Precision Components Co., Ltd.*)	惠州市浩瑜科技有限公司 (Huizhou Haoyu Technology Co., Ltd.*)
(ii) Date of establishment	17 June 2005	19 September 2011	9 October 2014	12 June 2009
(iii) Economic nature	WFOE	Limited liability company	Limited liability company	Limited liability company
(iv) Registered holder(s)	JIL (100%)	KP (Huizhou) Precision Plastic (100%)	KP (Huizhou) Precision Plastic (100%)	KP (Huizhou) Precision Plastic (100%)

**APPENDIX IV**
**STATUTORY AND GENERAL INFORMATION**

		<b>5. Tianjin Jinxin</b>	<b>6. XP (Huizhou) Surface Decoration</b>	<b>7. XP (Huizhou) Precision Components</b>	<b>8. Huizhou Haoyu</b>	
(v)	Total investment amount (where applicable)	US\$4.6 million	Not applicable	Not applicable	Not applicable	
(vi)	Registered capital	US\$4.6 million (fully paid)	RMB30 million (fully paid)	RMB10 million (fully paid)	RMB1 million (fully paid)	
(vii)	Percentage equity interest attributable to our Group	100%	100%	100%	100%	
(viii)	Term of operation	From 17 June 2005 to 16 June 2020	From 19 September 2011 to long term	Long term	Long term	
		<b>9. KP (Huizhou) Surface Decoration</b>	<b>10. KP (Wuxi) Electronics</b>	<b>11. Shanghai Xinyu</b>	<b>12. Huizhou Xinsheng</b>	<b>13. KP (Suzhou) (a 30%-owned associated corporation)</b>
(i)	Full name of company	惠州建邦表面處理有限公司 (Huizhou Keen Point Surface Decoration Co., Ltd.*)	無錫建邦電子有限公司 (Wuxi Keen Point Electronics Co., Ltd.*)	上海信裕進出口貿易有限公司 (Shanghai Xinyu Import and Export Trading Co., Ltd.*)	惠州信升科技有限公司 (Huizhou Xinsheng Technology Co., Ltd.*)	蘇州市建邦精密模具有限公司 (Suzhou City Keen Point Precision Moulding Co., Ltd.*)
(ii)	Date of establishment	16 October 2015	31 August 2004	12 May 2011	21 March 2016	29 November 2010
(iii)	Economic nature	Limited liability company	Limited liability company	Limited liability company (solely owned by a foreign invested enterprise)	Limited liability company	Limited liability company
(iv)	Registered holder(s)	KP (Huizhou) Precision Plastic (100%)	Wuxi Jinxin (100%)	Wuxi Jinxin (100%)	KP (Huizhou) Precision Plastic (100%)	1. Jin Jie (70%) 2. Wuxi Jinxin (30%)
(v)	Total investment amount (where applicable)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
(vi)	Registered capital	RMB10 million (fully paid)	RMB59,677,638.68 (fully paid)	RMB1 million (fully paid)	RMB5 million (fully paid)	RMB2 million (fully paid)
(vii)	Percentage equity interest attributable to our Group	100%	100%	100%	100%	30%
(viii)	Term of operation	Long term	Long term	From 12 May 2011 to 11 May 2021	Long term	Long term

The scope of permitted business as recorded in the business licences of the Group's PRC subsidiaries and associated corporation as at the Latest Practicable Date is set out below:

	<u>Name of PRC company</u>	<u>Scope of permitted business</u>
1.	KP (Huizhou) Electronics	Plastic products processing; electronics assembly; for products, 70% for export sales and 30% for domestic sales
2.	KP (Huizhou) Precision Plastic	Production of mould standard parts, precision die, precision cavity mould and new electronic components; electroplating processing for plastic products; production of stamping dies of which precision is greater than (and inclusive of) 0.02mm; production of fine type cavity mould of which precision is greater than (and inclusive of) 0.05mm; design and manufacture of non-metallic mould products; products to be sold in the domestic and export market; leasing of self-owned equipment and leasing part of self-owned plant.
3.	KP (Wuxi) Moulding	Design, research and development, manufacture, repair and maintenance, technical consulting and technical services for automobile precision moulds; manufacture, processing and assembly of plastic parts and components of automobiles; leasing of machinery and equipment, leasing of self-owned property; provision of warehouse service (excluding dangerous goods); provision of technical consultation and technical service regarding plastic products, electronic products, molds, electroplating processes and injection molding process; corporate management consultation (excluding investment advice); business information consultation (excluding investment advice); provision of training services (excluding issuance of certificate nor trainings for obtaining professional certificate of national accreditation); provision of measuring and testing services; wholesale, import and export of chemical products and raw materials (excluding dangerous goods) (all the above products exclude import and export of any state-operate trade management goods; for those involving quota or permits management projects, applications shall be made in accordance with the relevant state regulations).
4.	Wuxi Jinxin	Production and electroplating of plastic products.
5.	Tianjin Jinxin	Research and development, production and sales of rubber products, plastic products and moulds and provision of related technical consulting services; electroplating process.



