DA MING INTERNATIONAL HOLDINGS LIMITED

大明國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1090

Global Offering

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors

建银国际 CCB International

Deutsche Bank

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

DA MING INTERNATIONAL HOLDINGS LIMITED
大明國際控股有限公司

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GLOBAL OFFERING

Number of Offer Shares under 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 Offer Shares	**: 225,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**: HK$2.70 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%, and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**: HK$0.10 per Share**
Stock code	**: 1090**

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies 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 documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Tuesday, 23 November 2010 and, in any event, not later than Monday, 29 November 2010. The Offer Price will be not more than HK$2.70 per Offer Share and is currently expected to be not less than HK$2.00 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, 29 November 2010 by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares 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 Offer. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at http://www.dmssc.net and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Joint Global Coordinators have the right, in their sole and absolute discretion, on behalf of the Hong Kong Underwriters, to terminate the Hong Kong Underwriting Agreement by notice in writing to our Company upon occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day that trading in the Offer Shares commences on the Stock Exchange. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, 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 and in accordance with any applicable state securities laws in the U.S. The Offer Shares are being offered and sold only (i) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside of the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

17 November 2010

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable[(1)] of the Hong Kong Public Offer.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at www.eipo.com.hk[(2)]	11:30 a.m. on Monday, 22 November 2010
Application lists open[(3)]	11:45 a.m. on Monday, 22 November 2010
Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[(4)]	12:00 noon on Monday, 22 November 2010
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 22 November 2010
Application lists close	12:00 noon on Monday, 22 November 2010
Expected Price Determination Date[(5)]	Tuesday, 23 November 2010
Announcement of the Offer Price, the level of indication of interest in the International Offering, results of the applications and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offer to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Company's website at http://www.dmssc.net[(6)] and the website of the Stock Exchange at www.hkexnews.hk on or before.	Tuesday, 30 November 2010
Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to apply for Hong Kong Offer Shares — Publication of Results" from	Tuesday, 30 November 2010
Results of allocations in the Hong Kong Public Offer will be available at www.iporesults.com.hk with a "search by ID" function	Tuesday, 30 November 2010
Despatch of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before[(7) & (9)]	Tuesday, 30 November 2010

Despatch of White Form e-Refund payment instructions/ refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before(8) & (9) . . . . Tuesday, 30 November 2010

Dealings in Shares on the Stock Exchange expected to commence on . . . . Wednesday, 1 December 2010

Notes:

(1) All times refer to Hong Kong local time.

(2) You will not be permitted to submit your application through the designated website at 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 an application reference number from the designated website at or before 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.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 22 November 2010, the application lists will not open or close on that day. See "How to apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists" in this prospectus.

(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 — Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(5) Please note that the Price Determination Date is expected to be on or about Tuesday, 23 November 2010 and, in any event, not later than Monday, 29 November 2010. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and lapse. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK$2.70 per Share payable by applicants for Shares under the Hong Kong Public Offer, applicants who apply for Shares must pay on application the maximum offer price of HK$2.70 per Share plus the brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% but will be refunded the surplus application monies as provided in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

(6) The Company's website and all the information contained thereon do not form part of this prospectus.

(7) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Wednesday, 1 December 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their applications that they wish to collect any refund cheques and share certificates in person 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 may do so between

9:00 a.m. to 1:00 p.m. on Tuesday, 30 November 2010 or any other date notified by us as the date of despatch of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Forms applicants are the same as those for **WHITE** Application Forms applicants. If you apply through the White Form eIPO service by paying the application monies through a single bank account, e-Refund payment instructions (if any) will be despatched to the application payment account on Tuesday, 30 November 2010. If you apply through the White Form eIPO service by paying the application monies through multiple bank accounts, refund cheque(s) will be despatched to the address specified in your White Form eIPO application on Tuesday, 30 November 2010 by ordinary post and at your own risk. If you have applied for less than 1,000,000 Hong Kong Offer Shares or have applied for 1,000,000 Hong Kong Offer Shares or more but have not indicated in the Application Forms that you wish to collect share certificates and/or refund cheques in person, your share certificates (if applying by using **WHITE** Application Forms or through the White Form eIPO service) and/or refund cheques (if applying by using **WHITE** or **YELLOW** Application Forms) will be sent to the address on the Application Forms on Tuesday, 30 November 2010 by ordinary post and at your own risk. 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 — Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus for details. Further information is set out in the sections headed "How to apply for Hong Kong Offer Shares — Refund of application monies" in this prospectus.

You should read carefully the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering and how to apply for Hong Kong Offer Shares.

This prospectus is issued by Da Ming International Holdings Limited solely in connection with the Hong Kong Public Offer 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 Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, any of the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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This summary aims at giving you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, 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 before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

We are a large-scale independent stainless steel processor in China. We purchase stainless steel coils and plates from our suppliers and process them to different shapes and sizes according to our customers' requirements. During the Track Record Period, we sold approximately 318,602 tonnes, 340,778 tonnes, 419,806 tonnes and 219,191 tonnes of stainless steel, respectively.

Stainless steel producers typically sell their products in the form of standard-sized coils and plates. As stainless steel production is capital-intensive, to reduce cost and increase efficiency, stainless steel producers generally do not provide direct supply and delivery to end users with small orders. The trend towards producing more standardised products to reduce production down-time also means that stainless steel producers are becoming less flexible in providing customised products and services to end users. Therefore, we aggregate end users' demand and purchase stainless steel raw materials in large volume to take advantage of bulk purchase discounts. This allows us to reduce our stainless steel procurement cost. Our Directors believe that stainless steel users are increasingly seeking to purchase from "one-stop" suppliers like us who can provide customised specifications, including value-added processing, in smaller volumes, on shorter lead times and with more reliable deliveries.

OUR PROCESSING SERVICES

We provide a wide variety of processing services to our customers, including coil cutting, coil slitting, surface polishing, plate cutting and forming. Our processing capability means that our end customers can reduce their processing costs by outsourcing their processing operations to us. We believe our processing capability, inventory management and just-in-time delivery make us an important stainless steel processor to our customers.

We have a network of four processing centres situated in Wuxi, Hangzhou, Wuhan and Tianjin, respectively, all of which are high industrial growth regions in China. As of 30 June 2010, we had over 6,000 customers from industries including machineries, petrochemical, home hardware and appliances, automobile and transport, construction and renewable energy. Our long-term business relationships with key domestic and international stainless steel suppliers have allowed us to source different grades of stainless steel in large volume and process them to satisfy our customers' needs.

SUMMARY OF FINANCIAL INFORMATION

The following tables summarise our combined statements of comprehensive income and combined balance sheets during the Track Record Period:

Combined Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	9,034,622	7,976,837	6,447,357	2,894,031	4,072,830
Cost of sales	(8,899,275)	(7,877,242)	(6,067,830)	(2,765,947)	(3,891,310)
Gross profit	135,347	99,595	379,527	128,084	181,520
Other income, net	27,426	23,301	5,045	2,090	3,684
Other (losses)/gains, net	(1,913)	514	463	978	59
Distribution costs	(33,186)	(40,893)	(50,412)	(22,548)	(24,992)
Administrative expenses	(46,445)	(38,605)	(51,010)	(23,081)	(30,527)
Operating profit	81,229	43,912	283,613	85,523	129,744
Finance income	3,518	7,068	6,165	3,959	6,528
Finance costs	(52,724)	(63,118)	(26,556)	(12,109)	(24,961)
Finance costs, net	(49,206)	(56,050)	(20,391)	(8,150)	(18,433)
Profit/(loss) before income tax	32,023	(12,138)	263,222	77,373	111,311
Income tax expense	(1,982)	(688)	(59,845)	(16,368)	(24,229)
Profit/(loss) for the year/period	30,041	(12,826)	203,377	61,005	87,082
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	30,041	(12,826)	203,377	61,005	87,082
Profit/(loss)/total comprehensive income attributable to:					
Equity holders of the Company	30,238	(12,593)	203,498	60,970	86,460
Non-controlling interest	(197)	(233)	(121)	35	622
	30,041	(12,826)	203,377	61,005	87,082
Earnings per share for profit/(loss) attributable to equity holders of the Company — basic and diluted(Note)	N/A	N/A	N/A	N/A	N/A
Dividends	9,000	2,273	—	—	—

Note: No earnings per share information is presented as its inclusion, for the purpose of the accountant's report set out in Appendix I to this prospectus, is not considered meaningful due to the preparation of the results for the relevant periods on a combined basis as disclosed in Note 2 of the aforesaid accountant's report.

Combined Balance Sheets

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Land use rights	40,283	89,529	113,929	112,662
Property, plant and equipment	255,350	464,047	622,483	720,404
Investment property	—	10,033	9,578	9,351
Intangible assets	493	530	2,337	2,264
Deferred income tax assets	6,826	10,357	3,814	12,452
	302,952	574,496	752,141	857,133
Current assets				
Inventories	887,845	320,692	768,397	949,046
Trade receivables	85,184	97,400	107,911	145,379
Prepayments, deposits and other receivables	233,475	124,397	110,189	175,940
Restricted bank deposits	79,293	160,550	380,851	519,748
Cash and cash equivalents	60,431	153,903	79,168	107,024
	1,346,228	856,942	1,446,516	1,897,137
Total assets	1,649,180	1,431,438	2,198,657	2,754,270
EQUITY				
Equity attributable to equity holders of the Company	492,510	624,644	681,142	801,628
Non-controlling interest	7,530	7,297	7,176	23,385
Total equity	500,040	631,941	688,318	825,013

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	—	—	—	70,000
Deferred government grants	13,755	13,300	15,773	15,553
Deferred income tax liabilities	345	930	930	918
	14,100	14,230	16,703	86,471
Current liabilities				
Trade payables	141,339	303,280	742,739	856,295
Accruals, advances from customers and other current liabilities	130,798	99,787	131,436	121,270
Amounts due to related parties	3,489	49,745	179,008	227,493
Current income tax liabilities	—	—	46,399	23,392
Borrowings	859,414	332,000	393,187	613,269
Current portion of deferred government grants	—	455	867	1,067
	1,135,040	785,267	1,493,636	1,842,786
Total liabilities	1,149,140	799,497	1,510,339	1,929,257
Total equity and liabilities	1,649,180	1,431,438	2,198,657	2,754,270
Net current assets/(liabilities)	211,188	71,675	(47,120)	54,351
Total assets less current liabilities	514,140	646,171	705,021	911,484

Revenue and gross profit margin

During the Track Record Period, we generated revenue of approximately RMB9,034.6 million, RMB7,976.8 million, RMB6,447.4 million and RMB4,072.8 million, respectively. During the same period, we recorded gross profits of approximately RMB135.3 million, RMB99.6 million, RMB379.5 million and RMB181.5 million, respectively, representing fluctuating gross profit margins of 1.5%, 1.2%, 5.9% and 4.5%, respectively.

The overall decrease in our revenue from 2007 to 2009 was primarily due to a decrease in the selling price of our stainless steel products resulting from the decrease in the then prevailing market prices of stainless steel raw materials, which was partially offset by an increase in our sales volume.

Our gross profit margin is significantly affected by fluctuation in stainless steel raw material prices. For detailed analysis, please refer to the section headed "Financial Information" in this prospectus.

Net current assets and working capital

Our net current assets as at 31 December 2007 and 2008 and 30 June 2010 were RMB211.2 million, RMB71.7 million and RMB54.4 million, respectively. As at 31 December 2009, we had net current liabilities of RMB47.1 million, mainly due to the current liabilities of RMB147 million we incurred in connection with the corporate restructuring of our Group at the time.

Taking into account our cash flow from operating activities, our available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

PRINCIPAL FACTORS AFFECTING OUR OPERATING RESULTS

The impact of fluctuation in stainless steel prices on our financial results

During the Track Record Period, we purchased different grades of stainless steel raw materials at a fluctuating weighted average purchase price per tonne of approximately RMB28,278, RMB22,827, RMB14,798 and RMB17,895, respectively.* During the same period, our inventory turnover days were 32 days, 28 days and 33 days and 40 days, respectively.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our Adjusted Cost of Raw Materials amounted to approximately RMB8,856.1 million, RMB7,824.0 million, RMB5,989.7 million and RMB3,847.3 million, which accounted for approximately 99.5%, 99.3%, 98.7% and 98.9% of our cost of sales, respectively.

1. Sales from customer orders

When our customers make sales enquiries, we would provide price quotations with reference to the prevailing market price of stainless steel raw materials as at such date (which could be higher or lower than the cost of sales as described below), plus processing fee and costs of packaging and delivery. If the customers accept our price quotations and the timing for delivery, the customers would generally be required to place their orders at such price (the "Order Price") and also pay a deposit within one to three days (i.e. the Order Price is only valid for one to three days). Once we receive the deposit payment, the Order Price is binding on the customers and us and cannot be amended. The time from order to delivery generally ranges from less than a week for simple processing services such as cutting and slitting, to more than 15 days for more advanced and/or additional processing services such as polishing, machining and forming.

According to our accounting policy, the sales will not be recognised until the significant risks and rewards of ownership are transferred, which generally coincides with the time when the actual delivery of goods to our customers and collectability of the related receivables is reasonably assured. The delivery of such goods to the customers could be in the same month or in the subsequent months after the order is placed with us.

2. Cost of sales

The cost of sales are determined at the end of the same month at which the revenue is recognised. The cost of sales consist of (i) Adjusted Cost of Raw Materials, which are affected by fluctuation in stainless steel prices and (ii) other items such as employee benefit expenses, depreciation and amortisation, and transportation costs, which are not affected by the fluctuation in stainless steel prices.

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* We purchases different grades of stainless steel raw materials according to our actual and expected customer demand. Stainless steel raw materials are classified into different grades depending on the percentage of different alloy metals contained therein. Please refer to the section headed "Our Business" in this prospectus for more details. The weighted average purchase price refers to the aggregate amount paid for the purchasing of all the different grades of stainless steel raw materials divided by the total tonnage of all the different grades of stainless steel raw materials purchased during the Track Record Period.

The Adjusted Cost of Raw Materials mainly consists of the cost of stainless steel raw materials that is determined using the monthly weighted average method. The monthly weighted average cost for each grade of stainless steel raw materials is calculated by (i) the stainless steel raw materials balance in terms of carrying amount at the end of previous month, plus the respective (ii) total additional purchases of each grade of stainless steel at different prices during the month, divided by the respective (iii) sum of the volume of each grade of stainless steel (as measured in tonnes) at the end of the previous month and the total volume of each grade of stainless steel (as measured in tonnes) purchased during the month.

3. Gross profit for goods sold

The gross profit for goods sold are mainly determined by (i) the Order Price, minus (ii) the monthly weighted average cost of stainless steel raw materials for such orders as determined at the end of the same month at which the revenue is recognised. Depending on the movement in stainless steel prices, the fluctuation in stainless steel prices could therefore lead to a higher or lower monthly weighted average cost of stainless steel raw materials, leading to a higher or a lower gross profit for our sales.

During a financial reporting year, if stainless steel prices are in a downward trend, the Order Price might potentially be lower than the monthly weighted average cost of raw materials for such orders. This was the case in 2007 and 2008; when stainless steel prices were on a downward trend, we recorded a small gross profit margin of 1.5% and 1.2% only for the years ended 31 December 2007 and 2008, respectively. The small gross profit margin was mostly attributable to the processing fees that we charged our customers.

Our gross profit margins during the Track Record Period capture both the impact of (i) realised gains/losses in the sale of stainless steel products as caused by the fluctuation in the prevailing market prices of stainless steel and (ii) unrealised gains/losses arising from the reversal of/provision for the write-down of inventories at each balance sheet date. As a result of fluctuation in stainless steel prices during the Track Record Period, we recorded gross profit of RMB135.3 million, RMB99.6 million, RMB379.5 million and RMB181.5 million, respectively, representing a fluctuating gross profit margin of 1.5%, 1.2%, 5.9% and 4.5%, respectively. The fluctuation in stainless steel prices could therefore adversely impact our results of operations.

Fluctuation of stainless steel market prices could result in write-down of inventory at the end of each financial reporting period

We compare the carrying value of the inventory with their respective net realisable value at the end of each financing reporting period to ascertain whether any provision is required to be made as a result of a decrease in stainless steel market prices. For the year ended 31 December 2008 and the six months ended 30 June 2010, we recognised an inventory provision loss of RMB19.9 million and RMB23.8 million, respectively, for write-down of inventories because their net realisable value was lower than their respective carrying value, resulting from the decreasing market price of stainless steel at the end of 2008 and at the end of the six-month period ended 30 June 2010. This represents 0.25% and 0.61% of our cost of sales of RMB7,877.2 million and RMB3,891.3 million for the year ended 31 December 2008 and the six months ended 30 June 2010, respectively. For the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, we reversed the provision for inventory write-down of RMB6.8 million, RMB34.9 million and RMB27.7 million, respectively, as a result of subsequent sales of those inventories. This represents 0.08%, 0.58% and 1.00% of our cost of sales of RMB8,899.3 million, RMB6,067.8 million and RMB2,765.9 million for the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, respectively.

A decrease in stainless steel prices, whether such decrease is significant or not, could potentially require us to make a provision for write-down of inventories at the end of each financial reporting period. Depending on the magnitude of such decrease in stainless steel prices, we may be required to provide higher amount of write-down of inventory than those that were provided during the Track Record Period. This could materially and adversely affect our financial position and results of operations.

Our dependence on major suppliers

We are dependent on several major suppliers of stainless steel raw materials. Purchases of raw materials from the five largest suppliers accounted for 81.4%, 84.5%, 88.0% and 85.5% of our purchases of raw materials for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. During the same periods, purchases of raw materials from our largest supplier accounted for 31.2%, 30.7%, 35.4% and 48.2% of our total purchases of raw materials, respectively.

We entered into an annual framework supply agreement with STSS in 2010 to stipulate the annual supply volume, purchase discounts for bulk purchases and types of raw materials to be supplied. Save for one five-year supply agreement with ZPSS entered into on 9 February 2010 that states the minimum amount of stainless steel that ZPSS must supply to us, we do not have any other long-term contracts with our suppliers.

There is no assurance that we can continue to maintain stable relationships with our suppliers in the future. Failure of our major suppliers to meet our demands or the loss of any of these key suppliers will disrupt our supplies and have a material adverse impact on our business operations. Please refer to the section headed “Risk Factors — We are dependent on our major suppliers” for further details.

Our principal suppliers are mainly stainless steel producers in China. The table below sets out the background of our key suppliers during the Track Record Period and the length of our relationships with each of them:

			Stainless steel purchased (RMB '000)				% of total purchase of stainless steel			
			For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
	Background	Length of relationship	2007	2008	2009	2010	2007	2008	2009	2010
STSS Group and related entities	**a stainless steel producer**	**>8 years(1)**	**3,391,395**	**3,493,917**	**3,853,966**	**2,148,535**	**36.8**	**47.9**	**60.5**	**53.5**
- STSS			1,475,287	878,328	2,255,173	1,934,627	16.0	12.0	35.4	48.2
- Taigang Technology			1,244,026	2,042,928	1,134,038	—	13.5	28.0	17.8	—
- 無錫太鋼銷售有限公司 (Wuxi Taigang Trading Co., Ltd.)			490,424	450,093	311,653	24,774	5.3	6.2	4.9	0.6
- 天津太鋼天管不銹鋼有限公司 (Tianjin Taigang Tianguan Stainless Steel Co., Ltd.)			181,658	122,568	153,102	137,540	2.0	1.7	2.4	3.4
- 太原鋼鐵(集團)現貨銷售有限公司 (Taiyuan Iron & Steel (Group) Spot Trading Co., Ltd.)			—	—	—	51,594	—	—	—	1.3
ZPSS	**a company providing stainless steel production process from steel making, continuous casting, hot rolling, annealing and pickling to cold rolling**	**>8 years(1)**	**2,868,525**	**2,237,384**	**1,681,949**	**1,152,270**	**31.2**	**30.7**	**26.3**	**28.7**
Baogang Group	**a stainless steel producer**	**>8 years(1)**	**1,903,339**	**909,518**	**234,233**	**48,282**	**20.7**	**12.4**	**3.6**	**1.2**
- Shanghai Baosteel Pudong International Trading Co., Ltd.			1,010,155	556,675	2,028	—	11.0	7.6	0.0	—
- Ningbo Baoxin Stainless Steel Co., Ltd.			893,184	352,843	232,205	48,282	9.7	4.8	3.6	1.2
昆山大庚不銹鋼有限公司 (Kunshan Daekyung Stainless Steel Co., Ltd.)	**a stainless steel producer**	**>8 years(1)**	**328,260**	**263,205**	**119,428**	**109,801**	**3.6**	**3.6**	**1.9**	**2.7**
無錫市酒鋼博創鋼業有限公司 (Wuxi JISCO Bochuang Steel Co., Ltd.)	**a stainless steel producer**	**>2 years(1)**	**—**	**10,215**	**69,248**	**97,080**	**—**	**0.1**	**1.1**	**2.5**

	Background	Length of relationship	Stainless steel purchased (RMB '000) For the year ended 31 December 2007	2008	2009	For the six months ended 30 June 2010	% of total purchase of stainless steel For the year ended 31 December 2007	2008	2009	For the six months ended 30 June 2010
上海克虜伯不銹鋼有限公司 (Shanghai Krupp Stainless Co., Ltd.)	a stainless steel producer	>5 years	52,985	57,396	21,232	1,055	0.6	0.8	0.3	0.0

Note:

(1) Prior to the commencement of our first processing centre in Wuxi in March 2003, Daming Logistics, our predecessor, established relationships with the respective suppliers through Xin Daming. Accordingly, the length of relationship includes the length of relationship between our predecessor and the respective suppliers.