	<u>Name of PRC company</u>	<u>Scope of permitted business</u>
6.	XP (Huizhou) Surface Decoration	Precision plastic moulding, electroplating processing and sales of products; import and export of products (excluding undertakings which are prohibited by state law or regulations; for undertakings which are restricted by law or regulations, to obtain the relevant permits prior to such activities).
7.	XP (Huizhou) Precision Components	Development and processing of moulds (excluding electroplating and casting processes); precision injection moulding, spraying and assembly; import and export of products.
8.	Huizhou Haoyu	Precision plastic moulding, electroplating processing and sales of products; import and export of products; leasing of machinery and equipment.
9.	KP (Huizhou) Surface Decoration	Moulding, electroplating processing and assembly of precision plastic products; domestic trading and import and export of goods.
10.	KP (Wuxi) Electronics	Research and development, manufacture and sales of semiconductors, materials for components, metallic racks and clips; electroplating for plastic materials; operating (as proprietor or as agent) of import and export business for various merchandise and technologies (excluding the import and export of merchandise and technologies that are restricted or prohibited by the state).
11.	Shanghai Xinyu	Import and export of goods and technology; sales of chemical raw materials and products (for dealing in dangerous chemical substances, see the relevant operating permits), rubber and plastic products, metal products, packaging materials, electrical and mechanical products, instrumentations, electronic products, hardware and electrical equipment, daily groceries, knitted textiles, clothing and shoes, crafts and gifts, jades and toys, stationery and sports goods, computer hardware, and software and accessories, office supplies, paper products, decoration materials, building materials, wires and cables and edible agricultural products.
12.	Huizhou Xinsheng	Processing and fabrication of plastic parts; development of UV coating technology; property leasing.
13.	KP (Suzhou) (a 30%-owned associated corporation)	Design and manufacture of all types of precision moulds; manufacturing and sales of plastic injection moulding components; import and export business of goods and technology, excluding those operations and the import and export of goods and technology which are restricted or prohibited by the state.

### 1.6 Further information about our Group's non-PRC subsidiaries

As at the Latest Practicable Date, our Group had interest in the share capital of 11 non-PRC companies. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

	<b>1. XPC</b>	<b>2. XPNA</b>	<b>3. KPL</b>	<b>4. JIL</b>
(i) Full name of company	Xin Point Corporation	Xin Point North America Inc.	Keen Point Limited	Jingxing Industry Ltd.
(ii) Date of incorporation/ place of incorporation	22 August 2005 (BVI)	1 March 2013 (US)	5 May 2004 (BVI)	16 March 2004 (BVI)
(iii) Authorised share capital	US\$100,000	N/A	US\$50,000	US\$50,000
(iv) Issued share capital	US\$100,000	one share in the amount of US\$30,000	US\$10,000	US\$50,000
(v) Name of current shareholder	Company	XPC	XPC	XPC
	<b>5. Keen Point Europe</b>	<b>6. Keen Point Malaysia</b>	<b>7. Keen Point Germany</b>	<b>8. Maksun</b>
(i) Full name of company	Keen Point (Europe) Inc.	Keen Point (M) Sdn. Bhd.	Keen Point (Europe) GmbH	Maksun Limited
(ii) Date of incorporation/ place of incorporation	23 October 2007 (BVI)	14 August 2012 (Malaysia)	7 October 2008 (Germany)	4 October 2005 (Hong Kong)
(iii) Authorised share capital	US\$50,000	N/A	€25,000	HK\$10,000
(iv) Issued share capital	US\$10,000	RM1,000	N/A	HK\$1
(v) Name of current shareholder	KPL	KPL	Keen Point Europe	JIL
	<b>9. Key Apps</b>	<b>10. Xin Point Switzerland</b>	<b>11. Xin Point Mexico</b>	
(i) Full name of company	Key Apps Limited	Xin Point Europe AG	Xin Point México S.DE R.L. DE C.V.	
(ii) Date of incorporation/ place of incorporation	16 June 2016 (Hong Kong)	27 July 2016 (Switzerland)	21 December 2016 (Mexico)	
(iii) Authorised share capital	N/A	N/A	MXP 500,000	
(iv) Issued share capital	HK\$100	CFH 100,000	MXP 500,000	
(v) Name of current shareholder	JIL	Maksun	1. Key Apps (99%) 2. Maksun (1%)	

### 1.7 Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus.

For the details of changes in the share capital of our major subsidiaries during the Track Record Period and within the two years immediately preceding the Latest Practicable Date, please refer to the sections headed "History, Reorganisation and Corporate Structure – Establishment and Major Changes Concerning Major Members of our Group – Establishment, principal activities and major changes concerning our key operating subsidiaries which are established in the PRC" and "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.

Apart from the above changes in share capital of our major subsidiaries, the following alterations in the equity capital or equity-holders of each of our Company's subsidiaries took place within the two years preceding the date of this prospectus:

(1) KP (Huizhou) Surface Decoration

On 16 October 2015, KP (Huizhou) Surface Decoration was established under the laws of the PRC as a limited liability company with a registered capital of RMB10,000,000.

(2) Huizhou Xinsheng

On 21 March 2016, Huizhou Xinsheng was established under the laws of the PRC as a limited liability company with a registered capital of RMB5,000,000.

(3) Key Apps

On 16 June 2016, Key Apps was incorporated in Hong Kong. Its then total amount of share capital was HK\$1 represented by one issued share. At the time of its incorporation, the subscriber was Newform Limited. On 5 September 2016, Key Apps further allotted and issued 99 shares at HK\$1 each to, and fully paid by, JIL. By an instrument of transfer and the related bought and sold notes dated 9 September 2016 and entered into between Newform Limited (as transferor) and JIL (as transferee), the one issued share then held by Newform Limited was transferred to JIL at a consideration of HK\$1 which was determined based on the share price of each then issued share.

(4) Xin Point Switzerland

On 27 July 2016, Xin Point Switzerland was incorporated under the laws of Switzerland as a private limited company.

(5) Xin Point Mexico

On 21 December 2016, Xin Point Mexico was incorporated under the laws of Mexico as a private limited liability company.

### 1.8 Repurchases by our Company of our own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase 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 repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing 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.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles of Association and the Listing Rules and the applicable laws of the Cayman Islands. Our Company may not repurchase our 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.

Subject to the foregoing, under the Companies Law, any repurchases by our Company may be made out of our Company's funds which would otherwise be available for dividend or distribution, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Companies Law, out of capital.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. Our Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, our Company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit our Company from repurchasing our securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchase*

Our Company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, our Company may not repurchase our Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Core connected persons*

Our Company is prohibited by the Listing Rules from knowingly repurchasing our securities on the Stock Exchange from a "core connected person" (which includes a Director, chief executive or substantial shareholder of our company or any of our subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to our Company).

**(b) Reasons for repurchases**

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of the Repurchase Mandate to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

**(c) Funding of repurchases and impact on working capital or gearing position**

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

**(d) General**

The exercise in full of the Repurchase Mandate, on the basis of 1,000 million Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue, could accordingly result in up to 100 million Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes 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 repurchases pursuant to the repurchase mandate. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

### **1.9 Registration under Part 16 of the Companies Ordinance**

Our Company has established a principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Unit 1503, 15/F Midas Plaza, 1 Tai Yau Street, San Po Kong, Kowloon, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Au Wai Keung of Flat G, 12/F, Block 1, Aquamarine, 8 Sham Shing Road, Kowloon, Hong Kong, our company secretary, has been appointed as agent of our Company for the acceptance of service of process and notices on us in Hong Kong.

## **2. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **2.1 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) a share purchase agreement dated 19 October 2015 entered into between Euroshare, Eurochrome, KP Share and KPI (Canada) pursuant to which Euroshare acquired 49% of the then issued share capital of Keen Point Europe from Eurochrome in exchange for Euroshare allotting and issuing 4,900 class B shares to Eurochrome (as amended by a supplemental agreement dated 18 April 2017 and entered into by the same parties), further details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation – Detailed steps of the Reorganisation – 5. Share swap between our Controlling Shareholders and Eurochrome and related arrangements” in this prospectus;
- (b) a share purchase agreement dated 19 October 2015 entered into between KPL and Euroshare pursuant to which KPL transferred five class C common shares in the capital of KPI (Canada) at a nominal total consideration of US\$5;
- (c) an equity transfer agreement dated 10 December 2015 entered into between JIL and KP Share pursuant to which JIL transferred 100% equity interest in Shanghai Zhiyuan to KP Share at a total consideration of RMB22 million;
- (d) a share purchase agreement dated 28 December 2015 entered into between KPL and KP Share pursuant to which KPL acquired 4,900 shares of US\$1 each in (representing 49% of the then issued share capital of) Keen Point Europe from KP Share for a consideration of US\$3,000,000;
- (e) the Deed of Non-competition;
- (f) the Deed of Indemnity;
- (g) a cornerstone investment agreement dated 9 June 2017 and entered into between our Company, BNP Paribas Securities (Asia) Limited and Greater Talent Investments Limited, pursuant to which Greater Talent Investments Limited agreed to subscribe for and our Company agreed to allot and issue 63,500,000 Offer Shares at the Offer Price, further details of which are set out in the section headed “Cornerstone Investor” in this prospectus; and
- (h) the Hong Kong Underwriting Agreement.

## 2.2 Intellectual property rights of our Group

As at the Latest Practicable Date, we registered or had outstanding applications for the registration of the following intellectual property rights which are material in relation to our business.