Our raw material purchase price adjustment arrangement with STSS Group

We have more than eight years of business relationship with STSS Group starting from 2002. As one of STSS Group's long-term customers, during the Track Record Period, subject to STSS Group's sole discretion in determining the actual purchase credit amount and the time in which such purchase credit would be given to us, our Group had the following price adjustment arrangement with STSS Group whereby STSS Group would, in the form of purchase credit, reimburse us with the difference between:

(i) the purchase price of the stainless steel raw materials that we purchased (which includes various different grades of stainless steel); and

(ii) the benchmark selling price as decided by STSS Group of different grades of stainless steel based on the actual selling price achieved by STSS Group's key customers including us, after adjusting for the bulk purchase discount available from STSS Group and the processing fee.

The aggregate purchase credits reimbursed by STSS Group to us during the Track Record Period were RMB76.1 million, RMB283.6 million, RMB63.7 million and RMB96.4 million, respectively. This represents 0.8%, 3.9%, 1.0% and 2.4% of our purchase of raw materials of RMB9,199.1 million, RMB7,297.6 million, RMB6,379.4 million and RMB4,013.2 million during the Track Record Period, respectively. These reimbursements were recognised when the purchase credits were granted by STSS Group and the amount could be reliably measured, that is when STSS Group issued to us purchase credits invoices or signed written confirmation. These reimbursements were fully used to reduce our stainless steel raw materials purchase payments to STSS Group and hence reduced our overall stainless steel raw materials purchase cost. Please refer to the section headed "Our Business — Raw materials and suppliers" for more details.

This stainless steel raw material purchase price adjustment arrangement was a one-on-one arrangement between our Company and STSS Group and was granted at the sole discretion of STSS Group. The provision of such price adjustment arrangement is not subject to any contractual arrangement between us and STSS Group and there is no assurance that STSS Group will continue to make available such adjustment arrangement to us, particularly if we fail to sustain our business relationship with STSS Group.

Currently, this price adjustment arrangement with STSS Group is our main method used to mitigate the risks associated with the fluctuation of stainless steel market prices. If STSS Group were to (i) terminate this non-contractual price adjustment arrangement with us, (ii) decide not to exercise its discretion to reimburse us with any purchase credit at all even though we fulfill the criteria under the arrangement, or (iii) exercise its discretion to reimburse us, but not necessarily in accordance with the arrangement set out above, thereby potentially causing us to receive less purchase credits than expected, we will lose significant control over the fluctuation in the purchase price of stainless steel raw materials and our financial results may be materially and adversely affected. Please refer to the section headed "Risk Factors — The stainless steel raw material purchase price adjustment arrangement with STSS Group may not continue" in this prospectus.

In addition to this price adjustment arrangement, our strategy is to maintain good long-term business relationship with other stainless steel suppliers and to procure stainless steel raw materials from them at competitive prices by taking into account bulk volume purchase discounts offered by them. Other methods used by us to mitigate stainless steel price fluctuation include maintaining close dialogue with our customers to understand their expected demand and also with our suppliers to understand their expected pricing policies.

Sales volume and market demand

Our results of operations are directly affected by our sales volume, which in turn is largely determined by the market demand for our stainless steel products, and our ability to meet that demand. The increase in our sales volume during the Track Record Period was primarily due to the increased customer demand for our products. We sold approximately 318,602 tonnes, 340,778 tonnes, 419,806 tonnes and 219,191 tonnes of stainless steel products during the Track Record Period, respectively. We derive substantially all of our revenue from sales in China. Stainless steel consumption in China had been growing continuously between 2001 and 2009. According to the Stainless Steel Council of China Special Steel Enterprises Association (CSSC), stainless steel consumption in China had increased from 2.28 million tonnes in 2001 to 8.22 million tonnes in 2009, achieving a CAGR of 17.4% from 2001 to 2009, which outpaced China's GDP CAGR of 15.0% during the same period. Stainless steel consumption in China dropped by 9.5% in 2008 compared to 2007 due to the impact of the global financial crisis, but rebounded rapidly in 2009, achieving an annual increase of 31.7% from 2008 to 2009. Economic growth in China has a direct impact on our operations, in particular, the level of demand for our products.

OUR PROCESSING CAPACITY

The table below sets out our processing capacity, processing output and utilisation rate of our processing platforms during the Track Record Period.

	Number of Machines				Designed Annual Processing Capacity(1)				Pro-rata Annual Processing Capacity(2)				Annual Processing Output(3)				Utilisation Rate(4)			
Platforms(7)	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010
Coil Cutting Platform																				
CTL platform ('000 tonnes)	7	9	13	13	216.0	288.0	408.0	408.0	189.0	267.0	351.5	204.0	175.3	210.4	221.7	123.9	92.7%	78.8%	63.1%	60.8%
SL platform ('000 tonnes)	5	7	8	8	240.0	246.0	282.0	282.0	142.0	243.3	276.0	141.0	97.6	163.6	194.4	103.7	68.7%	67.3%	70.4%	73.6%
Surface Polishing Platform																				
Coil surface polishing platform ('000 tonnes)	2	3	3	3	18.0	27.0	27.0	27.0	8.3	19.5	27.0	13.5	3.9	11.1	20.9	13.3	47.1%	57.2%	77.2%	98.3%
Plate surface polishing platform ('000 m^2)	5	5	6	6	2,217.6	2,208.0	2,256.0	2,256.0	1,963.2	2,180.0	2,236.0	1,128.0	1,787.8	1,267.6	1,511.3	764.9	91.1%	58.1%	67.6%	67.8%
Plate Cutting Platform																				
Plate cutting platform ('000 tonnes)	5	9	10	10	5.2	8.0	8.2	8.2	4.1	7.3	8.1	4.1	n/a(5)	5.1	5.0	3.1	n/a(5)	70.1%	61.1%	75.1%
Forming Platform																				
Forming platform ('000 tonnes)	0	5	13	16	0.0	4.9	9.5	10.9	—	3.9	7.3	5.4	—	3.3	5.8	3.0	—	86.4%	80.2%	56.0%
Machining Platform																				
Machining platform ('000 hours)	0	0	0	1	0.0	0.0	0.0	4.6	—	—	—	2.3	—	—	—	1.5	—	—	—	65.1%
Total(6) ('000 tonnes)	24	38	53	57	479.2	573.9	734.7	736.1	343.4	541.0	669.9	368.0	276.8	393.5	447.8	247.0				

Notes:

1. The designed annual processing capacity of each platform was derived on the following basis and assumptions:
   - the processing platform operated 300 days a year, two shifts per operation day and eight hours per shift;
   - the designed capacity of each processing platforms was estimated based on the following assumptions:
     — guidance on estimated processing capacities by the relevant equipment manufacturer;
     — specific length, width, thickness and weight of stainless steel;
     — specific processing hours per year; and
     — specific maintenance schedule;
   - all platforms commenced prior to or during the indicated period are assumed to be in full operation throughout the indicated period regardless of the actual production commencement date.
2. Pro-rata processing capacity was estimated based on the number of months in operation divided by the number of months for the relevant period multiplied by the designed annual processing capacity.
3. Annual processing output was the actual volume / square-meters / hours of stainless steel processed by each platform for the relevant period.
4. Utilisation rate of each processing platform was derived by dividing the annual processing output by the pro-rata annual processing capacity during the relevant period.
5. Processing output of the plate cutting platform in 2007 was not available because our Group recorded the stainless steel processed in terms of square meters instead of by volume processed. The total square meters of stainless steel processed in 2007 by the plate cutting platform was approximately 2,100m^2.
6. Except for the total number of machines, the total figures exclude plate surface polishing platform (as capacity is measured by square meters) and machining platform (as capacity is measured in hours).
7. Machines installed in our processing centres are computer-controlled.

Year on year change in the utilisation rate of the processing platforms

Coil Cutting Platform

Cutting to length

The utilisation rate in 2007 was 92.7%. We purchased new equipment in 2008, which increased our production capacities and led to a decrease in our utilisation rate to 78.8% in 2008. The further decrease in utilisation rate to 63.1% and 60.8% in 2009 and in the first six months of 2010, respectively, was primarily due to the commissioning of the Tianjin processing centre in 2009, which hosts three new cutting to length platforms that had a relatively low utilisation rate in 2009 due to its short operation period.

Slitting

The utilisation rate of the slitting platform was between 67.3% to 73.6% during the Track Record Period and had remained relatively stable.

Surface Polishing Platform

Coil surface polishing platform

The utilisation rate increased significantly from 47.1% in 2007 to 98.3% in the first six months of 2010. This is primarily due to the increasing customer demand on the services provided by these platforms.

Plate surface polishing platform

The utilisation rate decreased from 91.1% in 2007 to 58.1% in 2008. This is primarily due to the replacement of one of the older platforms at the Wuxi processing centre, which was sold in September 2007. The new platform had a relatively low utilisation rate when it first started its production in August 2008. The increase in utilisation rate of our new platform at the Wuxi processing centre in 2009 was partially offset by the commissioning of the Tianjin processing centre in 2009, which hosts one plate surface polishing platform that had a relatively low utilisation rate due to the short operation period in 2009.

Plate Cutting Platform

The utilisation rate of the plate cutting platform was between 61.1% to 75.1% during the Track Record Period. The fluctuation of the utilisation rate of the plate cutting platform was due to the fluctuation of customer's demand on the services provided by this platform.

Forming Platform

The utilisation rate decreased from 80.2% in 2009 to 56.0% in the first six months of 2010. This is primarily due to the three new platforms that have commenced operation in January 2010, where the utilisation rate has been relatively low given the short operation period.

Machining Platform

The utilisation rate of machining platform was 65.1% in the first six months of 2010 as this new platform has only just commenced operation in early January 2010.

OUR COMPETITIVE STRENGTHS

- Large scale independent stainless steel processor in China;
- Extensive network servicing a broad range of customers in various industries across China;
- Long-standing strategic business relationships with our key suppliers;
- Continuously upgrading our processing equipment to meet our customers' needs;
- Industry-focused sales force; and
- An experienced senior management team.

OUR BUSINESS STRATEGIES

- Expand our services to processing of other types of metal;
- Expand our processing capacities, range of processing services and our processing centre network;
- Continue to strengthen our inventory control, working capital and financing cost management;
- Expand our customer base in targeted industries; and
- Increase information flow across processing centres to increase overall efficiency.

PROFIT FORECAST FOR THE FISCAL YEAR ENDING 31 DECEMBER 2010

We believe that, on the bases and assumptions set forth in Appendix III and in the absence of unforeseen circumstances, our consolidated profit attributable to equity holders of our Company for the fiscal year ending 31 December 2010 is expected to be not less than RMB190 million.

SENSITIVITY ANALYSIS FOR THE PROFIT FORECAST

Our profit forecast is forward looking and is therefore subject to changes in market conditions. The following analysis shows how changes in (a) Monthly Weighted Average Sales Price per tonne and (b) sales volume will impact the consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010.

(a) Effect of fluctuation in Monthly Weighted Average Sales Price

Our base case scenario is calculated using a forecast Monthly Weighted Average Sales Price of approximately RMB17,200 per tonne for each of the three months ending 31 December 2010:

Forecast Monthly Weighted Average Sales Price per tonne for each of the three months ending 31 December 2010	Percentage increase/ (decrease) in Monthly Weighted Average Sales Price from RMB17,200 per tonne	Forecast consolidated profit/ (loss) attributable to equity holders of our Company for the year ending 31 December 2010	Percentage increase/ (decrease) in forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010
(RMB per tonne)	*(%)*	*(RMB'000)*	*(%)*
25,800	50%	491,083	158%
24,100	40%	434,342	128%
22,400	30%	377,534	98%
20,600	20%	318,494	67%
18,900	10%	257,682	35%
17,200	**0%**	**190,401**	**0%**
15,500	(10%)	122,131	(36%)
13,800	(20%)	53,673	(72%)
12,000	(30%)	(14,900)	(108%)
10,300	(40%)	(83,684)	(144%)
8,600	(50%)	(153,086)	(180%)

The sensitivity range has been selected with reference to historical movements in Monthly Weighted Average Sales Price. The period from 1 January 2007 to 30 June 2010 saw substantial volatility in our Monthly Weighted Average Sales Price, with our Monthly Weighted Average Sales Price decreasing from approximately RMB33,400 per tonne in May 2007 to approximately RMB12,900 per tonne in March 2009. Please see "Our Business — Fluctuation in Monthly Weighted Average Procurement Price and Monthly Weighted Average Sales Price" for more details regarding the historical trend in our stainless steel product prices.

(b) Effect of fluctuation in sales volume assuming a constant Monthly Weighted Average Sales Price of RMB17,200 per tonne

Percentage increase/ (decrease) in the forecast sales volume for the three months ending 31 December 2010	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010	Percentage increase/ (decrease) in forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010
(%)	*(RMB'000)*	*(%)*
20%	199,935	5.0%
10%	195,213	2.5%
0%	**190,401**	**0%**
(10%)	185,793	(2.4%)
(20%)	181,096	(4.9%)

The sensitivity illustrations in (a) and (b) above are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be (i) exhaustive and (ii) the profit forecast is subject to further and additional uncertainties and is dependent on market conditions and other factors which are beyond our control. Please refer to "Appendix III — Profit Forecast" for more details.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price per Share of HK$2.00	Based on an Offer Price per Share of HK$2.70
Market capitalisation of the Shares (1)	HK$2,000 million	HK$2,700 million
Prospective price/earning multiples:		
on a pro forma basis (2)	9.0	12.2
on a weighted average basis (3)	6.9	9.4
Unaudited pro forma adjusted net tangible assets value per Share as at 30 June 2010 (4)(5)	HK$1.38	HK$1.55

Notes:

(1) The calculation of market capitalisation is based on the Offer Price and 1,000,000,000 Shares in issue following the completion of the Global Offering and the Capitalisation Issue, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under our Share Option Scheme.

(2) The calculation of prospective price/earning multiple on a pro forma basis is based on the unaudited pro forma forecast earnings per Share for the year ending 31 December 2010 of HK$0.22 per Share as set out in the section headed "Unaudited pro forma forecast earnings per Share" in Appendix II to this prospectus at the respective Offer Prices of HK$2.00 and HK$2.70 per Offer Share. The unaudited pro forma forecasting earnings per Share is converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.85719.

(3) The calculation of prospective pricing/earning multiple on a weighted average basis is based on the forecast earnings per Share for the year ending 31 December 2010 on a weighted average basis assuming that the Shares to be issued in the Global Offering will be issued on 1 December 2010, and the weighted average number of Shares is 771,232,877.

(4) The unaudited pro forma adjusted net tangible assets per Share as at 30 June 2010 is arrived at after the adjustments referred to in the section headed "Unaudited pro forma statement of adjusted net tangible assets" in Appendix II to this prospectus and on the basis that 1,000,000,000 Shares were in issue assuming the Global Offering and the Capitalisation Issue had been completed on 30 June 2010, but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the options which may be granted under our Share Option Scheme. The unaudited pro forma adjusted net tangible asset per Share is converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.85719.

(5) No adjustment has been made to reflect any trading results or other transaction of our Group entered into subsequent to 30 June 2010.

DIVIDEND POLICY

We currently do not have a fixed dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the discretion of the Directors.

Dividends can only be paid out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Our Company has not paid or declared any dividend since the date of our incorporation.

DISTRIBUTABLE RESERVES

As of 30 June 2010, our Company did not have any distributable reserves.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deduction of underwriting commission and estimated expenses payable by us in relation to the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.35 per Share, being the mid-point of the proposed Offer Price range from HK$2.00 to HK$2.70 per Share) are estimated to be approximately HK$532 million (approximately RMB457 million). We currently intend to apply the net proceeds from the Global Offering as follows:

- approximately 35% of the net proceeds or HK$186 million (approximately RMB160 million) will be used for the purchase of processing equipment, in particular, processing facilities for the machining platform, including CNC plane milling machine, floor-type milling machine, lathe-milling cutting centre and CNC porous drilling device, for the fifth phase and sixth phase of our processing centre in Wuxi, Jiangsu, such that the range of services offered by our machining platform will be broadened and our designed annual processing capacity is expected to increase by 120,000 tonnes after the commencement and full operation of the fifth phase and sixth phase processing centre in Wuxi;

- approximately 15% of the net proceeds or HK$80 million (approximately RMB68 million) will be used for the development of a new processing centre in Changsha, Hunan, with an aggregate site area of 80,000 sq.m., the construction of which is expected to commence in 2011. The total construction cost is estimated to be approximately RMB206 million, including the construction of the property and purchase of various types of processing facilities such as CNC bending machine for the machining platform and laser cutting machine for the plate cutting platform, such that our designed annual processing capacity is expected to increase by 108,000 tonnes;

- approximately 30% of the net proceeds or HK$160 million (approximately RMB137 million) will be used for the construction and development of a new processing and logistics complex in Jingjiang, Jiangsu, with an aggregate site area of 530,000 sq.m., the construction of which is expected to commence in 2012. The total construction cost is estimated to be approximately RMB500 million, including the construction of the property and purchase of various types of processing facilities mainly for the processing of non-stainless steel, such that our designed annual processing capacity is expected to increase by 200,000 tonnes;

- approximately 10% of the net proceeds or HK$53 million (approximately RMB46 million) will be used for the construction and development of the second phase processing centre in Hangzhou. The total construction cost is estimated to be approximately RMB91 million, including the construction of the property with an aggregate site area of 170,000 sq.m. and the purchase of various types of processing facilities, mainly for the plate cutting platform, such that our designed annual processing capacity is expected to increase by 110,000 tonnes after the commencement and full operation of the second phase processing centre in Hangzhou; and

- approximately 10% of the net proceeds or HK$53 million (approximately RMB46 million) will be used for general working capital and general corporate purposes.

The table below sets out the additional designed annual processing capacities of our Group upon completion of the respective plants stated above:

	As of 30 June 2010	Upon completion of the fifth and sixth phase processing centre in Wuxi	Upon completion of the processing centre in Changsha	Upon completion of the processing and logistics complex in Jingjiang	Upon completion of the second phase processing centre in Hangzhou
Designed annual processing capacity ('000 tonnes)	736.1	856.1	964.1	1,164.1	1,274.1

Although we have plans to construct new processing plants in Shenyang, Xi'an, Guangzhou and Chengdu in 2012, 2013, 2014 and 2015 respectively, we do not intend to apply the proceeds of the Global Offering to the construction of these new processing plants.

If the Offer Price is determined at the highest point of the stated range, the net proceeds will be increased by approximately HK$84 million (approximately RMB72 million). If the Offer Price is determined at the lowest point of the stated range, the net proceeds will be reduced by HK$84 million (approximately RMB72 million). To the extent our net proceeds are more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

In the event that the Over-allotment Option is exercised in full, assuming an Offer Price of HK$2.35 (being the mid-point of the proposed Offer Price range), the additional net proceeds of approximately HK$85 million (approximately RMB73 million) will be allocated for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC.