### (a) Trademarks

As at the Latest Practicable Date, members of our Group registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Duration of validity
1.		11	Shanghai Xinyu	PRC	8147788	7 September 2011 to 6 September 2021
2.		12	KP (Huizhou) Precision Plastic	Hong Kong	302633553	8 June 2013 to 7 June 2023
3.	XINPOINT	12	KP (Huizhou) Precision Plastic	Hong Kong	302633562	8 June 2013 to 7 June 2023
4.		12	KP (Huizhou) Precision Plastic	Hong Kong	302633571	8 June 2013 to 7 June 2023
5.		12	KP (Huizhou) Precision Plastic	PRC	12727814	28 October 2014 to 27 October 2024
6.	XINPOINT	12	KP (Huizhou) Precision Plastic	PRC	12727813	28 October 2014 to 27 October 2024
7.		12	KP (Huizhou) Precision Plastic	PRC	12727812	28 October 2014 to 27 October 2024



**(b) Domain Name**

As at the Latest Practicable Date, members of our Group had registered the following domain name which is material to our business:

<b>No.</b>	<b>Domain name</b>	<b>Registrant</b>	<b>Date of registration</b>	<b>Expiry date</b>
1.	Xinpoint.com	KP (Huizhou) Precision Plastic	25 November, 2014	9 September 2022

**(c) Patents**

As at the Latest Practicable Date, members of our Group were registered proprietors of the following patents (whose places of registration are all in the PRC) which are material to our business:

<b>No.</b>	<b>Patent</b>	<b>Registered Owner</b>	<b>Type</b>	<b>Registration number</b>	<b>Duration of validity</b>
1.	Horizontal vibrating and swinging device for electroplating bath (電鍍槽用水平震動搖擺裝置)	Wuxi Jinxin	Utility model	ZL201420124108.7	19 March 2014 to 18 March 2024
2.	Cathode copper base for electroplating bath (電鍍槽陰極銅座)	Wuxi Jinxin	Utility model	ZL201420125310.1	19 March 2014 to 18 March 2024
3.	Electroplating bath adopting air energy for heating (利用空氣能加熱的電鍍槽)	Wuxi Jinxin	Utility model	ZL201420124887.0	19 March 2014 to 18 March 2024
4.	Electroplating bath with uniformly distributed current (電流分佈均勻的電鍍槽)	Wuxi Jinxin	Utility model	ZL201420123885.X	19 March 2014 to 18 March 2024
5.	Automatic feeding system for electroplating pearl nickel (電鍍珍珠鎳自動加料系統)	Wuxi Jinxin	Utility model	ZL201420124886.6	19 March 2014 to 18 March 2024

**APPENDIX IV****STATUTORY AND GENERAL INFORMATION**

<b>No.</b>	<b>Patent</b>	<b>Registered Owner</b>	<b>Type</b>	<b>Registration number</b>	<b>Duration of validity</b>
6.	Three-Dimensional swing device for electroplating bath (電鍍槽用三維搖擺裝置)	Wuxi Jinxin	Utility model	ZL201420126424.8	19 March 2014 to 18 March 2024
7.	Electroplating water-washing bath of water-washing dithering type (抖動水洗的電鍍水洗槽)	Wuxi Jinxin	Utility model	ZL201420125887.2	19 March 2014 to 18 March 2024
8.	Electroplating travelling crane capable of discharging electroplate solution at fixed point (定點排水的電鍍行車)	Wuxi Jinxin	Utility model	ZL201420124094.9	19 March 2014 to 18 March 2024
9.	Electroplating wastewater treatment device (一種電鍍廢水處理裝置)	Wuxi Jinxin	Utility model	ZL201520367917.5	29 May 2015 to 28 May 2025
10.	Electroplate device with primary and secondary groove (帶有子母槽的電鍍裝置)	Wuxi Jinxin	Utility model	ZL201520367920.7	29 May 2015 to 28 May 2025
11.	Electroplating tank with circulation filter (帶循環過濾裝置的電鍍槽)	Wuxi Jinxin	Utility model	ZL201520367983.2	29 May 2015 to 28 May 2025

**APPENDIX IV****STATUTORY AND GENERAL INFORMATION**

<b>No.</b>	<b>Patent</b>	<b>Registered Owner</b>	<b>Type</b>	<b>Registration number</b>	<b>Duration of validity</b>
12.	Electroplating baffle for insulation in electroplating bath (一種電鍍槽隔離用電鍍擋板)	Wuxi Jinxin	Utility model	ZL201520367982.8	29 May 2015 to 28 May 2025
13.	Removable electroplating protection (可移動電鍍保護裝置)	Wuxi Jinxin	Utility model	ZL201520367919.4	29 May 2015 to 28 May 2025
14.	Cage-shaped hanging tool for chemical plating (一種用於化學鍍籠狀掛具)	KP (Huizhou) Precision Plastic	Utility model	ZL201120216253.4	23 June 2011 to 22 June 2021
15.	Surface treatment system for soft material products (一種軟料產品的表面處理系統)	KP (Huizhou) Precision Plastic	Utility model	ZL201120424087.7	28 October 2011 to 27 October 2021
16.	Surface treatment system for fluorescence products (一種熒光產品的表面處理系統)	KP (Huizhou) Precision Plastic	Utility model	ZL201120424126.3	28 October 2011 to 27 October 2021
17.	System for processing light-transparent pattern electroplated part (一種透光圖案電鍍件的加工系統)	KP (Huizhou) Precision Plastic	Utility model	ZL201120424129.7	28 October 2011 to 27 October 2021