RISK FACTORS

Our Directors consider that there are risks and uncertainties relating to the Group's business and industry, the PRC and the Global Offering:

Risks relating to our business

- Prices of our raw materials may be subject to cyclical fluctuations in the PRC and world market and as a result, our profit margins and results of operations may be affected

- Fluctuation of stainless steel market prices could result in write-down of inventory at the end of each financial reporting period

- The stainless steel raw material purchase price adjustment arrangement with STSS Group may not continue
- Maintaining and expanding our processing operation, including our expansion into the processing of non-stainless steel, requires substantial capital expenditures, for which we may not be able to secure adequate financial resources in a timely manner or under favourable terms
- We are dependent on our major suppliers
- Our business operations may be affected by the interruption or shortage of supply of stainless steel in the PRC
- We may not be able to retain our existing customers and to further diversify our present customer base
- We may encounter difficulties in exploring new markets and implementing our expansion plans
- Sale of our products is subject to our customers' business cycles
- Expiration of, or changes to, certain preferential tax treatments applicable to us under PRC tax laws may have a material adverse effect on our operating results
- We recorded net current liabilities as at 31 December 2009
- Any increase in interest rates may increase our financing costs, which may adversely impact our business operations and financial performance
- We experienced cash outflow from operating activities in 2007 and the six months ended 30 June 2010. If we experience further cash outflow from operating activities in the future, we may not be able to meet our debt and other payment obligations as they become due and our financial condition and results of operations will be materially and adversely affected
- We rely on key management personnel and may not be able to retain and attract talented personnel
- We may be subject to liability in connection with industrial accidents at our production facilities
- Insufficient insurance coverage for the risks associated with the operations of our business may have an adverse effect on our business
- Our Controlling Shareholders may exert substantial influence over us and may not act in the best interest of our independent Shareholders
- We do not have valid rights to use our processing centre in Wuhan which may be required to be relocated

Risks relating to the PRC stainless steel industry

- We are operating in a highly competitive environment
- Any environmental claim or failure to comply with any present or future environmental regulations may require us to spend additional funds and may materially and adversely affect our financial condition and results of operations
- The PRC Government may adopt measures to slow down the growth in the steel (including stainless steel) manufacturing industry and other steel consuming industries, thereby adversely affecting the demand for our products
- The global financial markets have experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy and, as a result, may adversely affect our business operations
- Future changes in laws, regulations or enforcement policies in stainless steel industry in China could adversely affect our business operations

Risks relating to the PRC

- Changes in the PRC economic, political and social conditions and the PRC Government policies can affect our business
- Changes in foreign exchange regulations may adversely affect our results of operations
- Fluctuation in the value of Renminbi may materially and adversely affect your investment
- Interpretation of PRC law and regulations involves uncertainty
- It may be difficult to effect service of process upon our Directors or executive officers who live in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts
- PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate
- Payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under PRC law
- We may be subject to acts of nature, acts of war and epidemics or pandemics which are beyond our control and which may cause damage, loss or disruption to our business

Risks relating to the Global Offering

- There has been no prior public market for the Shares and an active trading market may not develop

- The trading volume and share price of the Shares may fluctuate

- Future issue or sales of the Shares in the public market could adversely affect the prevailing market price of the Shares

- Shareholders' interests in our Company may be diluted in the future

- Dividends paid in the past may not be indicative of the amount of future dividend payments or our future dividend policy

- There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to certain information obtained from government publications or official sources

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

"Adjusted Cost of Raw Materials"	the sum of cost of raw materials consumed, changes in inventories of finished goods (which includes cost of raw materials unsold and related labour, depreciation costs and other production overhead) and provision for/reversal of write-down of inventories
"Ally Good"	Ally Good Group Limited (聯好集團有限公司), a company incorporated in the BVI with limited liability on 7 July 2006, which was owned as to 77.2% by Mr. Zhou and as to 22.8% by Ms. Xu as at the Latest Practicable Date
"Allybest"	Allybest Investments Limited (協好投資有限公司), a company incorporated in the BVI with limited liability on 10 July 2006 and a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any of them, used in the Hong Kong Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company adopted on 9 November 2010, a summary of which is set forth in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Baogang Group"	上海寶鋼浦東國際貿易有限公司 (Shanghai Baosteel Pudong International Trading Co., Ltd.) and 寧波寶新不銹鋼有限公司 (Ningbo Baoxin Stainless Steel Co., Ltd.), both being subsidiaries of Baosteel and our key suppliers, and are independent third parties
"Baosteel"	寶鋼集團有限公司 (Baosteel Group Corporation), an iron and steel conglomerate in the PRC, an independent third party
"Board"	the board of Directors
"business day"	any day (excluding Saturday, Sunday or public holidays) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands

"Capitalisation Issue"	the issue of 749,700,000 Shares to be made upon the capitalisation of part of the share premium account of our Company upon completion of the Global Offering referred to in the paragraph under "A. Further information about our Company — (3) Resolutions of all the Shareholders passed on 9 November 2010" in Appendix VI 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 who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCBI"	CCB International Capital Limited, a licenced corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
"chief executive"	the chief executive (as defined in the SFO) of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Da Ming International Holdings Limited (大明國際控股有限公司), a limited liability company incorporated in the Cayman Islands on 14 February 2007
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in the context of our Company, means Ally Good, Mr. Zhou and Ms. Xu
"Daming Caigong"	江蘇大明金屬採供有限公司 (Jiangsu Daming Caigong Co., Ltd.), a company established in the PRC with limited liability on 19 November 2007, which was wholly owned by Jiangsu Daming immediately before its dissolution on 25 November 2008
"Daming Logistics"	無錫大明物流股份有限公司 (Wuxi Daming Logistics Co., Ltd.), a company established in the PRC with limited liability on 25 July 2001 owned at the time of establishment as to 78% by Mr. Zhou and 22% by Ms. Xu at the time of establishment. On 20 November 2003, Mr. Zhou transferred the equity interests he held in Daming Logistics to the other Initial Shareholders at par and Daming Logistics was then owned as to 74.5% by Mr. Zhou, 22% by Ms. Xu, 1% by Mr. Yu, 1% by Ms. Li, 1% by Mr. Qian and 0.5% by Ms. Zhou. The above shareholdings remained unchanged as at the Latest Practicable Date. Daming Logistics was converted into a joint stock limited company on 25 June 2004. It was an initial shareholder of the Group but does not form part of the Group upon Listing
"Daming Shiye"	杭州大明實業有限公司 (Hangzhou Daming Industries Co., Ltd.), a company established in the PRC with limited liability on 21 June 2005, which was owned as to 90% and 10% by Ms. Xu and by Mr. Luo Zhihui, respectively immediately before its dissolution on 5 April 2007
"Deed of Indemnity"	the deed of indemnity dated 9 November 2010 and executed by the Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed "Relationships with the Controlling Shareholders" in this prospectus
"Deed of Non-competition"	the deed of non-competition dated 9 November 2010 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed "Relationship with our Controlling Shareholders" in this prospectus
"Deutsche Bank"	Deutsche Bank AG, Hong Kong Branch, a licenced corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO

"Director(s)"	the director(s) of our Company
"Dissolved Entities"	Wuxi Daming, Daming Shiye and Daming Caigong
"Fortune Express"	Fortune Express Industrial Limited (通順實業有限公司), a company incorporated in Hong Kong with limited liability on 14 July 2003 and an indirect wholly-owned subsidiary of our Company
"Global Offering"	the Hong Kong Public Offer and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group" or "our Group" or "We" or "us"	our Company and its subsidiaries and, in respect of the period before our Company became the holding company of such subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Hangzhou Wanzhou"	杭州萬洲金屬製品有限公司 (Hangzhou Wanzhou Metal Products Co., Ltd), a company established in the PRC on 8 December 2005 and held as to 60% by Jiangsu Daming and 40% by Fortune Express and an indirect wholly-owned subsidiary of our Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Daming"	Daming Metals (Hong Kong) Company Limited (大明金屬(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong on 30 November 2009, and an indirect wholly-owned subsidiary of our Company
"Hong Kong Offer Shares"	the 25,000,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offer (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offer"	the issue and offer of the Hong Kong Offer Shares to members of the public in Hong Kong for subscription (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) for cash at the Offer Price and on the terms and conditions described in this prospectus and the related Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 16 November 2010 relating to the Hong Kong Public Offer and entered into between, among others, the Joint Global Coordinators and Joint Sponsors, the Hong Kong Underwriters, Ally Good, Mr. Zhou, Ms. Xu and our Company, as further described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer"
"independent third party(ies)"	person(s) or company(ies) which are not our connected persons
"Initial Shareholders"	Mr. Zhou, Ms. Xu, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou, being the initial shareholders of Daming Logistics which are in turn initial shareholders of our Group
"International Offer Shares"	the 225,000,000 new Shares initially offered by us for subscription under the International Offering, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional offering of the International Offer Shares for and on behalf of our Company outside the United States (including professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S and to QIBs in the United States in reliance on Rule 144A, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering as listed in the section headed "Underwriting" in this prospectus

"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Offering expected to be entered into on or about the Price Determination Date between, among others, our Company, Ally Good, Mr. Zhou, Ms. Xu, the Joint Global Coordinators and the International Underwriters, as further described in the section headed "Underwriting — Underwriting arrangements and expenses — International Offering" in this prospectus
"Issuing Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information on which is set forth in the paragraphs under "A. Further information about our Company — (3) Resolutions of all the Shareholders passed on 9 November 2010" in Appendix VI to this prospectus
"Jiangsu Daming"	江蘇大明金屬製品有限公司 (Jiangsu Daming Metal Products Co., Ltd.), (formerly known as 無錫市大明金屬製品有限公司 (Wuxi Daming Metal Products Co., Ltd.), 周大明不銹鋼(無錫)有限公司 (Zhou Daming Stainless Steel (Wuxi) Co., Ltd.) and 無錫捷豐昌金屬製品有限公司 (Wuxi Jiefengchang Metal Products Co., Ltd.)), a company established in the PRC with limited liability on 21 June 2002 and an indirect wholly-owned subsidiary of our Company
"Jiangsu Daming Hangzhou Branch"	江蘇大明金屬製品有限公司杭州分公司 (Jiangsu Daming Metal Products Co., Ltd., Hangzhou branch office), a branch office of Jiangsu Daming established in Hangzhou, the PRC, on 5 December 2006 and whose registration was cancelled on 13 March 2008
"Jiangsu Daming Ningbo Branch"	江蘇大明金屬製品有限公司寧波分公司 (Jiangsu Daming Metal Products Co., Ltd., Ningbo branch office), a branch office of Jiangsu Daming established in Ningbo, the PRC, on 3 February 2009
"Jiangsu Daming Qianzhou Branch"	江蘇大明金屬製品有限公司前洲分公司 (Jiangsu Daming Metal Products Co., Ltd., Qianzhou branch office), a branch office of Jiangsu Daming established in Qianzhou, Wuxi, the PRC, on 13 December 2006
"Jiangsu Daming Shandong Branch"	江蘇大明金屬製品有限公司山東分公司 (Jiangsu Daming Metal Products Co., Ltd., Shandong Branch), a branch office of Jiangsu Daming established in Shandong, the PRC, on 14 January 2010

"Jiangsu Daming Shanghai Branch"	江蘇大明金屬製品有限公司上海分公司 (Jiangsu Daming Metal Products Co., Ltd., Shanghai branch office), a branch office of Jiangsu Daming established in Shanghai, the PRC, on 9 February 2006
"Jiangsu Daming Tianjin Branch"	江蘇大明金屬製品有限公司天津分公司 (Jiangsu Daming Metal Products Co., Ltd., Tianjin branch office), a branch office of Jiangsu Daming established in Tianjin, the PRC, on 29 April 2007 and whose registration was cancelled on 9 December 2008
"Jiangsu Daming Wuhan Branch"	江蘇大明金屬製品有限公司武漢分公司 (Jiangsu Daming Metal Products Co., Ltd., Wuhan branch office), a branch office of Jiangsu Daming established in Wuhan, the PRC, on 26 July 2004, its registration was cancelled on 8 May 2008
"Joint Bookrunners" or "Joint Lead Managers" or "Joint Sponsors" or "Joint Global Coordinators"	CCBI and Deutsche Bank
"Latest Practicable Date"	10 November 2010, being the latest practicable date for ascertaining certain information contained in this prospectus
"Lease Agreement"	the lease dated 1 January 2010 entered into between Jiangsu Daming as lessor, and Daming Logistics as lessee, in respect of the leasing of certain portions of the land on which the factories and offices of Jiangsu Daming are located, details of which are set out in the section headed "Connected Transaction" in this prospectus
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is currently expected to be on or around 1 December 2010
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
"LME"	London Metal Exchange, a global non-ferrous metals trading market
"Ministry of Commerce" or "MOFCOM"	中華人民共和國商務部 (Ministry of Commerce of the PRC) previously known as the Ministry of Foreign Trade and Economic Cooperation of the PRC, or MOFTEC

"Mitsui"	Mitsui Ventures Global Fund is a venture capital fund managed by a wholly-owned subsidiary of Mitsui & Co., Ltd., being a company listed on the Tokyo Stock Exchange which involves in business ranges from product sales, worldwide logistics and financing to the development of major international infrastructure and other projects in the following fields: iron and steel products, mineral and metal resources, infrastructure projects, motor vehicles, marine and aerospace, chemicals, energy, food and retail, consumer services, information, electronics and telecommunications, financial markets and transportation logistics, being a Strategic Investor
"Mitsui Subscription Agreement"	the subscription agreement dated 14 May 2010, as amended by a supplemental agreement of 2 June 2010, entered into between Allybest and Mitsui in respect of the subscription of shares of Allybest, details of which are set out under the section headed "History and Business Development" in this prospectus
"Mr. Qian"	Mr. Qian Li (錢立), an Initial Shareholder and an executive Director
"Mr. Tang"	Mr. Tang Zhonghai (唐中海), an executive Director
"Mr. Yu"	Mr. Yu Wenjun (俞文軍), an Initial Shareholder
"Mr. Zhou"	Mr. Zhou Keming (周克明), an Initial Shareholder, a Controlling Shareholder, an executive Director and the spouse of Ms. Xu
"Mr. Zou"	Mr. Zou Xiaoping (鄒曉平), an executive Director and the spouse of Ms. Li
"Ms. Li"	Ms. Li Jun (李軍), an Initial Shareholder and the spouse of Mr. Zou
"Ms. Xu"	Ms. Xu Xia (徐霞), an Initial Shareholder, a Controlling Shareholder, an executive Director and the spouse of Mr. Zhou
"Ms. Zhou"	Ms. Zhou Mingya (周明亞), an Initial Shareholder and the sister of Mr. Zhou
"NSSC"	Nippon Steel & Sumikin Stainless Steel Corporation, being one of the largest stainless steel producers in Japan, an independent third party

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed or purchased pursuant to the Global Offering and to be determined on the Price Determination Date, which price will not be higher than HK$2.70 per Offer Share and is currently expected to be not less than HK$2.00 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by our Company to the Joint Global Coordinators, exercisable in whole or in part at any time from the Listing Date up to and including the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offer, to require our Company to issue and allot up to an aggregate of 37,500,000 additional Offer Shares, representing 15% of the initial number of the Offer Shares, at the Offer Price, to cover, among other things, over-allocations in the International Offering, if any
"PBOC"	中國人民銀行 (the People's Bank of China), the central bank of the PRC
"PRC Company Law"	中華人民共和國公司法 (Company Law of the People's Republic of China) as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or, where the context requires, any of them
"PRC Legal Advisers"	Dacheng Law Offices, our legal advisers as to PRC law
"PRC GAAP"	generally accepted accounting principles in the PRC
"Price Determination Date"	the date, expected to be on or around Tuesday, 23 November 2010 but no later than Monday, 29 November 2010, on which the Offer Price is fixed for the purposes of the Global Offering
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act

"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, further information on which is set forth in the section headed "History and business development — Reorganisation" in this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Repurchase Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraphs under "A. Further information about our Company — (3) Resolutions of all the Shareholders passed on 9 November 2010" in Appendix VI to this prospectus
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	國家外匯管理局 (State Administration of Foreign Exchange of the People's Republic of China), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of our Company with a nominal value of HK$0.10 each
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 9 November 2010, a summary of its principal terms is set forth in the paragraphs under the section headed "D. Share Option Scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of Share(s)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Ally Good and Deutsche Bank pursuant to which Deutsche Bank may borrow up to an aggregate of 37,500,000 Shares from Ally Good for the purpose of covering over-allocations in the International Offering
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Investors"	STSS and Mitsui, details of which are set out in the section headed "History and business development" in this prospectus

"STSS"	山西太鋼不銹鋼股份有限公司 (Shanxi Taigang Stainless Steel Co., Ltd.), a stainless steel producer and a company whose shares are listed on The Shenzhen Stock Exchange (with stock code 000825) being a shareholder of Tianjin Taigang Daming, one of our key suppliers and an independent third party
"STSS Group"	STSS and Taigang Technology, both being our key suppliers
"subsidiary(ies)"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Taigang Technology"	山西太鋼不銹鋼科技有限公司 (Shanxi Taigang Stainless Steel Science & Technology Co., Ltd.), a stainless steel distributor, a subsidiary of STSS and an independent third party
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Tianjin Taigang Daming"	天津太鋼大明金屬製品有限公司 (Tianjin Taigang Daming Metal Product Co., Ltd.), a company established in the PRC on 15 February 2007, which was owned as to 27.4% by Fortune Express, as to 63.6% by Jiangsu Daming and as to 9% by STSS as at the Latest Practicable Date
"TISCO"	太原鋼鐵(集團)有限公司 (Taiyuan Iron & Steel (Group) Co., Ltd.), a stainless steel producer, the holding company of STSS and an independent third party
"Track Record Period"	the period comprising the years ended 31 December 2007, 2008 and 2009, respectively, and the six months ended 30 June 2010
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value-added tax of the PRC

"White Form eIPO"	applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website at www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuhan Fortune"	武漢通順金屬製品有限公司 (Wuhan Fortune Express Metal Products Co., Ltd.), a company established in the PRC on 28 September 2005, which was owned as to 60% by Jiangsu Daming and as to 40% by Fortune Express as at the Latest Practicable Date and an indirect wholly-owned subsidiary of our Company
"Wuxi Daming"	無錫市大明不銹鋼有限公司 (Wuxi Daming Stainless Steel Co., Ltd.), a company established in the PRC with limited liability on 12 November 1998, which was owned by Mr. Zhou and Ms. Zhou as to 56% and 44% respectively immediately before its dissolution on 30 May 2007
"Xin Daming"	無錫市新大明不銹鋼有限公司 (Wuxi City Xin Daming Stainless Steel Co., Ltd.), a company established in the PRC with limited liability on 24 July 2001, and was owned by Mr. Zhou as to 80% and Ms. Xu as to 20%. On 10 December 2002, Mr. Zhou transferred his entire interest and Ms. Xu transferred her 10% interest in Xin Daming to Daming Logistics. As such, Xin Daming was owned as to 90% by Daming Logistics and 10% by Ms. Xu immediately before its dissolution on 28 December 2006
"Yangtze River Delta"	refers collectively to Shanghai, eight cities in Jiangsu namely Nanjing, Suzhou, Wuxi, Changzhou, Zhenjiang, Yangzhou, Taizhou and Nantong and seven cities in Zhejiang namely Hangzhou, Ningbo, Huzhou, Jiaxing, Shaoxing, Zhoushan and Taizhou

"ZPSS"	張家港浦項不銹鋼有限公司 (Zhangjiagang Pohang Stainless Steel Co., Ltd.), a joint venture between POSCO and Jiangsu Shagang Group (江蘇沙鋼集團), being one of our key suppliers and an independent third party
"%"	per cent.

- *the English names of the PRC nationals, entities, departments, facilities, certificate, titles and regulations etc. mentioned are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

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

- *unless otherwise specified, all references to any of our shareholdings assume no exercise of the Over-allotment Option or any options which may be granted under our Share Option Scheme.*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"apparent consumption"	apparent consumption of a particular sector of a country representing the consumption of a product by the entire sector of that particular country, be it supplied by domestic production or via imports, including all domestic purchases of that sector regardless as to whether the purchases are by households, or for corporate fixed investment, or even bought to be used as inputs to the production process
"CAGR"	compound annual growth rate
"CNC"	acronym for Computer Numerical Control, a numerical control system that utilises a dedicated, stored program computer to perform some or all of the basic numerical control functions
"ERP"	enterprise resource planning
"GFA"	gross floor area
"Monthly Weighted Average Procurement Price"	the aggregate amount paid for the procurement of all different types of stainless steel raw materials divided by the total tonnes of stainless steel raw materials purchased in a month
"Monthly Weighted Average Sales Price"	the aggregate amount of revenue received from the sale of all different types of stainless steel products divided by the total tonnes of stainless steel products sold in a month, whereby the selling prices of the stainless steel products sold in the month are generally priced with reference to the prevailing market price of stainless steel raw materials as of the date when our customers place the orders (which could be higher or lower than the procurement cost of the stainless steel raw materials being sold), plus processing fee and costs of packaging and delivery
"nickel"	a silver-white chemical metal resembling iron
"sq.m."	square metre(s)
"stainless steel"	a series of steel with a high degree of chemical stability in the air, water, saline, acids and other corrosive media
"titanium"	a hard silver-grey metal used in strong, light, corrosion resistant alloy
"tonne"	metric ton

GLOSSARY OF TECHNICAL TERMS

“300 series”	nickel-chromium austenitic series stainless steel
“304”	low carbon austenitic series stainless steel with a maximum of 0.08% carbon content
“304L”	extra low carbon austenitic series stainless steel with a maximum of 0.03% carbon content
“316L”	austenitic series stainless steel which is molybdenum bearing, with a carbon content below 0.03%
“321”	one type of 304 modified by adding titanium contents
“400 series”	chromium ferritic or martensitic series stainless steel
“430”	ferritic series stainless steel with 16%-18% chromium

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our investment and capital expenditure plans;
- our operations and business prospects;
- the regulatory environment; and
- the industry outlook generally.

The words “anticipate”, “believe”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance and are subject to risks, uncertainties and assumptions, including the risk factors as disclosed in the “Risk Factors” section and certain forecasts set out in the “Industry Overview” section in this prospectus. Actual results may differ materially from information contained in the forward-looking statements due to these risks, uncertainties and assumptions, including, among other things:

- future development and other trends in the global and PRC stainless steel markets;
- cost, fluctuations in the price of raw materials required for our production;
- changes to our expansion plans and estimated capital expenditures;
- our ability to introduce new products to respond to customers’ demands and preferences;
- our production capabilities;
- the effectiveness of our marketing activities;
- competition;
- economic conditions in China;
- our liquidity and financial condition; and
- the factors discussed in the sections headed “Our Business”, “Financial Information” and elsewhere in this prospectus.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, if at all. Accordingly, you should not place undue reliance on any forward-looking information.

We do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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 our Group's principal operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Prices of our raw materials may be subject to cyclical fluctuations in the PRC and world market and as a result, our profit margins and results of operations may be affected

During the Track Record Period, we purchased different grades of stainless steel raw materials at a fluctuating weighted average purchase price per tonne of approximately RMB28,278, RMB22,827, RMB14,798 and RMB17,895, respectively.* During the same period, our inventory turnover days were 32 days, 28 days and 33 days and 40 days, respectively.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our Adjusted Cost of Raw Materials amounted to approximately RMB8,856.1 million, RMB7,824.0 million, RMB5,989.7 million and RMB3,847.3 million, which accounted for approximately 99.5%, 99.3%, 98.7% and 98.9% of our cost of sales, respectively.

1. Sales from customer orders

When our customers make sales enquiries, we would provide price quotations with reference to the prevailing market price of stainless steel raw materials as at such date (which could be higher or lower than the cost of sales as described below), plus processing fee and costs of packaging and delivery. If the customers accept our price quotations and the timing for delivery, the customers would generally be required to place their orders at such price (the "Order Price") and also pay a deposit within one to three days (i.e. the Order Price is only valid for one to three days). Once we receive the deposit payment, the Order Price is binding on the customers and us and cannot be amended. The time from order to delivery generally ranges from less than a week for simple processing services such as cutting and slitting, to more than 15 days for more advanced and/or additional processing services such as polishing, machining and forming.