No.	Patent	Registered Owner	Type	Registration number	Duration of validity
18.	System for machining electroplated parts with light-permeating patterns (一種有透光圖案電鍍件加工系統)	KP (Huizhou) Precision Plastic	Utility model	ZL201320457555.X	30 July 2013 to 29 July 2023
19.	Electroplating wastewater treatment system (一種電鍍廢水處理系統)	KP (Huizhou) Precision Plastic	Utility model	ZL201220456580.1	7 September 2012 to 6 September 2022
20.	Fuse machine (一種熱熔機)	KP (Huizhou) Precision Plastic	Utility model	ZL201220456355.8	7 September 2012 to 6 September 2022
21.	Pneumatic device used in electroplating process (一種用於電鍍工藝中的氣動裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201220415822.2	20 August 2012 to 19 August 2022
22.	Absorption device used in electroplating process (一種用於電鍍工藝中的吸收裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201220414782.X	20 August 2012 to 19 August 2022
23.	Assembly device used for automobile handle (一種用於汽車把手的裝配設備)	KP (Huizhou) Precision Plastic	Utility model	ZL201220455660.5	7 September 2012 to 6 September 2022
24.	Raw material cleaning device and assembly using same (一種原料清掃裝置及使用該原料清掃裝置的組件)	KP (Huizhou) Precision Plastic	Utility model	ZL201220456402.9	7 September 2012 to 6 September 2022

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

No.	Patent	Registered Owner	Type	Registration number	Duration of validity
25.	Oil dispensing technology production device (一種點油工藝生產裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201420026184.4	16 January 2014 to 15 January 2024
26.	Electrode structure for translucent coating machine (一種半透光鍍膜機用電極結構)	KP (Huizhou) Precision Plastic	Utility model	ZL201420512803.0	5 September 2014 to 4 September 2024
27.	Automatic excess material shearing device (自動剪切餘料裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201520485637.4	6 July 2015 to 5 July 2025
28.	Magnetron sputtering ion double layer plating furnace (一種磁控濺射離子鍍雙層膜用爐)	KP (Huizhou) Precision Plastic	Utility model	ZL201520523206.2	17 July 2015 to 16 July 2025
29.	Preparation facilities of colloid palladium (一種膠體鈀的製備裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201520504788.X	13 July 2015 to 12 July 2025
30.	Swing vibration apparatus (一種搖擺震動裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201520546923.7	24 July 2015 to 23 July 2025
31.	Plastic plating layer structure (一種塑膠鍍層結構)	KP (Huizhou) Precision Plastic	Utility model	ZL201520540470.7	23 July 2015 to 22 July 2025
32.	An automatic delivery device (一種自動輸送裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201520997614.1	2 December 2015 to 1 December 2025

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

No.	Patent	Registered Owner	Type	Registration number	Duration of validity
33.	An electroplating part gate automatic shearing equipment (一種電鍍件澆口自動剪切設備)	Wuxi Jinxin	Utility model	ZL201621007743.2	22 August 2016 to 21 August 2026
34.	A pallet automatic conveying system (一種托盤自動輸送系統)	Wuxi Jinxin	Utility model	ZL201621004667.X	22 August 2016 to 21 August 2026
35.	An automotive accessories structure have PVD laser engraving pattern (一種具有 PVD 鐳雕圖案的汽車裝飾品結構)	KP (Huizhou) Precision Plastic	Utility model	ZL201620541297.7	3 June 2016 to 2 June 2026
36.	Plastic surface film-coating processing technology (一種塑膠表面鍍膜處理工藝)	KP (Huizhou) Precision Plastic	Invention Patent	ZL201410630782.7	11 November 2014 to 10 November 2034
37.	A production equipment for nickel-polymer chemical stabilising agent (一種尼龍化學鎳穩定劑制備裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201620525936.0	31 May 2016 to 30 May 2026
38.	An equipment for collection and recycling of chromic acid (一種鉻酸回收利用裝置)	KP (Huizhou) Precision Plastic	Utility model	ZL201620523470.0	31 May 2016 to 30 May 2026

As at the Latest Practicable Date, members of our Group made the following patent applications, which are material to our business, whose registration vetting process are pending:

<b>No.</b>	<b>Patent</b>	<b>Applicants</b>	<b>Type</b>	<b>Place of application</b>	<b>Application number</b>	<b>Date of application</b>
1.	Composite material structure and its preparation method (複合材料結構及其製備方法)	KP (Huizhou) Precision Plastic	Invention patent	PRC	201610644909.X	8 August 2016
2.	Composite article and preparation method thereof (複合材料結構及其製備方法)	KP (Huizhou) Precision Plastic	Invention patent	Germany	AKZ 10 2016 120 411.0	26 October 2016

### 3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 3.1 Disclosure of Interests

(a) *Interests of the Directors and the chief executive of our Company*

Immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, the interests or short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

<b>Name of Director</b>	<b>Nature of interest / Capacity</b>	<b>Relevant company (including associated corporations)</b>	<b>Number of shares (or, as the case may be, amount of registered capital) in the relevant company (Note 1)</b>	<b>Approximate percentage of shareholding</b>
Mr. Ma	Sole shareholder and director of Mealth PTC, and settlor of the Mealth Discretionary Trust (Note 2)	Our Company	718,596,750(L)	71.86%
Mr. Ma	Interest in controlled corporation (Note 2)	Green Pinnacle	1,000(L)	100%

*Notes:*

- (1) The letter "L" denotes the person's long position in the shares.
- (2) Mr. Ma is the settlor of the Mealth Discretionary Trust, a discretionary trust. The entire issued share capital of Green Pinnacle is an asset of such trust. Upon completion of the Global Offering, Green Pinnacle will directly hold 718,596,750 Shares. Mr. Ma is also the sole shareholder and director of Mealth PTC and the sole director of Green Pinnacle. By virtue of the SFO, Mr. Ma is deemed to be interested in (i) the 718,596,750 Shares held by Green Pinnacle in his capacity of settlor of the Mealth Discretionary Trust and (ii) the shares in Green Pinnacle held by Mealth PTC as trustee of the Mealth Discretionary Trust. Mr. Ma is also the sole director of Euroshare which as at the Latest Practicable Date held 1.5% of issued share capital in the Company, and will (upon Listing) become the wholly-owned subsidiary of Eurochrome (in which neither Mr. Ma nor his associate has any interest).



Save as disclosed in the sections headed “History, Reorganisation and Corporate Structure” and “Relationship with our Controlling Shareholders”, and in this section headed “Appendix IV – Statutory and General Information”, none of our Directors or their close associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

*(b) Interests of the Substantial Shareholders*

So far as is known to any Director or chief executive of our Company, immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, 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 other member of the Group:

*Long position in the Shares and underlying Shares*

<b>Name of Shareholder</b>	<b>Nature of interest / Capacity</b>	<b>Number of Shares (Note 1)</b>	<b>Approximate % of interest</b>
Green Pinnacle (Note 2)	Beneficial owner	718,596,750 (L)	71.86%
Mealth PTC (Notes 2 and 3)	Interest in a controlled corporation and trustee	718,596,750 (L)	71.86%
Ms. Zhu Junhua	Interest of spouse	718,596,750 (L)	71.86%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Green Pinnacle is wholly owned by Mealth PTC. Both Green Pinnacle and the Shares owned by it form part of the trust assets of the Mealth Discretionary Trust, which was established by Mr. Ma as settlor and whose trustee is Mealth PTC. The Mealth Discretionary Trust is a discretionary trust and its discretionary objects include Mr. Ma, the Ma Family Beneficiaries, the Management Beneficiaries and the Other Beneficiaries. Some of our Directors, namely, Mr. He Xiaolu, Mr. Meng Jun, Mr. Liu Jun and Mr. Zhang Yumin are discretionary objects under the Mealth Discretionary Trust. Please refer to the section headed “History, Reorganisation and Corporate Structure – Change in issued share capital and/or owners of our Company – The Mealth Discretionary Trust” in this prospectus.
- (3) Mealth PTC is a private trust company incorporated in BVI. Mr. Ma is the sole shareholder and director of Mealth PTC. He is also the settlor of the Mealth Discretionary Trust. Mr. Ma is deemed to be interested in 718,596,750 Shares in his capacity of settlor of the Mealth Discretionary Trust. Ms. Zhu Junhua is the spouse of Mr. Ma, and accordingly she is deemed to be interested in the aggregate of 718,596,750 Shares by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will 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 our Company or any of our subsidiaries.

### 3.2 Directors' service contracts and letters of appointment

#### *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 6 June 2017.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment of not more than 30% of the annual salary immediately prior to such increase, after 1 January 2019, at the discretion of our Directors). In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 6% of the audited combined audited net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary (RMB)
Mr. Ma <sup>(Note)</sup> .....	360,000
Mr. Zhang Yumin .....	240,000
Mr. Liu Jun .....	240,000
Mr. Meng Jun .....	120,000
Mr. He Xiaolu .....	120,000
Mr. Jiang Wei .....	120,000

Note: The salary of Mr. Ma is payable for his service as the chairman of the Board.

#### *INEDs*

Each of our INEDs has been appointed for an initial term of three years commencing from 6 June 2017. Mr. Tang Chi Wai is entitled to a director's fee of HK\$144,000 per annum while each of Mr. Gan Weimin and Prof. Cao Lixin are entitled to a director's fee of HK\$120,000 per annum respectively. Save for Directors' fees, none of our INEDs is expected to receive any other remuneration for holding their office as an INED.

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).