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* *We purchases different grades of stainless steel raw materials according to our actual and expected customer demand. Stainless steel raw materials are classified into different grades depending on the percentage of different alloy metals contained therein. Please refer to the section headed "Our Business" in this prospectus for more details. The weighted average purchase price refers to the aggregate amount paid for the purchasing of all the different grades of stainless steel raw materials divided by the total tonnes of all the different grades of stainless steel raw materials purchased during the Track Record Period.*

According to our accounting policy, the sales will not be recognised until the significant risks and rewards of ownership are transferred, which generally coincides with the time when the actual delivery of goods to our customers and collectability of the related receivables is reasonably assured. The delivery of such goods to the customers could be in the same month or in the subsequent months after the order is placed with us.

2. Cost of sales

The cost of sales are determined at the end of the same month at which the revenue is recognised. The cost of sales consist of (i) Adjusted Cost of Raw Materials, which are affected by fluctuation in stainless steel prices and (ii) other items such as employee benefit expenses, depreciation and amortisation, and transportation costs, which are not affected by the fluctuation in stainless steel prices.

The Adjusted Cost of Raw Materials mainly consists of the cost of stainless steel raw materials that is determined using the monthly weighted average method. The monthly weighted average cost for each grade of stainless steel raw materials is calculated by (i) the stainless steel raw materials balance in terms of carrying amount at the end of previous month, plus the respective (ii) total additional purchases of each grade of stainless steel at different prices during the month, divided by the respective (iii) sum of the volume of each grade of stainless steel (as measured in tonnes) at the end of the previous month and the total volume of each grade of stainless steel (as measured in tonnes) purchased during the month.

3. Gross profit for goods sold

The gross profit for goods sold are mainly determined by (i) the Order Price, minus (ii) the monthly weighted average cost of stainless steel raw materials for such orders as determined at the end of the same month at which the revenue is recognised. Depending on the movement in stainless steel prices, the fluctuation in stainless steel prices could therefore lead to a higher or lower monthly weighted average cost of stainless steel raw materials, leading to a higher or a lower gross profit for our sales.

During a financial reporting year, if stainless steel prices are in a downward trend, the Order Price might potentially be lower than the monthly weighted average cost of raw materials for such orders. This was the case in 2007 and 2008; when stainless steel prices were on a downward trend, we recorded a small gross profit margin of 1.5% and 1.2% only for the years ended 31 December 2007 and 2008, respectively. The small gross profit margin was mostly attributable to the processing fees that we charged our customers.

Our gross profit margins during the Track Record Period capture both the impact of (i) realised gains/losses in the sale of stainless steel products as caused by the fluctuation in the prevailing market prices of stainless steel and (ii) unrealised gains/losses arising from the reversal of/provision for the write-down of inventories at each balance sheet date. As a result of fluctuation in stainless steel prices during the Track Record Period, we recorded gross profit of RMB135.3 million, RMB99.6 million, RMB379.5 million and RMB181.5 million, respectively, representing a fluctuating gross profit margin of 1.5%, 1.2%, 5.9% and 4.5%, respectively. The fluctuation in stainless steel prices could therefore adversely impact our results of operations.

Fluctuation of stainless steel market prices could result in write-down of inventory at the end of each financial reporting period

We compare the carrying value of the inventory with their respective net realisable value at the end of each financing reporting period to ascertain whether any provision is required to be made as a result of a decrease in stainless steel market prices. For the year ended 31 December 2008 and the six months ended 30 June 2010, we recognised an inventory provision loss of RMB19.9 million and RMB23.8 million, respectively, for write-down of inventories because their net realisable value was lower than their respective carrying value, resulting from the decreasing market price of stainless steel at the end of 2008 and at the end of the six months ended 30 June 2010. This represents 0.25% and 0.61% of our cost of sales of RMB7,877.2 million and RMB3,891.3 million for the year ended 31 December 2008 and the six months ended 30 June 2010, respectively. For the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, we reversed the provision for inventory write-down of RMB6.8 million, RMB34.9 million and RMB27.7 million, respectively, as a result of subsequent sales of those inventories. This represents 0.08%, 0.58% and 1.00% of our cost of sales of RMB8,899.3 million, RMB6,067.8 million and RMB2,765.9 million for the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, respectively.

A decrease in stainless steel prices, whether such decrease is significant or not, could potentially require us to make a provision for write-down of inventories at the end of each financial reporting period. Depending on the magnitude of such decrease in stainless steel prices, we may be required to provide higher amount of write-down of inventory than those that were provided during the Track Record Period. This could materially and adversely affect our financial position and results of operations.

The stainless steel raw material purchase price adjustment arrangement with STSS Group may not continue

During the Track Record Period, we had a stainless steel raw material purchase price adjustment arrangement with our largest supplier, STSS Group. Pursuant to such arrangement, STSS Group shall reimburse us if the purchase price of stainless steel raw materials that we paid to STSS Group is higher than the benchmark selling prices decided by STSS Group based on actual selling prices achieved by STSS Group's key customers, including us (after adjusting for bulk purchase discounts and the processing fee), subject to STSS Group's sole discretion in determining the actual purchase credit amount and the time in which such purchasing credit would be given to us. For details of such arrangement, please refer to the section headed "Our business — Raw materials and suppliers" in this prospectus.

The aggregate purchase credits reimbursed by STSS Group to us during the Track Record Period were RMB76.1 million, RMB283.6 million, RMB63.7 million and RMB96.4 million, respectively. This represents 0.8%, 3.9%, 1.0% and 2.4% of our purchases of raw materials of RMB9,199.1 million, RMB7,297.6 million, RMB6,379.4 million and RMB4,013.2 million during the Track Record Period, respectively. These reimbursements were recognised when the purchase credit were granted by STSS Group and the amount could be reliably measured, that is when STSS Group issued to us purchase credits invoices or signed written confirmation. These reimbursement were fully used to reduce our stainless steel raw materials purchase payments to STSS Group and hence reduced our overall stainless steel raw materials purchase cost.

The provision of such adjustment arrangement is not subject to any contractual arrangement between our Group and STSS Group and there is no assurance that STSS Group will continue to make available such adjustment arrangement to us, particularly if we fail to sustain our business relationship with STSS Group. If STSS Group were to (i) terminate this non-contractual price adjustment arrangement with us, (ii) decide not to exercise its discretion to reimburse us with any purchase credit at all even though we fulfill the criteria under the arrangement, or (iii) exercise its discretion to reimburse us, but not necessarily in accordance with the arrangement set out above, thereby potentially causing us to receive less purchase credits than expected, we will lose significant control over the fluctuation in the purchase price of stainless steel raw materials and as a result, we will be more exposed to volatile prices of stainless steel raw materials and our financial results may be materially and adversely affected.

Maintaining and expanding our processing operation, including our expansion into the processing of non-stainless steel, requires substantial capital expenditures, for which we may not be able to secure adequate financial resources in a timely manner or under favourable terms

We operate in a capital intensive industry. To maintain and expand our processing operations, including our expansion into the processing of non-stainless steel, we need to incur capital expenditure from time to time for the construction of new processing plants, acquisition of new processing equipment, improvement of our existing processing lines, upgrading our information technology systems and others. Our expansion plan will also require us to make substantial capital expenditures. We may need to raise additional funds through bank borrowings or the issuance of debt or equity securities to finance these capital expenditures. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we invested RMB30.3 million, RMB0.3 million, RMB26.5 million and nil, respectively, in purchasing land use rights. During the same periods, we invested RMB136.7 million, RMB175.0 million, RMB200.4 million and RMB123.3 million in purchasing property, plant and equipment, respectively. Our ability to obtain additional financing in the future will be affected by different factors, including (i) our future financial condition, results of operations and cash flows; (ii) general market conditions for capital raising activities by companies with backgrounds similar to ours; and (iii) economic, political and other conditions in and outside of the PRC.

We may not be able to obtain additional financing in a timely manner or on acceptable terms or at all. Further, the terms and amount of any additional capital raised through issuance of equity securities may result in significant shareholder dilution. Further financing activities or the remittance of the proceeds raised from issuance of equity securities into the PRC may also require PRC regulatory approvals, which may not be granted in a timely manner or at all. If adequate funding is not available, our ability to develop and expand our business may be adversely affected.

We are dependent on our major suppliers

We are dependent on several major suppliers of stainless steel raw materials. Purchases of raw materials from the five largest suppliers accounted for 81.4%, 84.5%, 88.0% and 85.5% of our purchases of raw materials for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. During the same periods, purchases of raw materials from our largest supplier accounted for 31.2%, 30.7%, 35.4% and 48.2% of our total purchases of raw materials, respectively.

We entered into an annual framework supply agreement with STSS in 2010 to stipulate the annual supply volume, purchase discounts for bulk purchases and types of raw materials to be supplied. Save for one five-year supply agreement with ZPSS entered into on 9 February 2010 that states the minimum amount of stainless steel that ZPSS must supply to us, we do not have any other long-term contracts with our suppliers. There is no assurance that we can continue to maintain stable relationships with our suppliers in the future. Failure of our major suppliers to meet our demands or the loss of any of these key suppliers will disrupt our supplies and have a material adverse impact on our business operations.

Our business operations may be affected by the interruption or shortage of supply of stainless steel in the PRC

We require different types of stainless steel raw materials to satisfy the needs of our customers. In the event that the supply of any types of stainless steel is interrupted at any point of time, we may not be able to meet our customers' demand and our business operations may be adversely affected.

Reliable and stable supply of stainless steel raw materials from stainless steel mills is critical to our business operations. If there is any interruption or shortage of supply of any of our raw materials, we may not be able to meet the demands of our customers for our stainless steel products, and accordingly, our business and results of operations may be adversely affected.

We may not be able to retain our existing customers and to further diversify our present customer base

As a stainless steel processor, we principally derive our revenue from providing stainless steel products to customers engaging in a wide variety of industries. During the Track Record Period, revenue derived from our five largest customers in aggregate represented 7.5%, 9.3%, 9.3% and 8.2% of our revenue for the respective reporting period. Any loss of these key customers for reasons such as alternative service providers offering cheaper stainless steel products or such customers purchasing their own processing equipment and thus reducing their outsourcing to us could adversely affect our business, financial condition and results of operations.

We may encounter difficulties in exploring new markets and implementing our expansion plans

It is our strategy to expand the geographical coverage of our stainless steel processing service network in China. We are also exploring new markets in terms of our products and service offerings such as the processing of non-stainless steel and more advanced cutting method. To increase our processing capacity, we plan to purchase new processing facilities. Our expansion plans require substantial capital contributions and the success of such plans depends on our ability to successfully market these new facilities and maximise the utilisation of our existing and expected processing capacity.

The successful implementation of our expansion plans may also be influenced by various other factors, including the availability of sufficient resources such as funding and staff, the identification of suitable sites and the negotiation of acceptable terms for the acquisition or leases of these sites, logistics arrangement and other operational and management systems to an expanded network, the ability and willingness of suppliers to supply on a timely basis at competitive prices and to provide us with various forms of support in the new markets. Some of these factors are beyond our control.

We may not be able to achieve our planned expansion, or to effectively integrate any new processing centres to our existing processing network. In particular, our newly opened or acquired processing centres may not achieve the budgeted sales and profit margins. Further, our introduction of new service offerings, such as processing of non-stainless steel, could present challenges different from those we currently or previously faced. As we enter new markets and provide new services, we may not be able to accurately assess and adjust to demands of our existing and potential customers in the relevant markets, and we may incur higher costs in lease, administration, logistics and marketing associated with the opening of new processing centres or introduction of new service offerings, which may adversely affect our business, financial condition and results of operations.

Sale of our products is subject to our customers' business cycles

The sale of our products is subject to our customers' business cycles. As our stainless steel processing centres mainly serve the PRC manufacturing sector, customers' demand of our products during an economic downturn would generally decrease and our business may be adversely affected. For example, during the global financial crisis in 2008, the growth of China's overall economy in 2008 was negatively impacted, which led to a decrease in our customers' demand of our products and affected our business and financial conditions. Should there be deterioration of the global economy in the future, our business would be adversely affected.

Expiration of, or changes to, certain preferential tax treatments applicable to us under PRC tax laws may have a material adverse effect on our operating results

As a foreign invested manufacturing enterprise, Jiangsu Daming enjoyed a 50% reduction of the PRC enterprise income tax in 2007. Upon the expiration of such preferential tax treatment, Jiangsu Daming became subject to a uniform enterprise income tax of 25% from 2008. Hangzhou Wanzhou, Wuhan Fortune and Tianjin Daming have been entitled to a full exemption of the PRC enterprise income tax in 2008 and 2009, and a 50% reduction of the PRC enterprise income tax in the years 2010, 2011 and 2012.

Upon the expiration of the preferential tax treatment of the subsidiaries of our Group in the PRC, the effective income tax rates that may be applied to us may be higher than those during the Track Record Period. As a result, our financial performance may be adversely affected.

We recorded net current liabilities as at 31 December 2009

As at 31 December 2009, we had net current liabilities of RMB47 million. In 2008, Daming Logistics injected certain land use rights and properties into the Group to consolidate the Group's assets for the purpose of reducing connected party transactions within the Group, in light of the fact that the Company used to rent properties from Daming Logistics. In return for such asset injection, our major operating subsidiary, Jiangsu Daming, issued 25% of its equity interest to Daming Logistics. In preparation for the Global Offering, on 28 October 2009, we entered into an agreement with Daming Logistics whereby Fortune Express agreed to repurchase Daming Logistics' 25% equity interest in Jiangsu Daming for RMB147 million. To finance this purchase, the Group borrowed a US dollar short term loan and paid RMB68 million to Daming Logistics in December 2009. This loan was reflected as a short term borrowing under current liabilities as of 31 December 2009. The remaining consideration of RMB79 million was recorded as an amount due to a related party under current liabilities as of 31 December 2009. This RMB79 million was subsequently paid to Daming Logistics in January 2010. Our net current liabilities position exposes us to liquidity risk, and we cannot assure you that we will not have net current liabilities in the future. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding bank borrowings will depend primarily on our ability to maintain adequate cash inflows from operating activities, cash and cash equivalents, and our access to further financial resources to fulfill our short-term payment obligations, which will be affected by our future operating performance, prevailing economic conditions, and financial, business and other factors, many of which are beyond our control.

Any increase in interest rates may increase our financing costs, which may adversely impact our business operations and financial performance

We used bank borrowings, notes payable and cash from operations for our business during the Track Record Period. As at 31 December 2007, 2008 and 2009 and as at 30 June 2010, we had outstanding borrowings of approximately RMB859.4 million, RMB332.0 million, RMB393.2 million and RMB683.3 million and our total finance costs was RMB52.7 million, RMB63.1 million, RMB26.6 million and RMB25.0 million during the Track Record Period, respectively. The weighted average effective interest rate for our RMB denominated loans, which represented 97.7%, 100%, 79.4% and 69.5% of our total borrowings as at 31 December 2007, 2008, 2009 and 30 June 2010 was 6.79%, 6.25%, 4.97% and 4.85% respectively. There is no assurance that the Group's financing policies will always achieve a stable or low effective interest rate. In particular, any sudden increase in overall interest rate caused by a variety of macroeconomics factors beyond our control may increase the Group's interest expense. If our interest expenses were to increase significantly, there is no assurance that our business will generate sufficient cash flow from our operations in the future to service our debts and make necessary capital expenditures, in which case we may need to seek additional financing, dispose of certain assets or seek refinancing. There is no assurance that any of these alternatives could be implemented on satisfactory terms, if at all. If we cannot meet our debt obligations or refinance our debt, our business, financial conditions and results of operations will be adversely affected.

We experienced cash outflow from operating activities in 2007 and the six months ended 30 June 2010. If we experience further cash outflow from operating activities in the future, we may not be able to meet our debt and other payment obligations as they become due and our financial condition and results of operations will be materially and adversely affected

We experienced cash outflow from operating activities amounting to approximately RMB313.1 million and RMB138.0 million for the year ended 31 December 2007 and the six months ended 30 June 2010, which was principally contributed by (i) an increase in our trade receivables, prepayments, deposits and other receivables and (ii) an increase in our inventories.

We recorded cash inflow from our operating activities in 2008 and 2009. Our liquidity and financial condition may be adversely affected if our future cash flow becomes negative in the future or we are not able to raise the necessary funding to finance our capital commitments and expenditures. In such circumstances, our business operations, liquidity, financial position and prospect may be materially and adversely affected.

We rely on key management personnel and may not be able to retain and attract talented personnel

We maintain an experienced and stable management team, most of whom have been with us since our establishment and have extensive experience working in the China stainless steel industry. Our success has been, and will continue to be, heavily dependent upon the strategies and vision of Mr. Zhou, Mr. Qian and Mr. Tang (details of their expertise and experience are set out in the section headed "Directors, Senior Management and Staff" in this prospectus). Mr. Zhou, Mr. Qian and Mr. Tang have played an important role in our daily operations and are responsible for formulating strategies to deal with the changing market environment. Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of three years commencing from 1 December 2010. Any unanticipated departure of our key management personnel or other members of the senior management could have a material adverse impact on our business.

Further, there is no assurance that we will be able to manage our expansion by retaining our existing executives and other experienced personnel and/or by recruiting additional appropriate employees, as competition for such personnel is and is likely to continue to be intensive.

We may be subject to liability in connection with industrial accidents at our production facilities

Our business involves the operation of heavy machineries that could result in industrial accidents which may cause injuries or loss of life. During the Track Record Period, there was no occurrence of material accidents and injuries and no liability or insurance claim was made against the Company. There is no assurance that industrial accidents, whether due to malfunctions of machineries or other reasons, will not occur in the future at our production facilities.

In such an event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines and penalties. In addition, we may experience interruptions in our operations and may be required to change the manner in which we operate as a result of the implementation of safety measures after such industrial accidents. Any of the foregoing could adversely affect our business, financial condition or results of operations.

Insufficient insurance coverage for the risks associated with the operations of our business may have an adverse effect on our business

There are various risks associated with our stainless steel processing processes. These risks include damage to equipment and facilities, transportation loss, damage and delays, and risks posed by natural disasters, all of which may result in losses to us. We have maintained equipment insurance coverage and insurance for our vehicles. Any losses or liabilities which are not covered or fall outside the scope and/or limit of our current insurance policies or any compensated amount which is significantly less than our actual loss may have a material adverse impact on our financial condition.

As is customary in the stainless steel processing industry, we do not maintain any insurance coverage for risk associated with business interruption, natural disasters or environmental damage. We are not required by the laws of the PRC and have not maintained any product liability insurance coverage for our stainless steel products. If we are subject to any product liability claims, we might have to compensate our customers by payment or replacement, or repair the defective products and our goodwill and reputation might be adversely affected. Also, in the case of an adverse outcome in any litigation and if we are not able to pass the costs to the suppliers, we could be required to pay substantial damages. This could have an adverse effect on our business, financial condition or results of operation.

Our Controlling Shareholders may exert substantial influence over us and may not act in the best interest of our independent Shareholders

On the date of completion of the Global Offering, assuming that the Over-allotment Option is not exercised and no Shares are issued under options which may be granted under the Share Option Scheme, our Controlling Shareholders will own more than 70% of the Shares in issue. Our Controlling Shareholders will be in a position to exert significant influence over the affairs of our Company, and will be able to influence the outcome of any shareholders' ordinary resolutions, irrespective of how other Shareholders vote. The interests of our Controlling Shareholders may not necessarily be aligned with our Shareholders as a whole, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

We do not have valid rights to use our processing centre in Wuhan which may be required to be relocated

On 12 December 2005, Wuhan Fortune entered into a lease with 武漢烽火集團有限公司 (Wuhan Feng Huo Group Co., Ltd.) for a term of 10 years. According to the relevant PRC law, all land must be accompanied with relevant land use rights certificates and building ownership certificates. As at the Latest Practicable Date, the lessor had yet to obtain the relevant land use right certificate in accordance with the applicable PRC law. There is no assurance that our use and occupation of the Wuhan processing centre will not be challenged. As a result, we may be forced to relocate our operations in Wuhan, and any such relocation could disrupt our operations and affect our business, financial condition or results of operation. Please see "Our Business — Properties — Leased properties" for more detail.

RISKS RELATING TO THE PRC STAINLESS STEEL INDUSTRY

We are operating in a highly competitive environment

Our Directors believe that we are operating in a highly competitive market. We face competition from numerous competitors, including companies engaging in similar businesses, stainless steel raw materials providers intending to enter the delivery and processing industry or end users starting to conduct their own preliminary raw materials processing. Sales of stainless steel in China are mainly conducted through three channels, namely direct sales by stainless steel mills, sales by re-seller and sales of stainless steel products by processing centres.

There are few or virtually no technological entry barriers to our market. Similar to many of our competitors in China, we do not hold patent rights, copyright or other intellectual property rights in relation to our business other than 18 trademarks and 32 domain names as of the Latest Practicable Date, nor do we use in our production proprietary technologies licensed from any third parties on an exclusive basis. As a result, our existing and future competitors, both foreign and domestic, are not required to possess advanced technologies to enter into or effectively compete in our market segment. Such low technological entry barriers may subject us to more competition in the future.

We may face strong competitions from such other market participants and new entrants and, accordingly, there can be no assurance that we will be able to compete effectively in the future. Once competition arises, our operation and financial conditions may be adversely affected.

Any environmental claims or failure to comply with any present or future environmental regulations may require us to spend additional funds and may materially and adversely affect our financial condition and results of operations

We are required to comply with all national and local regulations in the PRC. We are in compliance with all applicable environmental protection laws and have obtained all necessary environmental permits in respect of the business currently conducted by us. We expect we may become subject to additional requirements in the future as the PRC government continues to pass laws aimed at strengthening environmental protection measures and adopts more stringent environmental standards. In addition, we expect that this trend will continue and that compliance will require additional expenses and result in higher operating costs, which may negatively affect our financial condition and results of operations. Any failure by us to control the use of, or to adequately restrict the discharge of, hazardous substances could subject us to potential significant monetary damages, fines or administrative, civil or criminal sanctions, which could disrupt, limit or even result in the suspension of our operations.