### 3.3 Directors' remuneration

- (i) The aggregate amount of fees, salaries, other allowances and benefits in kind granted by our Group to the Directors in 2014, 2015 and 2016 were approximately RMB8,659,000, RMB8,181,000 and RMB9,239,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus payable for 2017) payable by our Group to and benefits in kind receivable by the Directors (including the INEDs in their respective capacity as Directors) in 2017 are expected to be approximately RMB10.7 million.

- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money in 2014, 2015 and 2016 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a 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.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in 2014, 2015 and 2016.

### 3.4 Disclaimers

- (a) Save as disclosed in paragraph 3.1(a) above in this appendix, none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required 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 is 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 entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, as of the date of this prospectus once the Shares are listed on the Stock Exchange.
- (b) Save as disclosed in paragraph 3.1(b) above in this appendix, so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 any other member of our Group.
- (c) Save as disclosed in the sections headed “History, Reorganisation and Corporate Structure” and “Relationship with our Controlling Shareholders” in this prospectus, none of our Directors nor any of the persons listed in paragraph 6.6 below in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue 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.
- (d) Save as disclosed in the sections headed “History, Reorganisation and Corporate Structure” and “Relationship with our Controlling Shareholders” in this prospectus, none of our Directors is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group.
- (e) Save in connection with the Underwriting Agreements, none of the persons listed in paragraph 6.6 below in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (f) Save for the Underwriting Agreements, none of the persons listed in paragraph 6.6 below in this appendix is materially interested in any contract or arrangement subsisting

- at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (g) Save as disclosed in paragraph 3.2 above in this appendix, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
  - (h) Save as disclosed in the section headed “Business” in this prospectus, so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of our Group during the Track Record Period.
  - (i) None of our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

#### 4. SHARE OPTION SCHEME

##### (a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing of our then Shareholders passed on 5 June 2017:

##### (i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

##### (ii) *Who may join*

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of our Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) *Maximum number of the Shares*

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date ("**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other

share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if such grantee is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

- (v) *Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates*
- (aa) Any offer for the grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by INEDs (excluding INED who or whose associates is the proposed grantee of the options).
- (bb) Where any grant of options to a substantial shareholder or an INED or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders, containing such information are required under the Listing Rules. The grantee, his associates and core connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an INED or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period (“**Option Period**”) may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for the Shares and consideration for the option*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant of the option, which must be a Business Day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five Business Days immediately preceding the date of the offer for the grant of the option; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of the Shares*

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening

of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

- (bb) Unless the context otherwise requires, references to “Shares” in the context of the Share Option Scheme include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.
- (x) *Restrictions on the time of the offer for the grant of options*

No offer for grant of options shall be made after inside information has come to our Company’s knowledge until such information has been announced in accordance with the requirement of the Listing Rules and SFO. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement (covering any period of delay in publishing the results announcement), no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

- (xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years (“**Termination Date**”) commencing on the date on which the Share Option Scheme is adopted.

- (xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee (as defined below) and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation or termination and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.



“**Eligible Employee**” means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) *Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) *Rights on breach of contract*

If in respect of a grantee other than an Eligible Employee, the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) *Rights on a general offer or a scheme of arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or

such scheme of arrangement is formally proposed to Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant record date for entitlements under such scheme of arrangement, as the case may be.

*(xvii) Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

*(xviii) Grantee being a company wholly owned by Eligible Participants*

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

*(xix) Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the option price of the option concerned, provided that

(i) any adjustments shall give a grantee the same proportion of the issued share capital of our Company to which he was entitled prior to such adjustment; (ii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any adjustment; (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iv) notwithstanding (i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures and any such adjustment shall comply with the supplementary guidance on Rule 17.03(13) of the Listing Rules as set out in the letter issued by the Stock Exchange dated 5 September 2005; and (v) any adjustment must be made in compliance with the Listing Rules and such applicable rules, codes, Guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

*(xx) Cancellation of options*

Subject to the provisions of the Share Option Scheme and Chapter 17 of the Listing Rules, any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

*(xxi) Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(xxii) Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

*(xxiii) Lapse of option*

The Option Period in respect of any option shall terminate automatically and that an option (to the extent not already exercised) shall lapse automatically on the earliest of:

(aa) the expiry of the Option Period in respect of such option;

- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) *Miscellaneous*

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing the General Scheme Limit to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (bb) Provisions of the Share Option Scheme as to the definitions of "Eligible Participants", "grantee", "Option Period" and "Termination Date" and the terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the applicable requirements of the Listing Rules (including Chapter 17).
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

**(b) Present status of the Share Option Scheme**

(i) *Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the

Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) *Compliance with Listing Rules*

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

## 5. ESTATE DUTY, TAX AND OTHER INDEMNITIES

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (e) referred to in paragraph 2.1 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing; and
- (b) tax liabilities (including all actual fines, penalties, costs, charges, expenses and interest relation to taxation) which might be payable by any member of our Group in respect of any income, profits, gains earned, accrued, received on or before the date of Listing, or any transactions, events, matters or things entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2016 (“**Accounts Date**”); or
- (b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of their accounting periods commencing on the calendar date immediately after the Accounts Date and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before the Accounts Date or pursuant to any statement of intention made in this prospectus; or

- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the Accounts Date which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to jointly and severally indemnify and at all times keep each member of our Group fully indemnified from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

In addition, the Indemnifiers have undertaken to jointly and severally indemnify and at all times keep each member of our Group fully indemnified on demand, among other indemnities, against any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which such member may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with, among other matters, (a) any non-compliance of such member on or before the date of Listing, including but not limited to the non-compliances as disclosed in this prospectus, (b) the relocation by such member arising from or in connection with the lessors' lack of relevant title certificates (including but not limited to the lack of ownership for part of the Tianjin Wuqing Land) or documents or the lessors' registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member; (c) the use of part of the Tianjin Wuqing Land by any member not being legal, or construction on the Tianjin Wuqing Land without the required permits or approvals; and (d) the operation of production facilities of Shanghai Zhiyuan without the required permits or approvals after relocation in 2015, or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgements and/or legal proceedings by or against any member of the Group which was issued, accrued and/or arising from any act of any of such members at any time on or before the Listing Date.

The indemnities in relation to any claim of non-compliance (including but not limited to the abovementioned indemnities) shall not apply to any costs and expenses associated with any such claim to the extent of any provision being made in the financial statements of the relevant member up to 31 December 2016.

The provisions contained in the Deed of Indemnity are conditional on the conditions stated in the section headed "Structure and Conditions of the Global Offering – Conditions

of the Global Offering” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties under the Deed of indemnity may agree, the Deed of Indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the BVI is likely to fall on our Group members.

## **6. OTHER INFORMATION**

### **6.1 Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The sponsor’s fee payable by us in respect of the Sole Sponsor’s services as sole sponsor for the Listing is US\$1,000,000 (excluding any disbursements).

### **6.2 Litigation**

As at the Latest Practicable Date, no member of our Group was 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 member, that would have a material adverse effect on our results of operations or financial condition of our Group.

### **6.3 Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$48,800 and are payable by our Company.

### **6.4 Promoters**

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

### **6.5 Agency fees or commissions received**

Except as disclosed in the section headed “Underwriting – Total Commissions and Expenses for the Global Offering” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital and/or debenture of any member of our Group within the two years immediately preceding the date of this prospectus.

### 6.6 Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
BNP Paribas Securities (Asia) Limited	a licenced corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Ernst & Young	Certified Public Accountants
Frost & Sullivan	Independent industry consultants
GFE Law Office	Qualified PRC lawyers
Hogan Lovells US LLP	U.S. lawyers
Hogan Lovells International LLP	German lawyers
Foong & Partners	Malaysian lawyers
Basham, Ringe y Correa, S.C.	Mexican lawyers
RSM Tax Advisory (Hong Kong) Limited	Tax advisers

### 6.7 Consents of experts

Each of the experts referred to in paragraph headed “6. Other Information – 6.6 Qualifications of experts” above in this section, has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter 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.

### 6.8 Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the CO (Winding Up) insofar as applicable.

### 6.9 Taxation of holders of Shares

#### (a) Hong Kong

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.



Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) *Consultation with professional advisers*

Intending 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 Global Offering can accept 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.

#### **6.10 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 save as disclosed in this Appendix and the section headed “History, Reorganisation and Corporate Structure” in this prospectus;
  - (ii) 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;
  - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares or any debentures;
  - (iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
  - (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;
  - (vi) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
  - (vii) our Company has no outstanding convertible debt securities.
- (b) Our principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

- (c) The Directors confirm that up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date to which the latest audited combined financial statements of our Group were made up).
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.
- (f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

#### **6.11 Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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**A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (1) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (2) the written consents referred to in the paragraph headed “Appendix IV – Statutory and General Information – 6. Other Information – 6.7 Consents of experts” in this prospectus; and
- (3) certified copies of the material contracts referred to in the paragraph headed “Appendix IV – Statutory and General Information – 2. Further Information about our Business – 2.1 Summary of material contracts” in this prospectus.

**B. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum of Association and the Articles of Association;
- (2) the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus, in respect of the historical financial information of our Group in 2014, 2015 and 2016;
- (3) the report on unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (4) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of the Companies Law as referred to in Appendix III to this prospectus;
- (5) the legal opinion prepared by the PRC Legal Advisers, GFE Law Office, in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (6) the material contracts referred to in paragraph headed “Appendix IV – Statutory and General Information – 2. Further Information about our Business – 2.1 Summary of material contracts” in this prospectus;
- (7) the service contracts and appointment letters referred to in the paragraph headed “Appendix IV – Statutory and General Information – 3. Further Information about our Directors and Substantial Shareholders – 3.2 Directors’ service contracts and letters of appointment” in this prospectus;
- (8) the rules of the Share Option Scheme;
- (9) the written consents referred to in the paragraph headed “Appendix IV – Statutory and General Information – 6. Other Information – 6.7 Consents of experts” in this prospectus; and
- (10) the Companies Law.



**Xin Point Holdings Limited**  
**信邦控股有限公司**