The PRC Government may adopt measures to slow down the growth in the steel (including stainless steel) manufacturing industry and other steel consuming industries, thereby adversely affecting the demand for our products

The PRC Government has in the past adopted, and may in the future adopt from time to time, restrictive measures to curtail the growth of various industry sectors in an effort to control inflation and stabilise the value of RMB. Such measures may extend to the steel manufacturing industry and other steel consuming industries, such as construction and manufacturing of heavy equipment, automobiles, aircraft and ships. We cannot assure you that the PRC Government will not take actions in the future that would adversely affect demand and prices for our products in China. Such actions could materially and adversely affect our business, financial condition and results of operations.

On 26 September 2009, the State Council of the PRC (國務院) issued the State Council No.38 Circular. Certain major principles were put forward, including restricting additional capacity and optimising existing capacity, growing emerging industries and upgrading traditional industries and adopting market orientation and macro controls. The State Council No.38 Circular also required a restriction on the overall production capacity and constrained surplus production capacity, encouraged the development of new industries and products that are of high-technology level, high value-added, low resources consumption and low emission, enhanced merger and corporate restructuring as well as industry consolidation, expedited the retirement of technologically laggard plants, emphasised technology advancement, improved existing capacity, adjusted product mix and pursued an efficient, quality and sustainable industrial development.

The principles set out in the State Council No.38 Circular aimed at consolidating the resources of steel manufacturing companies by merging and reorganising the small and medium companies and eliminating old and outdated production facilities so as to maintain the sustainable development of the steel manufacturing industry. These principles required steel manufacturing companies to refine their product structure and aimed to eliminate the outdated products and production facilities.

A consolidation of the upstream stainless steel manufacturing industry may, when implemented, negatively affect customers' demand for stainless steel as there will be a transition period as a result of such consolidation whereby end customers' may place less orders until the full impact of any such consolidation is made clear.

As confirmed by the PRC Legal Advisers, we, as a stainless steel processing company, are not subject to the restriction under State Council No. 38 Circular. However, measures adopted by the PRC Government from time to time to slow down the growth in the steel manufacturing industry and other steel consuming industries such as the State Council No.38 Circular, may also adversely affect the demand of our products and our results of operation.

The global financial markets have experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy and, as a result, may adversely affect our business operations

The global financial markets have experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy and, as a result, may adversely affect our business operations.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth in the U.S., Europe and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. As it is difficult to predict how long these conditions will exist and which markets and businesses of our Company may be affected, these developments could continue to present risks for an extended period of time for our Company, including a potential slowdown in our sales to customers, increase in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If this economic downturn continues, our business, financial condition and results of operations may be adversely affected.

Future changes in laws, regulations or enforcement policies in the stainless steel industry in China could adversely affect our business operations

The PRC Government closely monitors the development of the stainless steel industry and may from time to time exercise control over such development by issuing and implementing new policies.

There is no assurance that the PRC Government will not in the future introduce or implement any policies or any changes to the regulatory approval process that may adversely affect the sales of our current or future products, our planned expansion projects or our business in general. If the PRC Government introduces or implements any such policy, the value of our assets and the results of our operations may be adversely affected.

RISK RELATING TO THE PRC

Changes in the PRC economic, political and social conditions and the PRC Government policies can affect our business

We derive substantially all of our revenue from our operations in the PRC. Accordingly, our business, financial condition or results of operations are subject, to a significant degree, to economic, political and legal developments in the PRC. The PRC Government exercises significant control over the PRC's economic growth. The PRC Government has implemented certain economic reform measures which emphasise utilisation of market forces in the development of the economy of the PRC. There is no assurance that changes in the PRC economic, political and social conditions, laws, regulations and policies will not have any adverse effect on our current or future business and financial conditions.

Changes in foreign exchange regulations may adversely affect our results of operations

The PRC Government regulates the conversion between Renminbi and foreign currencies. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service-related foreign exchange transactions, payment of dividends and service of foreign debt. However, foreign exchange transactions under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, SAFE. As such, any foreign exchange transactions for capital expenditures on equipment or merchandise require prior approvals from SAFE. If we are not able to obtain such approvals, our capital expenditure plans and, consequently, our ability to grow our business, could be affected. Shortages in foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

In addition, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on our ability to distribute dividends to the Shareholders in foreign currencies.

Fluctuation in the value of Renminbi may materially and adversely affect your investment

The value of the Renminbi against other currencies may be affected by, among other things, changes in the PRC's economic, financial and political conditions and supply and demand of Renminbi in the local market. Under the current unified floating exchange rate system, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. As at the Latest Practicable Date, the exchange rate of RMB to Hong Kong dollar was RMB1.0 = HK$1.1666. Since 1994, the official exchange rates for the conversion of Renminbi to Hong Kong and US dollars have generally been stable. However, with effect from 21 July 2005, the PRC Government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the Renminbi appreciated against the Hong Kong and US dollars by approximately 2% on the same date. On 23 September 2005, the PRC Government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. It is uncertain if the exchange rates of Hong Kong dollars and US dollars against Renminbi will further fluctuate. In the event of significant changes in the exchange rates of Hong Kong and US dollars against Renminbi, to the extent we decide to convert Renminbi to Hong Kong dollars for purposes of making dividend payments, the Hong Kong dollar value of any dividend payments in foreign currencies may be adversely affected.

Interpretation of PRC law and regulations involves uncertainty

We conduct our business mainly within the PRC and our operations are governed by PRC law and regulations. The PRC legal system is a codified system with written statutes; prior court decisions can only be cited as reference but have limited precedential value.

The PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance and taxation, with the aim to develop a comprehensive system of commercial law. However, interpretation and enforcement of PRC laws and regulations is subject to a degree of uncertainty as some of these laws and regulations are recently enacted and are relatively new, and there are limited volumes of published court decisions which are non-binding in nature. In addition, litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

It may be difficult to effect service of process upon our Directors or executive officers who live in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts

Substantially all of our operations are conducted in the PRC. As at the Latest Practicable Date, all of our executive Directors and senior management personnel reside within the PRC, and substantially all of our assets and of such persons are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon such persons in the PRC or to enforce against our Company or such persons in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties or arrangements providing for the recognition and enforcement of civil judgments of the courts of the United Kingdom, the United States or most other western countries. Therefore, recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be impossible. On 14 July 2006, the PRC and Hong Kong signed the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matter by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned". However, investors are reminded that only monetary awards granted by Hong Kong courts are recognised by PRC courts.

The PRC is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("New York Convention") which had historically permitted reciprocal enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries. On 18 June 1999, an arrangement was made between Hong Kong and the PRC for mutual enforcement of arbitration awards. This new arrangement was approved by the Supreme Court of the PRC and the Hong Kong Legislative Council, and became effective on 1 February 2000.

PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiaries through Fortune Express, a Hong Kong company. The 中華人民共和國企業所得稅法 (PRC Enterprise Income Tax Law) and its implementation rules were enacted on 16 March 2007 and 6 December 2007 respectively, and both of which have become effective as at 1 January 2008. If our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. Under an arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5% if a Hong Kong tax resident enterprise owns over 25% of the PRC company distributing the dividends. Pursuant to the 非居民享受稅收協定待遇管理辦法(試行) (Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation)) released by the

State Administration of Taxation on 24 August 2009 and took effect on 1 October 2009, Fortune Express needs to obtain approval from the Jiangsu Branch of the State Administration of Taxation in order to enjoy the preferential withholding tax rate of 5% in accordance with the double taxation arrangement. Any new enactment of PRC tax law affecting tax exemptions on dividends may reduce the amount of dividends that could be distributed to our Company and Shareholders.

In addition, the new law provides that, if an enterprise incorporated outside the PRC has its “de facto management organisation” located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Substantially all members of our management are located in the PRC, we may be deemed as a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on our worldwide income, excluding the dividends received directly from another PRC tax resident. As a result of these changes described above, our historical operating results will not be indicative of our operating results for future periods and the value of the Shares will be adversely affected.

Payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under PRC law

Under PRC law, dividends may be paid only out of distributable after-tax profits, less any recovery of accumulated losses and allocations to statutory funds as required. Any distributable profits that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profits under PRC GAAP is different from the calculation under HKFRSs in certain aspects. As a result, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for the year as determined under HKFRSs. Since we derive all of our funds and profits from our operating subsidiaries in the PRC, we may not have sufficient funds to pay dividends to the Shareholders.

Furthermore, the PRC Government imposes restrictions over converting Renminbi into foreign currencies, which will limit our transactions involving foreign currencies and adversely affect our Company’s ability to transfer funds to and receive dividends from our PRC subsidiaries. Because we generate all of our revenues in Renminbi, our PRC subsidiaries need to convert a portion of their revenues into foreign currencies to pay dividends to our Company. Under the existing foreign exchange regime in China, conversion of Renminbi into foreign currencies for payment of dividends is subject to SAFE procedural requirements. Moreover, changes in the PRC’s foreign exchange regulations may adversely affect our ability to transfer funds to and receive dividends from our PRC subsidiaries.

We may be subject to acts of nature, acts of war and epidemics or pandemics which are beyond our control and which may cause damage, loss or disruption to our business

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics or pandemics and other acts of nature which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China are under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought. For instance, a severe snowstorm hit southern China near the Yangtze River Delta in January and February of 2008, resulting in breakdown of transportation system in southern China and loss of agricultural products in the said areas. In May and June 2008, a serious earthquake and its successive aftershocks hit Sichuan, leading to tremendous loss of lives and injury and destruction of assets in the region. In April 2009, H1N1 swine influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. Our business, operating results and financial condition may be adversely affected in a material respect if such natural disasters occur. Certain areas of China, including Jiangsu and Anhui, are susceptible to epidemics, such as SARS or swine or avian influenza. A recurrence of SARS, an outbreak of swine or avian influenza, or any epidemic, in Jiangsu and Anhui or other areas of China, could result in material disruptions to our operations or a slowdown of China's economy, which could materially and adversely affect our business, financial condition and results of operations. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facility, disrupt our distribution channels and destroy our markets, any of which could materially impact our sales, costs, overall financial condition and results of operations. The potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, financial condition and results of operations may be materially and adversely affected as a result.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and an active trading market may not develop

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Global Offering, there has been no public market for the Shares. The Offer Price range has been determined through discussion between our Company and the Joint Global Coordinators (on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering. In addition, there can be no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering, or that the trading price of the Shares will not decline below the Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in our operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by us or our competitors;
- changes in investors' perception of our Group and the investment environment generally;
- the liquidity of the market for the Shares; and
- general economic and other factors.

The trading volume and share price of the Shares may fluctuate

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or events affecting our industries, currency fluctuations and general political, economic and market conditions could cause changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future issue or sales of the Shares in the public market could adversely affect the prevailing market price of the Shares

Except for the Shares issued in the Global Offering, our Company has agreed with the Joint Global Coordinators not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Joint Global Coordinators. The Joint Global Coordinators may, in its discretion, waive or terminate these restrictions. See the section headed "Underwriting — Hong Kong Public Offer — Undertakings pursuant to the Hong Kong Underwriting Agreement" in this prospectus for a more detailed discussion of restrictions that may apply to future sales of the Shares. After these restrictions lapse, the market price of the Shares could decline as a result of future sales of the Shares or other securities relating to the Shares or the perception that such sales or issuances may occur. This could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

Shareholders' interests in our Company may be diluted in the future

Our Company may issue additional Shares pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Dividends paid in the past may not be indicative of the amount of future dividend payments or our future dividend policy

For the two years ended 31 December 2007 and 2008, companies comprising our Group declared a dividend of RMB9 million and RMB2.3 million, respectively. The dividends paid during the Track Record Period do not amount to any guarantee, representation or indication that our Company must or will declare and pay any dividend in such manner in the future or declare and pay any dividend at all. There can be no assurance that the amount of dividend declared by our Company in the future, if any, will be at a similar level declared and paid by our Group during the Track Record Period.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to certain information obtained from government publications or official sources

Statistics, industry data or other information in this prospectus relating to the PRC, its economy and the industry in which we operate have been derived from various official government publications or official sources that are publicly available. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Global Offering. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

We have applied to the Stock Exchange for a waiver from strict compliance with certain requirements under the Listing Rules as follows:

MANAGEMENT PRESENCE IN HONG KONG UNDER THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our principal place of business, offices and our processing centres are primarily located, managed and conducted in the PRC, and our senior management members are and will therefore continue to be based in the PRC. We do not and will not in the foreseeable future have two executive Directors residing in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules. In order to maintain regular communication with the Stock Exchange, our Company will put in place the following measures:

(i) our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. Our Company has appointed Mr. Leung Man Fai, the company secretary of our Company, who is ordinary resident in Hong Kong, and Mr. Zou Xiaoping, an executive Director, as the two authorised representatives of our Company. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(ii) both the authorised representatives of our Company will have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters;

(iii) to enhance the communication between the Stock Exchange, the authorised representatives and the Directors, our Company will implement a policy whereby (a) each executive Director will have to provide his respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the authorised representatives; (b) each executive Director will endeavour to provide valid phone number or means of communication to the authorised representatives when he is travelling; and (c) each Director will provide his mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange;

(iv) our Company shall promptly inform the Stock Exchange of any changes on the authorised representatives; and

(v) our Company has appointed Shenyin Wanguo Capital (H.K.) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will act as an additional channel of communication with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46(2) of the Listing Rules.

In addition, all Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

In light of the above arrangements, our Company believes that all members of the Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel with the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;

- there are no other matters the omission of which would make any statement in this prospectus misleading; and

- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNDERWRITING

The Global Offering comprises the International Offering and the Hong Kong Public Offer. This prospectus is published solely in connection with the Hong Kong Public Offer. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer. Details of the structure and conditions of the Global Offering are set out in the section headed "Structure of the Global Offering" in this prospectus.

The Listing is jointly sponsored by the Joint Sponsors. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters, under the terms of the Hong Kong Underwriting Agreement, subject to agreement to the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. Full information relating to the Underwriters and the underwriting arrangements, is set out in the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around Tuesday, 23 November 2010 (Hong Kong time), or such later time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, and in any event, no later than Monday, 29 November 2010 (Hong Kong time).

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around Tuesday, 23 November 2010, or such later time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, and in any event, no later than Monday, 29 November 2010, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such 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 of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the U.S, except in compliance with the relevant laws and regulations of each such jurisdiction.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. So far as the Global Offering is concerned, no person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer 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 that he is not acquiring, and has not been offered any Offer Shares, in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ON THE GLOBAL OFFERING

The 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 any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer 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 us by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our 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 our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

HONG KONG REGISTER AND STAMP DUTY

Our Company's principal register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong. Dealings in the Shares registered on our Hong Kong Share Registrar 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, disposing of, and dealing in our Shares, or exercising rights attached to them. None of us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time which will begin on the Listing Date, and is expected to expire on Wednesday, 22 December 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer, to retard and, if possible, prevent a decline in the initial market price of the securities below the Offer Price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Deutsche Bank or its affiliates or any person acting for it, as stabilising manager, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Deutsche Bank, its respective affiliates or any person acting for it to conduct such stabilisation. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Joint Global Coordinators, their respective affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, our Company has granted to the Joint Global Coordinators the Over-allotment Option, which will be exercisable in whole or in part by the Joint Global Coordinators at any time from the Listing Date up to and including the date which is the 30th day after the last day for lodging of the Application Forms under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of additional 37,500,000 Shares, representing 15% of the initial Offer Shares, at the Offer Price to cover, among other thing, over-allocations in the International Offering, if any and/or the obligations of Deutsche Bank to return securities borrowed under the Stock Borrowing Agreement.

Further details with respect to the stabilisation and the Over-allotment Option are set out in the paragraphs headed "International Offering — Over-allotment Option" and "Over-allocation and Stabilisation" under the section headed "Structure of the Global Offering" in this prospectus.

STOCK BORROWING ARRANGEMENT

For the purpose of covering over-allocations in the International Offering, Deutsche Bank, in its capacity as stabilising manager, may borrow up to 37,500,000 Shares from Ally Good, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement on the following conditions in compliance with Rule 10.07(3) of the Listing Rules:

(i) such stock borrowing arrangement will only be effected by Deutsche Bank for settlement of over-allocations of Shares in connection with the International Offering;

(ii) the maximum number of Shares which may be borrowed from Ally Good by Deutsche Bank under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Ally Good or its nominees, as the case may be, on or before the third business day following the earlier of:

(a) the last day on which the Over-allotment Option may be exercised; and

(b) the day on which the Over-allotment Option is exercised in full;

(iv) the borrowing of Shares under the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(v) no payments or other benefits will be made to Ally Good by Deutsche Bank in relation to such stock borrowing arrangement.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB and USD have been translated into HK$ at the rate of RMB1.0 = HK$1.1666 and USD1.0 = HK$7.7520. No representation is made that the RMB and USD amounts could have been, or could be, converted into HK$ at such rates or at any other rate on such date or on any other date or at all.

LANGUAGE

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, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

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

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Zhou Keming (周克明先生)	Room 1601 Yinren Mansion No. 98 Da Cheng Lane Chong An District Wuxi, Jiangsu PRC	Chinese
Ms. Xu Xia (徐霞女士)	Room 1601 Yinren Mansion No. 98 Da Cheng Lane Chong An District Wuxi, Jiangsu PRC	Chinese
Mr. Qian Li (錢立先生)	No. 117 Qian Xi Lane Qian Xiang Village Luo She Town Hui Shan District Wuxi, Jiangsu PRC	Chinese
Mr. Zou Xiaoping (鄒曉平先生)	No. 119 Tian Yi Garden Yan Qiao Town Hui Shan District Wuxi, Jiangsu PRC	Chinese
Mr. Tang Zhonghai (唐中海先生)	Room 1802 No. 22 Hong Shan Garden Qing Qi Road Wuxi, Jiangsu PRC	Chinese
Non-executive Director		
Mr. Jiang Changhong (蔣長虹先生)	No. 71, Unit 4, Building 30, Sheng Li Bridge Bei Da Street Xing Hua Ling District Taiyuan, Shanxi PRC	Chinese

Name	Residential address	Nationality
Independent non-executive Directors		
Prof. Hua Min (華民教授)	No. 40-601, Lane 789 Ying Kou Road Yang Pu District Shanghai PRC	Chinese
Mr. Chen Xuedong (陳學東先生)	888 West Chang Jiang Road Hefei, Anhui PRC	Chinese
Mr. Cheuk Wa Pang (卓華鵬先生)	Flat 7C, Tower 6 Park Avenue 18 Hoi Ting Road Yaumatei Kowloon Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong
	Deutsche Bank AG, Hong Kong Branch 48/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Legal advisers to our Company	*as to Hong Kong law* Deacons 5/F, Alexandra House 18 Chater Road Central Hong Kong
	as to United States law Morrison & Foerster 33/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	as to PRC law Dacheng Law Offices, Beijing 12-15/F, Guohua Plaza 3 Dongzhimennan Avenue Dongcheng District Beijing PRC
	as to Cayman Islands law Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisers to the Joint Sponsors and the Underwriters	*as to Hong Kong law and United States law* Clifford Chance 28/F, Jardine House One Connaught Place Hong Kong *as to PRC law* Jingtian & Gongcheng 34/F, Tower 3 China World Place 77 Jianguo Road Chaoyang District Beijing PRC
Auditor and reporting accountant	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 17/F, Dorset House, Taikoo place 979 King's Road Quarry Bay Hong Kong
Receiving banker(s)	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road, Kowloon Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

CORPORATE INFORMATION

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Place of business in Hong Kong registered under Part XI of the Companies Ordinance	Unit 1007, Central Plaza 18 Harbour Road Wanchai Hong Kong
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STEEL MARKET OVERVIEW

Global Steel Demand Landscape

Global steel product consumption volumes have shown strong growth since 2000. According to the World Steel Association*, approximately 1,121 million tonnes of finished steel products were consumed in 2009 compared to 707 million tonnes in 1999, representing a CAGR of 4.7% between 1999 and 2009.

The table below shows the annual apparent consumption of finished steel products for the major geographical regions of the world for the period from 1999 to 2009. As shown in the table, steel product consumption in Asia accounted for approximately 57.1% of global apparent finished steel consumption in 2008, due partly to stagnant demand in advanced nations and a relatively stronger growth in steel demand in China.

Annual apparent consumption of finished steel products by region

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-2008 CAGR
						(million tonnes)						
European Union (27)	157	168	164	162	164	173	166	189	199	182	n/a	1.7%
Other Europe	15	18	16	17	20	22	23	26	28	25	n/a	5.8%
North America	148	155	137	140	138	157	145	160	146	134	n/a	(1.1)%
South America	23	25	27	25	25	31	30	34	39	41	n/a	6.6%
Asia	303	321	353	399	454	503	579	615	680	689	n/a	9.6%
Others	61	74	81	86	93	95	105	116	127	136	n/a	9.3%
Total	707	761	778	829	894	981	1,048	1,140	1,219	1,207	1,121	6.1%

Note: European Union (27) consists of the following members: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom

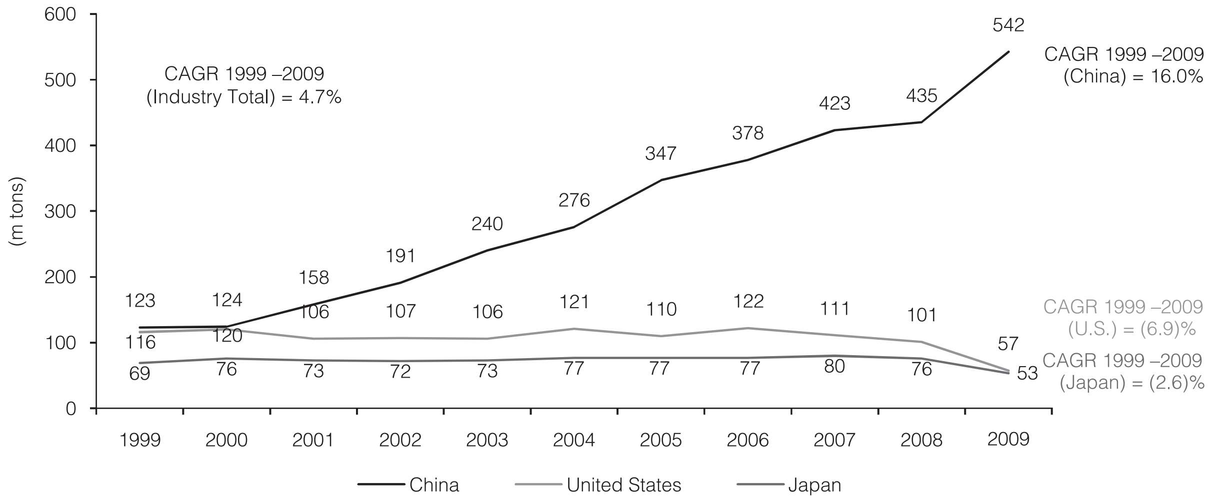
Source: Steel Statistical Yearbook 2009 (March 2010) and World Steel in Figures 2010 (July 2010), World Steel Association

* *World Steel Association is a non-profit organisation formed by steel producers, industry associations and steel research institutes of the world. It regularly publishes production statistics for crude steel, direct reduced iron and blast furnace iron, etc. Neither the Directors nor the Joint Sponsors have commissioned World Steel Association to prepare any research reports.*

China is the largest steel consumer in the world, driven by increasing demand from urbanisation and many large-scale infrastructure projects as the economy expanded. According to World Steel Association, in 1999, China's annual share of finished steel products apparent consumption stood at 17.4%. From 1999 to 2009, China's annual apparent consumption of finished steel products increased from 123 million tonnes in 1999 to 542 million tonnes in 2009, representing 48.3% of the world's total apparent consumption of finished steel products. In the medium to long-term, it is expected that developing countries such as China will remain the key driver of global steel demand as steel is necessary to support their industrialisation plans.

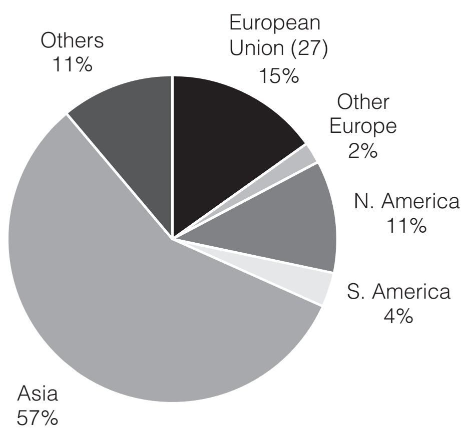
The chart below shows the trend of annual apparent consumption of finished steel products for the three major countries for the period from 1999 to 2009.

Trend of annual apparent consumption of finished steel products of the major countries

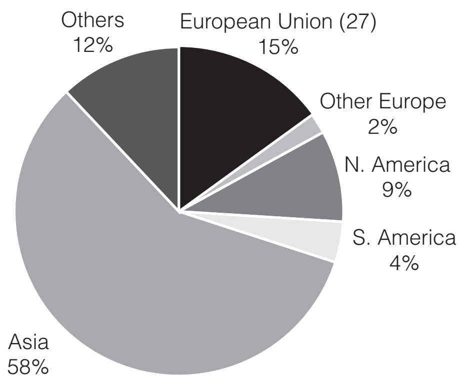


Source: Steel Statistical Yearbook 2009 (March 2010) and World Steel in Figures 2010 (July 2010), World Steel Association

Annual apparent consumption of finished steel products by geography (2008)



Annual production of crude steel breakdown by geography (2008)



Source: Steel Statistical Yearbook 2009 (March 2010) and World Steel in Figures 2010 (July 2010), World Steel Association

Global Steel Supply Landscape

Since steel demand collapsed after the global economic crisis started in September 2008, steel producers have sought to rebalance supply and demand by rapidly cutting production. The decline in output was particularly sharp in developed rather than emerging economies. By contrast, China's steel production responded rapidly to increased domestic demand following the implementation of the PRC government's economic stimulus initiatives. As such, a larger proportion of global steel production shifted from the developed world to the growing developing economies. According to World Steel Association, world crude steel production in 2009 has shown a decline in nearly all major steel producing countries and regions including the European Union, North America, South America and the Commonwealth of Independent States, while Asia, in particular China, India and the Middle East showed positive growth.

The table below shows the annual production of crude steel for the major geographical regions for the period from 1999 to 2009.

Annual production of crude steel by region

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-2008 CAGR
							(million tonnes)					
European Union (27)	182	193	187	188	193	202	196	207	210	198	n/a	0.9%
Other Europe	16	17	18	19	21	24	25	28	31	32	n/a	0.8%
North America	130	135	120	123	126	134	128	132	133	124	n/a	(0.5)%
South America	35	39	37	41	43	46	45	45	48	47	n/a	3.3%
Asia	309	333	355	395	442	513	596	672	757	771	n/a	10.7%
Others	117	132	134	138	145	153	154	163	167	157	n/a	3.3%
Total	789	849	851	904	970	1,072	1,144	1,247	1,346	1,329	1,227	6.0%

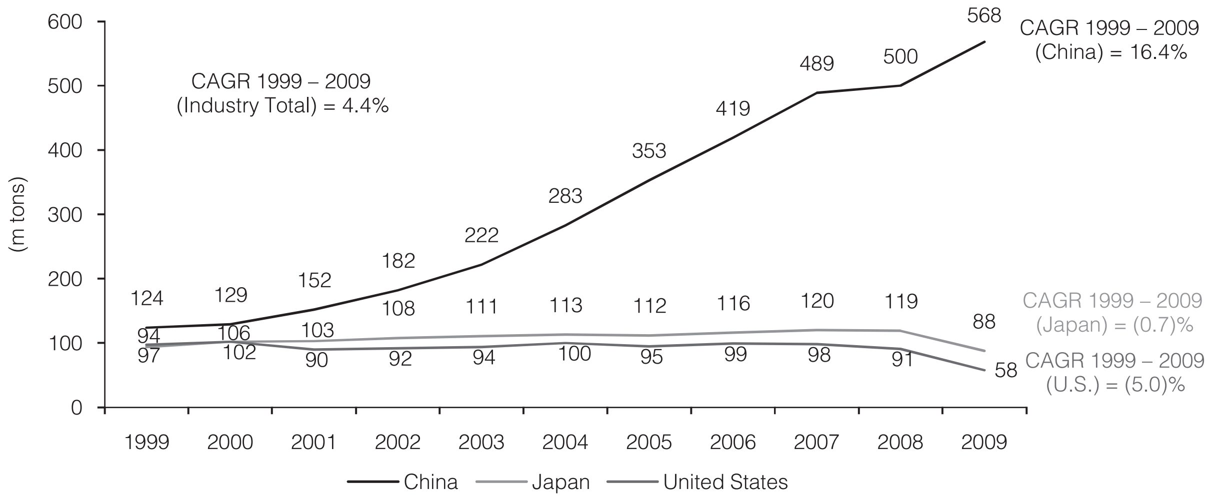
Note: European Union (27) consists of the following members: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom

Source: Steel Statistical Yearbook 2009 (March 2010) and World Steel in Figures 2010 (July 2010), World Steel Association

China, being the world's largest steel consumer, has also been expanding domestic production capacities. According to the World Steel Association, the country's crude steel production reached 568 million tonnes in 2009. China's share of world steel production continued to grow in 2009, representing 46.3% of crude steel produced globally.

The chart below shows the trend of annual crude steel production for the three major countries for the period from 1999 to 2009:

Trend of annual production of crude steel of the major countries



Source: Steel Statistical Yearbook 2009 (March 2010) and World Steel in Figures 2010 (July 2010), World Steel Association

Supply Chain In Steel Industry

There are generally three categories of steel suppliers: primary producers, re-sellers and processing centres. Primary producers typically sell in bulk, with re-sellers and processing centres comprising a large part of their customer base. However, high-volume downstream customers will at times purchase from companies in each of the three categories. Re-sellers are typically positioned in the value chain between primary producers and major industrial customers of processed steel, which include furniture and appliance manufacturers, as well as industrial and construction companies.

Steel processing centres play a key role in the industry supply chain, from precision steel and alloy processing to order aggregation, warehousing and re-selling of unprocessed steel products. They respond directly to customers' needs to meet precise specifications regarding length, width, shape and surface characteristics on relatively small orders. Specialised equipment is used to perform processing operations such as cutting-to-length, slitting, shearing, roll forming, shape correction, surface improvement, blanking, temper rolling, plate burning and stamping. The consolidation of steel producers and the increasing prevalence of modern supply chain management practices by downstream steel customers have increased the importance in the supply chain of larger scale steel processors and service centres with the operational resources to efficiently perform value added processing and manage large, diverse inventory bases. Downstream steel buyers have increasingly sought to purchase steel on shorter lead times and with more frequent, flexible and reliable deliveries.

STAINLESS STEEL MARKET OVERVIEW

The Characteristics of Stainless Steel

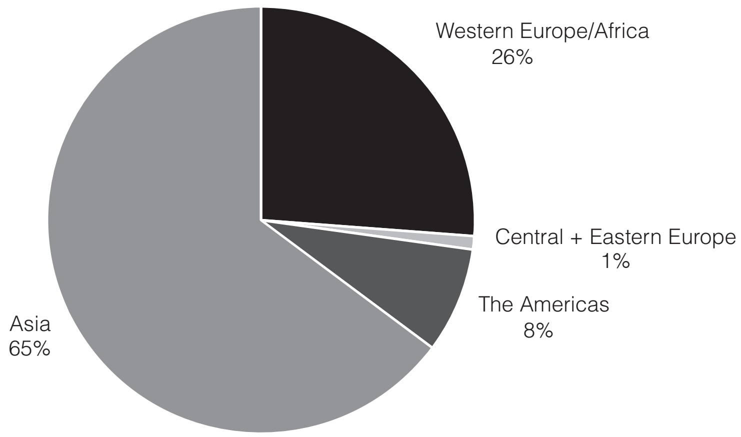
Stainless steel refers to a series of steel with a high degree of chemical stability in the air, water, saline, acids and other corrosive media. Stainless steel is not only a widely used corrosion-resistant material, it also possesses better heat resistance property (including anti-oxidation and high temperature resistance). Therefore, it is also an important heat-resistant material. Stainless steel has a shiny and attractive appearance and can be processed into various surface patterns. Therefore, it is also a high-end decorative material. Given its high impact-absorbing capability and thermal strength, stainless steel is also a shockproof, fire-resistant and anti-heat radiation material. Stainless steel has high strength, high ductility, high stiffness but is relatively light in weight. It is also easily welded and processed into various cross sections such as blocks, round ducts and reinforcing steel. Therefore, stainless steel is also a safe and reliable structural material and only requires limited maintenance. Stainless steel is also a highly cost-effective material with a long life cycle. Stainless steel can be 100% recycled and is an environmentally friendly material. Depending on the composition of chromium, nickel, molybdenum and other alloys, the available grades of stainless steel can be classified into five basic categories: ferritic, martensitic, austenitic, duplex and precipitation hardening.

Global Stainless Steel Industry

Global stainless steel supply landscape

The world stainless steel production grew at a CAGR of 3.1% from 2001, reaching 24.6 million tonnes in 2009. Stainless steel production in Asia has been growing particularly fast over the same period of time, from 8.4 million tonnes in 2001 to 15.9 million tonnes in 2009, representing a CAGR of 8.3% and accounted for 64.8% of the world's output in 2009. In contrast, the stainless steel production of the mature Western Europe has recorded a negative CAGR of 3.0% over the same period to 6.4 million tonnes in 2009 and only accounted for 26.2% of the world's estimated output in 2009.

Annual production of stainless and heat resisting crude steel by region (2009p)



Source: International Stainless Steel Forum (ISSF) (June 2010) is a non-profit research organisation, which serves as a forum on various aspects of the international stainless steel industry. ISSF collects detailed economic and statistical data on the stainless steel sector and disseminate the same to its members and general public. Neither the Directors nor the Joint Sponsors have commissioned ISSF to prepare any research reports

The table below shows the annual production of stainless and heat resisting crude steel for the major geographical regions for the period from 2001 to 2009.

Annual production of stainless and heat resisting crude steel by region

	2001	2002	2003	2004	2005	2006	2007	2008	2009p	2001-2009p CAGR
					('000 metric tonnes)					
Western Europe/Africa	8,210	8,628	9,043	9,422	8,823	9,972	8,669	8,272	6,449	(3.0)%
Central + Eastern Europe	285	279	322	318	310	363	364	333	237	(2.3)%
The Americas	2,289	2,735	2,830	2,933	2,688	2,951	2,604	2,315	1,958	(1.9)%
Asia	8,403	9,048	10,645	11,897	12,498	15,074	16,200	15,011	15,935	8.3%
World	19,187	20,690	22,840	24,570	24,319	28,360	27,837	25,931	24,577	3.1%

Source: International Stainless Steel Forum (ISSF)

Major stainless steel producers in the world

The global steel industry is still relatively fragmented, due to the existence of small and medium sized stainless steel producers in China and other emerging markets. The year 2009 saw the continual progression of China's stronghold in world stainless steel production, with TISCO becoming the world's leading stainless steel producer in terms of production volume.

The table below sets out the world's largest stainless steel manufacturers in 2008 and 2009:

Ranking	2008	2009
1	ThyssenKrupp Stainless Steel	TISCO
2	POSCO	POSCO
3	Acerinox	E United Group
4	ArcelorMittal	ThyssenKrupp Stainless Steel
5	TISCO	Acerinox
6	E United Group	ArcelorMittal
7	Outokumpu	BaoSteel
8	BaoSteel	Outokumpu
9	NSSC	Fujian Wuhang
10	AK Steel	NSSC

Source: SMR (April 2010), which specialises in providing market intelligence covering specific segments or entire markets for the global Speciality Steel Industry. SMR is an independent third party of our Group. Neither the Directors nor the Joint Sponsors has commissioned SMR to prepare any research reports.

PRC Stainless Steel Industry

Overview of PRC economy

China's economy has had strong growth since its economic reform in 1978. According to the National Bureau of Statistics of China, China's GDP increased from approximately RMB10,966 billion in 2001 to approximately RMB33,535 billion in 2009, representing a CAGR of approximately 15.0%.

Along with the rapid growth of the PRC economy, fixed asset investment in China has also experienced fast growth. China's fixed asset investment has increased from approximately RMB3,721 billion in 2001 to approximately RMB22,485 billion in 2008, representing a CAGR of approximately 25.2% and outpacing China's GDP growth during the same period.

The table below sets out year-on-year growth of China's GDP and its fixed asset investment for the period between 2001 and 2009.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2001-2009 CAGR
	(RMB billion)									
China's GDP	10,966	12,033	13,582	15,988	18,322	21,192	25,731	30,067	33,535	15.0%
Fixed asset investment	3,721	4,350	5,557	7,048	8,877	11,000	13,732	17,283	22,485	25.2%

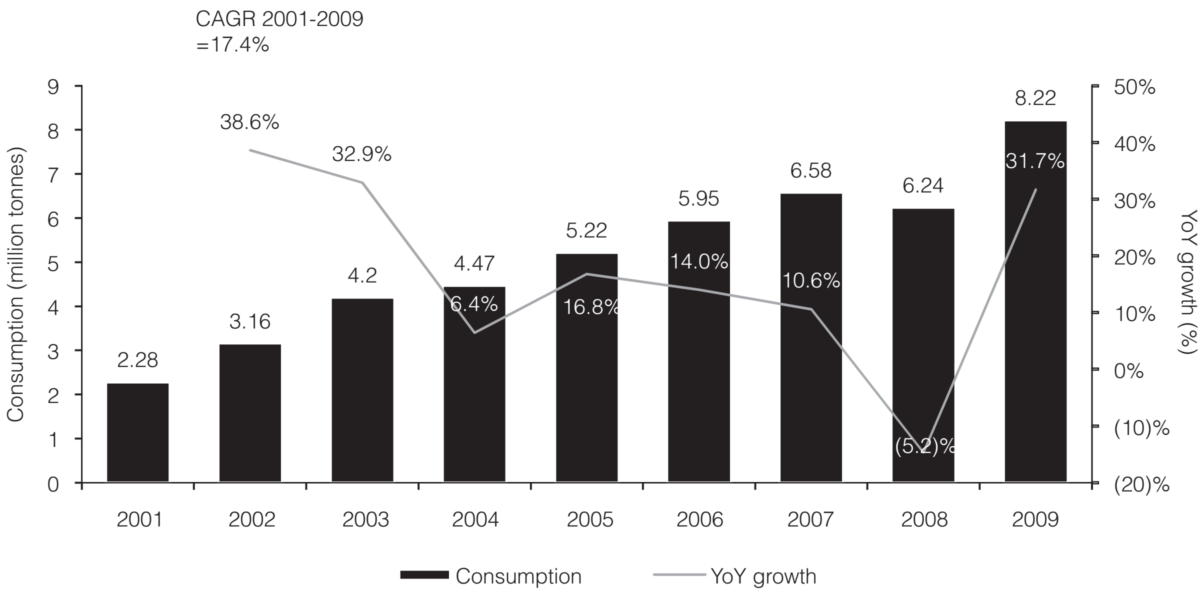
Source: China Statistics Yearbook of respective years, published by National Bureau of Statistics of China

Stainless steel consumption in the PRC for the years 2001-2009

Stainless steel can be used for diversified purposes and its consumption in China has been growing continually between 2001 and 2009, from 2.28 million tonnes in 2001 to 8.22 million tonnes in 2009, achieving a CAGR of 17.4% and outpaced GDP CAGR of 15.0% during the same period. Stainless steel consumption in China in 2008 dropped by 9.5% due to the economic downturn but consumption rebounded rapidly in 2009, achieving a year-on-year ("YOY") growth of 31.7% .

The chart below sets out the annual consumption of stainless steel in China for the period between 2001 and 2009:

2001 to 2009 stainless steel consumption in China

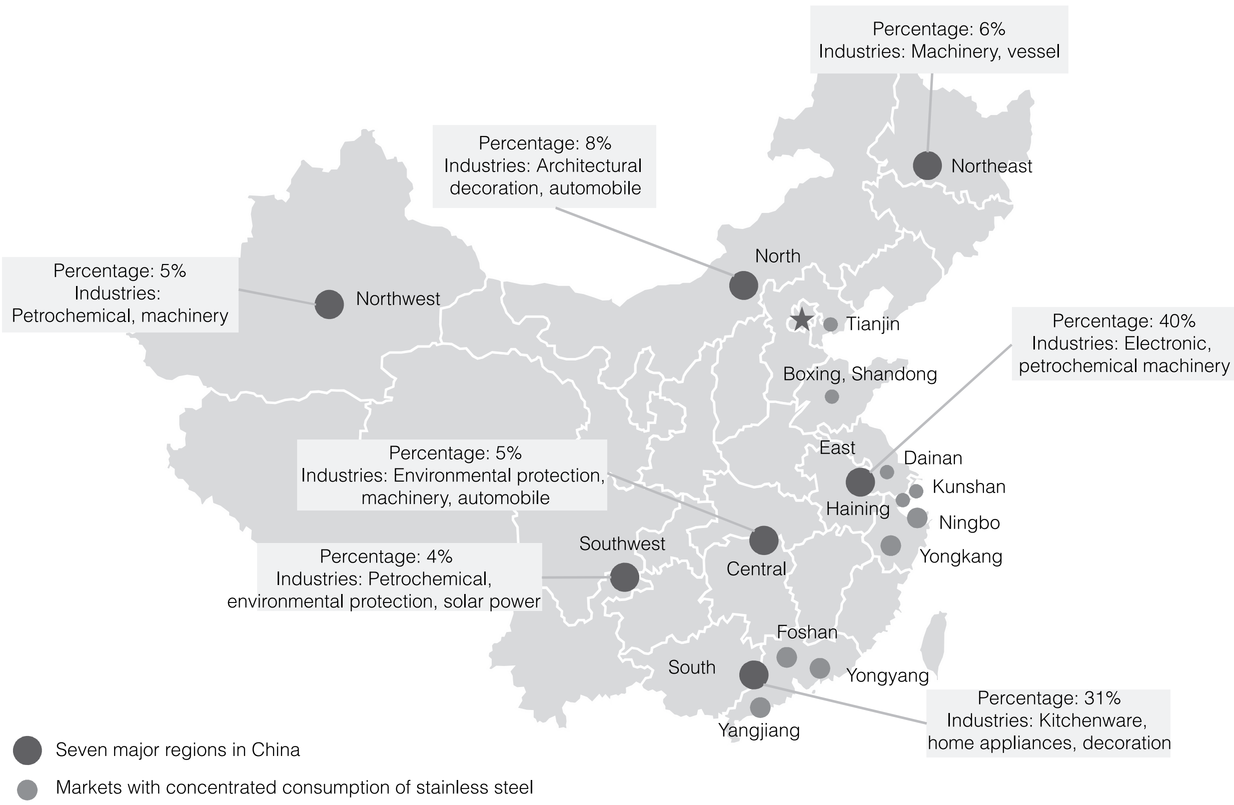


Source: Stainless Steel Council of China Special Steel Enterprises Association (CSSC), which is a nationwide industrial organisation formed voluntarily by enterprises and institutions involved in stainless steel production, fabrication, application, research, design and distribution. CSSC regularly provides consulting service and technical guidance for R&D, design, production, application and standard-setting in the stainless steel sector. Neither the Directors nor the Joint Sponsors have commissioned CSSC to prepare any research reports.

Geographical breakdown of stainless steel consumption

Stainless steel consumption is concentrated in the Eastern and Southern regions of China and they together accounted for over 70% of the nation's stainless steel consumption. These two regions include some of the nation's highest GDP provinces — Guangdong, Zhejiang, Jiangsu, Shandong, Pearl River Delta and Yangtze River Delta, all of which are the nation's core industrial production bases. As a result, most of the nation's major stainless steel demand are from these two regions. Stainless steel is used in manufacturing, electrical and household appliances as well as petrochemical machinery in these major markets, but due to its diversified usage, it is also used in automobiles, vessels, new energy and other machinery segments in other parts of the nation.

Geographical breakdown of stainless steel consumption in PRC in 2008



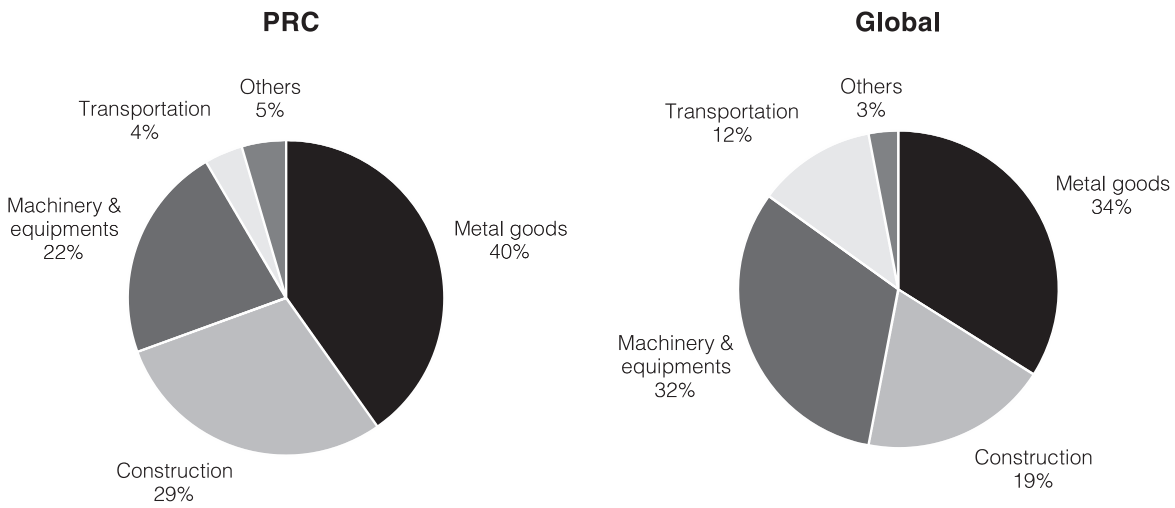
Source: www.51bxg.com, which is an independent web-based organisation that provides business intelligence and updates on the stainless steel industry. The organisation has over 120,000 participating corporate members from China, Taiwan, Hong Kong, Japan, Korea, Germany, South Africa, Norway, etc. www.51bxg.com is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned www.51bxg.com to prepare any research reports.

PRC consumption breakdown by end-user

Stainless steel has a wide range of applications across the civil-use and industrial-use spectrum. In China, stainless steel products are widely used in the metal goods, construction, machinery and equipment, and transportation industries.

The consumption mix of stainless steel products in China is different from the consumption mix globally. According to Antaike's Analysis of Stainless Steel Market 2010 (April 2010), in 2009, the proportion of stainless steel products consumed in the PRC transportation industry was lower than that of the global figure, being 4% and 12% respectively. The same trend was also applicable to the machinery and equipment industry, which accounted for 32% of total consumption globally but only 22% of total consumption in the PRC in 2009. Whereas the consumptions in the metal goods industry and construction industry in the PRC were 40% and 29% respectively, both being higher than the global figure of 34% and 19% respectively. The chart below sets out a breakdown of PRC and global stainless steel product consumption by end-user sectors in 2009.

PRC and global stainless steel products consumption by end-user, 2009



Source: Analysis of Stainless Steel Market 2010, Beijing Antaike Information Development Co., Ltd. (Antaike (April 2010)), which is a leading information provider for the mining and metals industries in China. Antaike is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned Antaike to prepare Analysis of Stainless Steel Market 2010.

1. Stainless steel product consumption in the PRC transportation industry

Driven by the rapid development of the transportation industry, stainless steel products are expected to enjoy increasingly wide applications in the railway, automobiles, shipping, aviation and other transportation sectors.

According to Antaike, estimated stainless steel consumption in the transportation industry in 2009 was still relatively low at approximately 4.0% of China's total stainless steel product consumption compared to that of 12% globally.

Railways and Metropolitan Railways

According to the Ministry of Railways (中華人民共和國鐵道部) (the "MOR"), China's total railway network operating length was approximately 86,000 kilometers as of the end of 2009, making it the longest in Asia and the second longest in the world after the United States. However, this network is still not sufficient to meet the demands placed on it given the size of the population, the scale and growth of the economy of the PRC and the popularity of railway transportation as a medium of transport.

To address the lagging investment in the railway industry in recent years, the PRC Government announced the Eleventh Five-year Plan in 2005, which included an aggressive investment and expansion plan for railways in the PRC. The plan calls for a total investment of approximately RMB1.25 trillion to develop the PRC railway network in the period between 2006 and 2010, which is almost four times the corresponding amount budgeted under the Tenth Five-year Plan. According to the Vice Minister of the MOR, the total amount of investment in the PRC railway network is estimated to reach RMB5.0 trillion by 2020.

Automobiles

According to the China Association of Automobile Manufacturers* (Jan 2010), with sales of over 13 million units, China has surpassed the US in 2009 and became the world's largest automobile market in terms of sales volume. The strong economic growth of China and the accompanying increase in fixed asset investment, improved road transportation infrastructure and the enhancement of consumer purchasing power have brought about rapid growth in the PRC automobile market in the past decade. China's automobile production volume grew at a CAGR of 23.3%, from approximately 2.1 million units in 2000 to approximately 13.8 million units in 2009. China has also surpassed both the US and Japan, and became the world's largest automobile maker in terms of production volume in 2009. We believe that the PRC automobile market will continue to grow in line with the PRC economy.

Aviation

According to the International Air Traffic Association# (Feb 2010), Asia Pacific overtook North America as the largest single aviation market in the world in 2009, and China is the leading market in Asia with 38% of the region's passenger traffic. By 2013, China's market share in the region is expected to increase to 45%.

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* *China Association of Automobile Manufacturers is a non-profit industry organisation formed by China's automobile producers, vehicle parts producers and companies involved in automotive related industries, and is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned China Association of Automobile Manufacturers to prepare any research reports.*

\# *International Air Traffic Association is an international trade body formed by a more than 200 airlines worldwide for the purposes of representing, leading and serving the airline industry in general, and is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned International Air Traffic Association to prepare any research reports.*

China's aviation industry has grown rapidly over the last ten years. The aircraft fleet increased from 480 to 1,400 within a decade, while the domestic market grew 3.5 times over the same period from 1.6 million seats a week to 5.7 million seats per week. Comparatively, international seats grew from half a million weekly seats to 1.4 million within the decade.

According to the Eleventh Five Year Plan, passenger traffic of Chinese airlines measured in passenger-time is expected to continue to increase at an average annual rate of 14.5%, while freight traffic of Chinese airlines measured in tonnes is expected to grow at an average annual rate of 13% for the period from 2006 to 2010. As a result, the PRC Government plans to establish China as a global supplier to the international aircraft manufacturing industry and has approved an investment of RMB200 billion to produce jumbo jets.

Shipping and Shipbuilding

China is one of the world's largest shipbuilding countries, and it has been the PRC Government's stated aim to become the biggest shipbuilding nation in the world. According to the Mid to Long-Term Development Policy for China's Shipbuilding Industry approved by the State Council on 16 August 2006, China's shipbuilding industry aims to reach a production capacity of approximately 23.0 million deadweight tonnage (DWT) while the production output is targeted to rise to approximately 17.0 million DWT by the end of 2010.

2. Stainless steel product consumption in the PRC Machinery and Equipment Industry

Driven by the continuous technological advances of industrial machineries and equipment, stainless steel products are currently, and are expected to continue to be widely utilised in the petrochemical and electric power sectors.

The table below sets out some major applications of stainless steel products in the machinery and equipment industry.

Sector	**Applications**
Petrochemical equipment	Containers; heat exchangers; condensers; petroleum and natural gas pipelines; drill pipes; oil tanks; chemical equipment; clad plate
Machinery equipment	Machine tools; clad plate
Electric power equipment	Radiators; outer castings

Stainless steel's excellent heat-resistance and corrosion-resistance, along with its exceptional mechanical properties and durability, make it an essential part in petrochemical equipments. Stainless steel is able to withstand high temperatures and corrosions for a longer period than other materials normally used for tanks and pipes. Thus, stainless steel is becoming more commonly used material in the petrochemical industries, especially in containers and pipes manufacturing.

According to the 2010 China Petrochemical Summit*, the demand for petrochemical products is driven by GDP growth. China has successfully maintained an 8% GDP growth rate in 2009, despite the significant negative impact of the global financial meltdown. As the biggest petrochemical market in Asia and an important driver for the world's petrochemical industry, China is an attractive destination to which many multinational petrochemical businesses are relocating their productions, and this in turn has driven up the demand of petrochemical products domestically.

Stainless steel is also widely used in machinery equipment and electric power equipment manufacturing. These segments are driven by the growth of industrial production and fixed asset investment. Fixed asset investment in China grew at a CAGR of 24.5% between 2001 and 2008. A lot of the key components of machinery equipment are currently sourced from overseas suppliers, but it is expected that these key components will increasingly be produced in China. This is expected to lead to increasing demand for steels and metals, including stainless steel, in China in the future.

3. Stainless steel product consumption in the PRC Metal Goods Industry

The metal goods industry is the largest user of stainless steel products in China. Stainless steel products are predominately used in the manufacturing of white appliances, kitchen wares and household hardware.

The table below sets out some major applications of stainless steel products in the metal goods industry.

Sector	**Applications**
White appliances	Refrigerators; air conditioners; microwaves; washing machines; vacuum cleaners
Kitchen wares	Pots; spoons; knives; pans; cups; kettles
Household hardware	Locks; tools; screws; connectors

Driven by rising disposable income and increasing urbanisation of population, the Chinese household appliances market has grown at a strong and steady rate in recent years. The rebate scheme for reduced price goods to rural consumers has also increased the demand for household appliances in rural areas. According to Datamonitor[#] (August 2009), the Chinese household appliances market generated total revenues of US$24.4 billion in 2008, representing a CAGR of 7.5% for the period between 2004 and 2008, and is forecasted to generate total revenues of US$30.7 billion by the end of 2013 at anticipated CAGR of 4.7%.

* *China Petrochemical Summit is an annual forum organised by CBI China which is the largest integrated service provider in the PRC commodity markets specialise in the industry chains of energy, chemical, iron & steel, non-ferrous metal, and pulp & paper. CBI China is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned CBI China to prepare any research reports.*

Datamonitor is a business information company specialising in industry analysis and an independent third party of our Group. The information disclosed in this prospectus from Datamonitor is extracted from reports not commissioned by us and was prepared in the ordinary course of business of Datamonitor.

4. Stainless steel product consumption in the PRC construction industry

The construction industry is the second largest user of stainless steel products in China. Stainless steel products are predominately used in concrete reinforcing bars, curtain walls, elevators, rooftops, window frames and door frames of infrastructures.

Rapid stainless steel consumption growth in the construction industry is primarily attributable to the fast-growing property market in China for the past years. Since the early 1990, the PRC property market has continued to grow, sustained by a number of factors, including overall economic growth, a significant increase in investment in the industry, increases in the disposable income and urbanisation rate of the population and the development of a mortgage lending market in China. According to National Bureau of Statistics of China, from 2001 to 2009, per capita annual disposable income of urban households in China increased from approximately RMB6,860 to approximately RMB17,175, resulting in increased purchasing power for urban households in the PRC, and representing a CAGR of approximately 12.2%.

According to the National Statistics Bureau of China, the total real estate GFA sold in China in 2009 reached approximately 937 million sq.m., generating approximately RMB4,399 billion in sales. This was compared to approximately 224 million sq.m. sold in 2001 that generated approximately RMB486 billion in sales. These figures represent a CAGR of approximately 19.6% for GFA sold and a CAGR of approximately 31.7% for property sales revenue. In the first four months of 2010, the total real estate GFA sold in China was approximately 234 million sq.m., generating approximately RMB1,243 billion in sales. These figures represent an increase of 32.8% for GFA sold and an increase of 55.4% for property sales revenue as compared to the first four months of 2009.

5. Others

Stainless steel are also used in various industries with expected good growth potential. An example would be the nuclear power industry. Stainless steel can be used to manufacture some of the key components of a nuclear reactor. According to China Nuclear Energy Association*, the installed capacity of existing nuclear power plants and that under construction were 6,998 MW and 2,120 MW respectively in 2004 and have grown to 9,078 MW and 11,020 MW in 2008. Even so, Nuclear power only accounted for 2.02% of the total power generation in China in 2008. According to《核電中長期發展規劃(2005-2020年)》(Mid to long-term nuclear development plan 2005-2020) issued by the National Development and Reform Commission（國家發展和改革委員會）of China (Oct 2007), the plan calls for a total installed capacity of 40,000MW in 2020, which represents a significant increase from the current capacity. The expected growth in diversifying sources of power generation offers growth opportunity in future domestic demand for stainless steel.

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* *China Nuclear Energy Association (CNEA) is a national non-profit non-governmental organisation serving as a bridge for CNEA's members to link with the government and the foreign counterparts. CNEA is an independent third party of our Group. It consists of 251 members from different divisions of nuclear energy industry. Neither the Directors nor the Joint Sponsors have commissioned CNEA to prepare any research reports.*

PRC major stainless steel mills

The stainless steel mills with production output exceeding 500,000 tonnes per year in the PRC as at the end of 2008 were as follows:

Company	**Production output**
	('000 tonnes/year)
STSS	1,690
Baoshan Iron & Steel Co., Ltd.	1,090
Lianzhong (Guangzhou) Stainless Steel Corporation	760
Fujian Wuhang Stainless Steel Products Co., Ltd.	738
Tsingshan Holding Group	637
Zhangjiagang Pohang Stainless Steel Co., Ltd.	566
Others	2,731
Total	8,212

Source: 中國金屬材料流通協會不銹鋼分會 (Stainless Steel Division of the Metallic Materials Distribution Association of China) (CSSM (June 2009)), which is administered by State-owned Assets Supervision and Administration Commission of the State Council. It records and reports information on the stainless steel industry in China. CSSM is an independent third party of the Group. Neither the Directors nor the Joint Sponsors have commissioned CSSM to prepare any research reports.

According to CSSM, the total production capacity of the six above-mentioned enterprises accounted for approximately 66.7% of the total production output in the PRC. In particular, STSS and Baoshan Iron & Steel Co., Ltd. accounted for approximately 20.6% and 13.3% of the total production output in the PRC in 2008, respectively.

Overview of PRC metal processing industry

In developed countries, the metal processing industry is well-established and has had a long operating history.

Given metal producers engage in large-scale production, in most cases, it is difficult for them to tailor their products to individual customers' products specifications. The need of end-users generally can only be satisfied with the assistance of metal processors. Therefore, metal producers usually do not engage in direct marketing, but sell their products through metal processors or companies engaging in the sale and purchase of stainless steel raw materials ("re-seller").

As compared to processing centres globally, processing centres in Europe are generally divided into two categories. They are either directly established or owned by stainless steel mills (e.g., ArcelorMittal and ThyssenKrupp); or they are independent from stainless steel mills (e.g., Kloeckner & Co. and BE Group). In North America, the segment is generally dominated by processing centres independent from stainless steel mills. (e.g., Ryerson, Reliance Steel and

Worthington Industries). In contrast, there are not as many sizeable processing centres in China and some of the processing functions are performed in-house by the primary producers (e.g., Baosteel has its own processing centres). In terms of the processing mix, the majority of the processing centres in Europe and North America provide value-added processing services across various types of steels and metals, while there are few processing centres in China that would process various kinds of steel and metals.

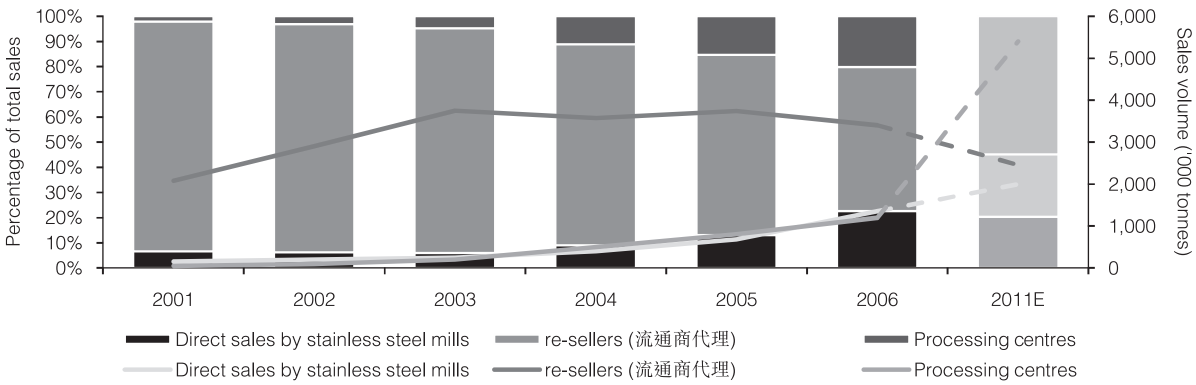
Since late 1990s, the metal processing and resale service model in China has been gradually recognised along with its wide application by foreign companies. Certain major domestic steel companies began to adopt such advanced processing and resale model to provide customers with higher quality products and services.

Over the past decade, many professional steel processing centres have been established mainly in economically developed regions such as southern and eastern China to provide services for the automotive, appliance, electronics, construction, office equipment, and other sectors. Some customers have also outsourced their non-core operations including storage, processing, and material quality control to external companies to reduce investment risk.

Channels for the sales of stainless steel in PRC

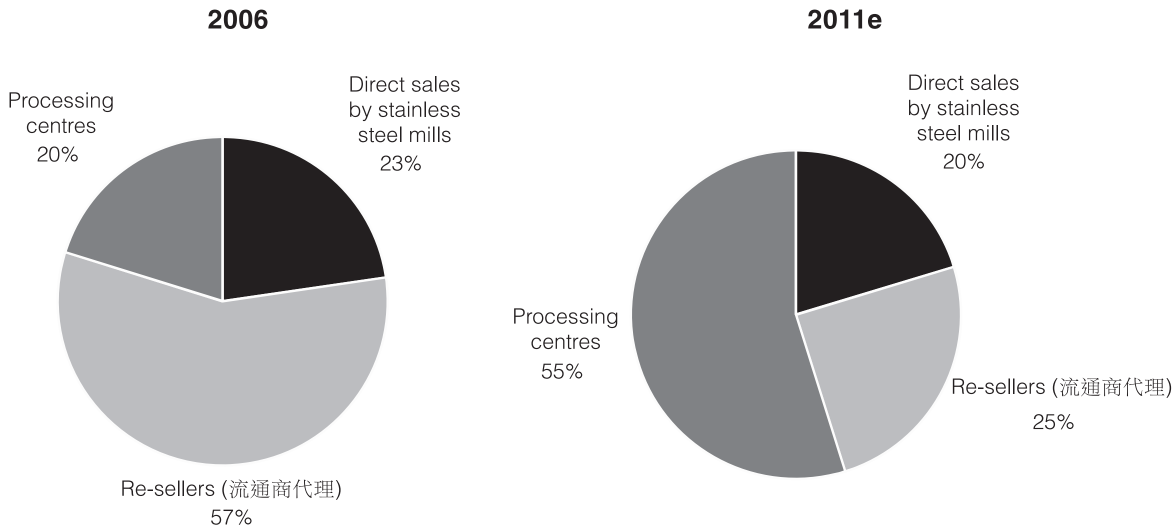
At present, sales of stainless steel in China is mainly conducted through three channels, namely direct sales by stainless steel mills, sales by re-sellers (流通商代理) and sales by processing centres. According to the survey conducted by ChinaCCM, the domestic market shares of the three sales channels in 2006 were as follows: approximately 3.4 million tonnes were sold through sales by re-sellers (流通商代理), accounting for 57.1% of the total sales volume; approximately 1.35 million tonnes were sold through direct sales by stainless steel mills, accounting for 22.7% of the total sales volume; approximately 1.2 tonnes were sold through processing centres, accounting for 20.2% of the total sales volume.

Evolution of market share of the three sales channels of stainless steel in the PRC



Source: www.ChinaCCM.com

Market share of the three sales channels of stainless steel in the PRC



Source: www.ChinaCCM.com is a business information company which provides industry and market trade information and consulting services and is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned ChinaCCM to prepare any research reports.

The percentage of sales by re-sellers (流通商代理) has been decreasing over the last few years, from 91.2% in 2001 to 57.1% in 2006, and has been edged out by sales through direct sales by stainless steel mills and processing centres, which have increased from 2.2% and 6.6% in 2001 to 22.7% and 20.2% in 2006 respectively. It is anticipated that sales through processing centres could reach 5.4 million tonnes in 2011.

According to ChinaCCM, relatively mature processing centres of stainless steel have been established in Europe, North America and Japan. According to the same study, the volume of stainless steel sold to downstream customers through processing centres has exceeded 80% of the total production in these countries.

PRC major stainless steel processors and re-sellers

The stainless steel processors and re-sellers with sales volume exceeding 150,000 tonnes in the PRC as at the end of 2008 were as follows:[1]

Company	**Sales volume**	**Percentage**
	('000 tonnes)	*(%)*
Jiangsu Daming	340	18.42%
Yantai Oriental Stainless Steel Industry Co., Ltd.[2]	230	12.46%
Shanghai Hetong Enterprise Development Co., Ltd.[3]	180	9.75%
Wuxi Puxin Stainless Steel Co., Ltd.[4]	170	9.21%
Rising Steel (Guangzhou) Co., Ltd.[5]	150	8.13%
Others	776	42.03%
Total	1,846	100%

Source: CSSM (June 2009) — 2008 stainless steel processors and re-sellers ranking in terms of sales volume in China (2008年中國不銹鋼流通企業銷售量排名)

Notes:

1. The information set out in the table above limits the disclosure of top PRC stainless steel processors and re-sellers with annual sales volume exceeding 150,000 tonnes as at the end of 2008. The purpose of such disclosure is to provide potential investors a general understanding of who the major competitors of the Company are.

2. Yantai Oriental Stainless Steel Industry Co., Ltd., a wholly foreign owned enterprise established in 1987 principally engages in the business of stainless steel processing.

3. Shanghai Hetong Enterprise Development Co., Ltd., a company based in China principally engages in the business of trading of stainless steel.

4. Wuxi Puxin Stainless Steel Co., Ltd., a company based in China principally engages in the sale of stainless steel materials.

5. Rising Steel (Guangzhou) Co., Ltd., a company based in China principally engages in stainless steel processing.

The total trading volume of the five above-mentioned enterprises accounted for approximately 58.0% of the total stainless steel trading volume in the PRC. In particular, Jiangsu Daming, a wholly-owned subsidiary of the Company, accounted for approximately 18.4% of the total stainless steel sales volume in the PRC in 2008. CSSM also ranked Jiangsu Daming No. 1 on the stainless steel processors and re-sellers ranking in 2009* (2009年中國不銹鋼行業貿易量第一名).

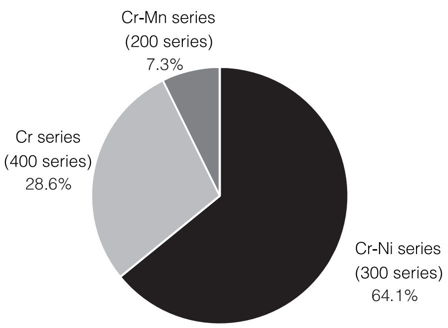
* *For 2009, CSSM had only published the ranking of the top stainless steel processors and re-sellers in China without the corresponding publication of the volume and market share data. Based on the information available to the Company, CSSM has decided not to publish market share data for 2009 and will only continue to publish the ranking of the top stainless steel processors and re-sellers. As such, the Company was able to disclose market share data in quantitative terms in respect of 2008, while only able to disclose a ranking in 2009 without the corresponding market share data.*

China stainless steel product type

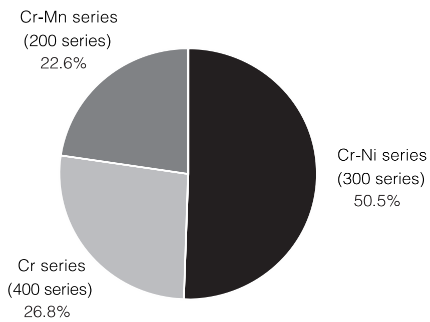
According to Stainless Steel Council of China Special Steel Enterprises Association (April 2009), Cr-Ni (300 series) is the major type of stainless steel in terms of production volume in 2008. Cr (400 series) is the second in production volume and Cr-Mn(200 series), generally considered the cheapest, least corrosive-resistant and with the shortest service life, is the least produced type of stainless steel. In contrast to the rest of the world, PRC's production of the 200 series accounted for 22.6% of the entire stainless steel production in the PRC. This was significantly higher than the 7.3% recorded for the rest of the world. Generally speaking, this is because consumers typically are less demanding in quality of stainless steel used in general application, e.g., production of electrical appliances and household goods. As more and more advanced industrial production (e.g. vessels and new energy segments) takes place in PRC, the production preference of stainless steel in PRC will change and converge with that in the advanced industrial nations.

PRC stainless steel products production by type in 2008

World (excluding PRC)



PRC



Source: Stainless Steel Council of China Special Steel Enterprises Association (CSSC) (April 2009)

Price trend of stainless steel and nickel

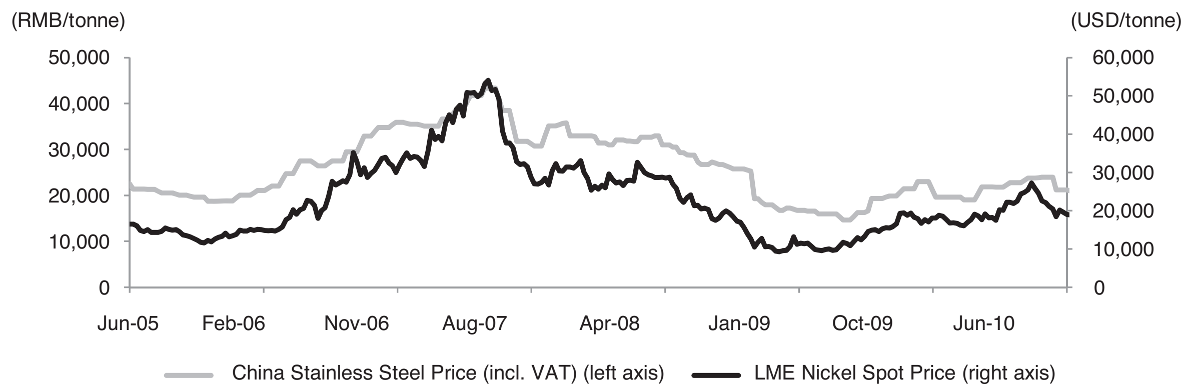
Factors affecting the market price of stainless steel include, amongst others, the international market price of nickel which is contained in the major type of stainless steel (Cr-Ni 300 series), the supply of stainless steel from stainless steel mills and demand of stainless steel in the international market.

The price of stainless steel in the PRC peaked in mid 2007 when the demand was strong and driven by high level of manufacturing activities in the PRC. Subsequently, the price started to decline when stainless steel mills, with excess capacity, produced more than the demand. Coupled with the expectation of an economic downturn and a decreasing level of manufacturing activities, the price of stainless steel in PRC hit its bottom low in late 2008. Stainless steel price stabilised during early 2009 and started to recover since March 2009 due to strengthening of demand backed by recovering economy. The price of stainless steel has lately been moving within the range of RMB20,000 to RMB30,000 per tonne. This is still far from its mid 2007 record high of RMB40,000 per tonne.

Nickel is heavily used in the production of stainless steel. The price of nickel was therefore directly affected by the change in the stainless steel market. The price of nickel increased to a high price of more than US$54,000 per tonne in mid 2007. Subsequently, nickel prices started to decline due to global economic downturn and a decreasing level of manufacturing activities. The price of nickel reached the low price of approximately US$9,300 per tonne in late 2008. Price has generally been on an upward trend since March 2009 due to the strengthening of demand backed by a recovering economy.

Prices of stainless steel and nickel are positively correlated. The price trend of stainless steel in the PRC vis-a-vis the price of nickel from March 2005 to July 2010 is as follows:

China Stainless Steel Price and LME Nickel Spot Price (Mar 2005 to Jul 2010)

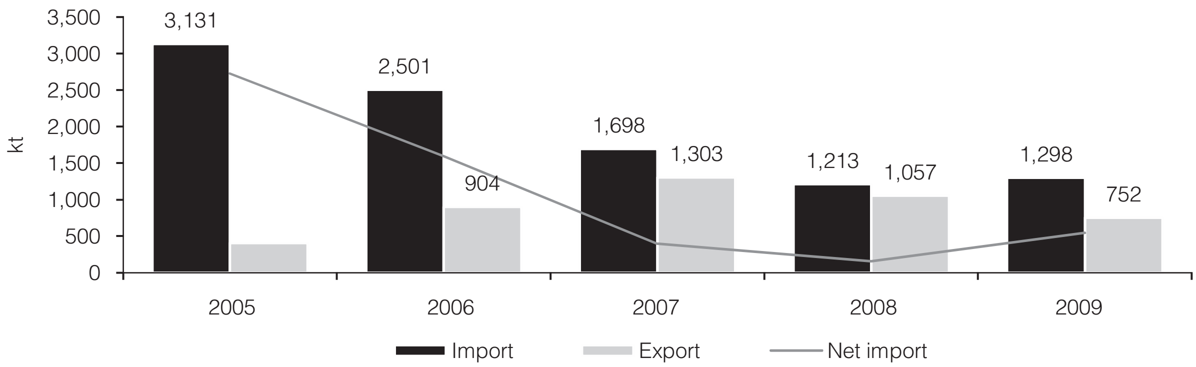


Source: Bloomberg, which is a privately held financial software, business information, news, and data company, and is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned Bloomberg to prepare any research reports.

Export and Import of stainless steel in China

China was a net importer of stainless steel and recorded net imports of 2.7 million tonnes of stainless steel in 2005. The PRC-based manufacturers only exported 406,000 tonnes of stainless steel in the same year. The PRC-based manufacturers had increased their production rapidly and recorded approximately 1.3 million tonnes of stainless steel exports in 2007. The past two years have seen dramatic fluctuations in domestic demand. In 2008, China imported approximately 1.2 million tonnes and exported approximately 1 million tonnes and the net import amount was only approximately 156,000 tonnes. The overall domestic market saw recovery in consumption in 2009 and as a result, exports dropped 28.9% to approximately 752,000 tonnes while imports increased 7.0% to approximately 1.3 million tonnes.

Import and Export of stainless steel in China, 2005-2009



Source: CSSC and Antaike (Apr 2010)

LAWS AND REGULATIONS RELATING TO CHINA'S STAINLESS STEEL INDUSTRY

Overview

Our business is subject to extensive regulations by the PRC Government. These regulations govern a wide range of areas including, among other things, project approvals, environmental protection, labour and safety. In addition, our operations are subject to general regulations in the PRC without industry-specific requirements, such as foreign investments, foreign exchange control and taxation. A summary of the important provisions of the aforesaid laws and regulations relating to our business and operation is set out below.

Production Licenses for Industrial Products

The Regulations of the PRC on the Administration of Production Licenses for Industrial Products (中華人民共和國工業產品生產許可證管理條例) (the "Production License Regulations") were promulgated by the State Council on 9 July 2005 and became effective on 1 September 2005. The Production License Regulations implement a production licensing regime in respect of enterprises involved in the manufacturing of major industrial products, including stainless steel electrode.

The Implementing Measures of the Production License Regulations were promulgated by the 國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC) (the "AQSIQ") on 15 September 2005 and became effective on 1 November 2005, as well as revised in 2010, which set out detailed rules for the production licensing regime for enterprises. Before obtaining a production license, no enterprise may produce products listed in the index of industrial products to which the licensing regime is applicable. Furthermore, no entity or individual may sell or, in the course of business, use any products listed in such index but produced without a production license. However, as a company specialised in stainless steel processing, the Production License Regulations are not applicable to our Company.

Production Standardisation

The Standardisation Law (中華人民共和國標準化法), which became effective on 1 April 1989, establishes the legal framework upon which national standards are developed and applied to various businesses and industries in the PRC. Standard GB3280-92 (Cold-rolled Stainless Steel Plates) is a compulsory national production standard as determined by the Standardisation Law Administration Authority under the State Council.

The production, sale or import of any product that does not conform to compulsory standards shall be handled by the relevant administrative authorities in accordance with the Standardisation Law. Where the Standardisation Law is silent on such handling, the local Administration of Industry and Commerce may confiscate the products and any illegal income derived therefrom and impose a fine. In circumstances where serious consequences are incurred and criminal offence is committed, the liabilities for responsible personnel may be investigated and established in accordance with the law.

According to the Standardisation Law, the main standards in relation to the stainless steel industry including without limitation, GB 3280 — 92 (Cold-rolled Stainless Steel Plates), GB 4237 — 92 (Hot-rolled Stainless Steel Plates), GB/T 8165 — 1997 (Compound Stainless Steel Plates and Stripes), GB/T 7102 — 1997 (Compound Stainless Steel Plates and Stripes, Cold-rolled), GB 4239 — 91 (Compound Stainless Steel Plates and Stripes, Hot-rolled).

However, as a company specialised in stainless steel processing but not the production of stainless steel, the foregoing and other relevant applicable national standards are not applicable to our Company.

Environmental Protection

The Environmental Protection Law (中華人民共和國環境保護法), which was promulgated and became effective in 1989, aims to protect and improve the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The State Environment Protection Administration of the PRC (中華人民共和國國家環境保護總局), currently renamed as the Ministry of Environment Protection of the PRC (中華人民共和國環境保護部), is responsible for the overall supervision and administration of environmental protection work in the PRC and formulates national standards for pollutants and waste materials discharged in the PRC. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

According to the Environmental Protection Law, where the construction of a project may cause any pollution to the environment, an environmental impact evaluation must be performed to determine the preventive and remedial measures to be adopted, and the relevant environmental protection administration approval shall be obtained. Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures in their business operations. 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. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Enterprises discharging pollutants must register with relevant environmental protection administration departments. Enterprises discharging pollutants in excess of the standards set by the Ministry of Environment Protection of the PRC shall be responsible for paying a sewage discharge fee for exceeding the standard and the cost of eliminating the pollutants.

The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法), which was promulgated by the Standing Committee of the NPC on 28 October 2002 and became effective on 1 September 2003, and the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which were promulgated by the State Council of the PRC on 29 November 1998 and became effective on 29 November 1998, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to the commencement of any construction work. According to the Environmental Impact Appraisal Law and other relevant laws and regulations, the construction, renovation and extension of all projects must strictly conform to all aspects of the environmental impact assessment system. Production and sales activities may only be conducted after the relevant project has been inspected and approved and the requisite 排污許可證 (Permit for the Discharge of Pollutants) has been issued.

According to the Administrative Regulations on Levy and Utilisation of Sewage Charge (排污費徵收使用管理條例), enterprises which discharge water, air, noise pollutants and the solid wastes shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises.

Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution. Depending upon the circumstances and the extent of the pollution, the relevant environmental protection administration departments may impose various types of penalties on persons or enterprises who are in violation of the Environmental Protection Law. Penalties include issuance of a warning notice; imposition of a fine; determination of a time limit for rectification; issuance of an order to reinstall and resume operation of environmental protection facilities which have been dismantled or left unused; issuance of an order to suspend production or to suspend and close the business; imposition of administrative sanctions or investigation and establishment of criminal liabilities against the personnel in charge. In addition, in cases where the pollution causes damage to others, civil indemnification to victims shall be required.

In addition, in the production and operation process, enterprises must comply with the following laws and regulations related to environmental protection: the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法); the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法); the Law of the PRC on the Prevention and Control of Pollution from Solid Wastes (中華人民共和國固體廢棄物污染環境防治法); the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法); and the Water Law of the PRC (中華人民共和國水法).

In accordance with the requirements of relevant laws and regulations on environmental protection, we have adopted technologies and equipment to prevent and reduce pollution. All of our construction and extension projects comply with the relevant environmental impact assessment procedures for construction projects and have undergone inspection and have been approved by the relevant environmental protection authorities. The discharge of each form of pollutant has complied with the relevant national standards. Our Directors, as advised by the PRC Legal Advisers, confirm that we have been in compliance with the foregoing during the Track Record Period and as at the Latest Practicable Date.

Energy Saving

Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法) was revised on 28 October 2007 and came into effect on 1 April 2008. The Energy Saving Law implements an energy saving appraisal and examination system with respect to fixed asset investment projects in the PRC. In cases where a particular project fails to comply with the compulsory energy saving standards, the authorities in charge of the examination and approval or verification of projects shall not approve or certify the construction; the construction unit shall not begin construction on the project; or if completed, the completed construction project shall be prohibited from commencing production or use. The Energy Saving Law also implements a compulsory retirement system for superseded or outdated products, facilities and production techniques that consume excessive amounts of energy.

Work Safety

The Work Safety Law of the PRC (中華人民共和國安全生產法), promulgated on 29 June 2002 and became effective on 1 November 2002, is the principal law governing the supervision and administration of work safety and labour protection of enterprises in the PRC. In accordance with the Regulations on Work Safety Permit of the PRC (中華人民共和國安全生產許可證條例) ("Work Safety Permit Regulations"), enterprises involved in a variety of business must obtain work safety permit before conducting any business activities. However, as a company specialised in stainless steel processing, the foregoing law is not applicable to our Company and we are not required to obtain the work safety permit for providing processing and relevant services in respect of stainless steel.

Our Directors, as advised by the PRC Legal Advisers, confirm that we have been in compliance with the foregoing during the Track Record Period and as at the Latest Practicable Date.

Labour Protection

The main PRC employment laws and regulations applicable to our Company include the Labour Law of the PRC (中華人民共和國勞動法) (the "PRC Labour Law"), the Employment Contract Law of the PRC (中華人民共和國勞動合同法) and the Implementing Regulations of the Employment Contract Law of the PRC (中華人民共和國勞動合同法實施條例). Pursuant to the PRC Labour Law, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system to ensure occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also pay for their employees' social insurance premiums.

The Employment Contract Law of the PRC (中華人民共和國勞動合同法) (the "Employment Contract Law") was promulgated on 29 June 2007 and became effective on 1 January 2008. This law governs the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and amendment to, employment contracts. Furthermore, the probation period and liquidated damages are restricted by the law to safeguard employees' rights and interests.

In addition to the PRC Labour Law, the Employment Contract Law provides further protection to the legitimate rights of the employees by requiring written labour employment contracts and long-term contractual employment relationships, limiting the scope of the circumstances under which employees could be required to pay penalties for breach of employment contracts and imposing stricter sanctions on employers who fail to pay remuneration or social security premiums for their employees. To establish an employment relationship, a written employment contract shall be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract shall be signed within one month after the date on which the employer first engages the employee.

Our Directors, as advised by the PRC Legal Advisers, confirm that we have been in compliance with the foregoing during the Track Record Period and as at the Latest Practicable Date.

Social Insurance and Housing Provident Fund Contributions

Pursuant to the Regulations on Occupational Injury Insurance (工傷保險條例), which were promulgated on 27 April 2003 and became effective on 1 January 2004, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法), which were promulgated on 14 December 1994 and became effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees. Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例), which were promulgated and became effective on 22 January 1999, and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and became effective on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan. Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which were promulgated and became effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing fund management center and establish a special housing provident fund account in an entrusted bank. Each of the PRC companies and their employees are required to contribute to the housing fund.

According to applicable PRC laws and regulations, employers who fail to withhold and pay their portion of social insurance contributions may be notified by the relevant authority to rectify the problem and pay the outstanding contributions within a stipulated deadline. In the case that payment is not made by the deadline, the relevant authority may charge a late payment fee of 0.2% of the cumulative outstanding amount per day, calculated from the date the relevant social security contribution amount became overdue until the date that full payment is made, and may fine the responsible person or persons up to a maximum of RMB10,000 in total. Employers who fail to withhold and pay their portion of housing provident fund contributions may be notified by the local housing fund administration authorities to register with the authority and ordered to pay any outstanding contributions into a designated account for the benefit of employees. In the case that registration and payment is not made in accordance with any such notice, a fine of up to a maximum of RMB50,000 in total may be imposed upon the employer.

We were in compliance with all relevant social security and housing provident fund laws and regulations throughout the Track Record Period. As of the Latest Practicable Date, we were not aware of any employees' complaints on demands for payment of social insurance or housing provident fund contributions, nor had we received any relevant legal documentation from the labour arbitration tribunals or the 人民法院 (People's Courts) regarding social insurance and housing provident fund contributions disputes.

Permits and Licenses

As advised by the PRC Legal Advisers, our Directors confirm that our operations in China have, in all material aspects, complied with the relevant PRC laws and regulations, and we have obtained all required permits and licenses for our operations.

Taxation

Enterprise Income Tax Law

Prior to 1 January 2008, under the then applicable PRC tax laws and regulations, foreign invested manufacturing enterprises with an operating term of more than ten years were exempt from PRC enterprise income tax for two years starting from the first profit-making year, and such enterprises are entitled to a 50% reduction in such tax for the three years thereafter.

The Enterprise Income Tax Law of PRC (the "New EIT Law"), which was promulgated in March 2007 and became effective on 1 January 2008, adopts a unified enterprise income tax rate of 25% for all enterprises, including foreign invested enterprises, and revokes the previous tax exemptions, reductions and other preferential treatments which were applicable only to foreign invested enterprises. However, there is a transitional period for foreign invested enterprises that have received previous preferential tax treatments granted by the relevant tax authorities. According to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) which was promulgated and became effective on 26 December 2007, enterprises that were established before 16 March 2007 and were enjoying preferential tax treatments shall, (i) in the case of preferential tax rates, continue to enjoy the preferential tax rates which will be gradually increased to the new tax rates within five years from 1 January 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the exemption or reduction until the expiration of such term; for those enterprises whose preferential tax treatment had not commenced, such preferential tax treatment shall commence on 1 January 2008.

In addition, pursuant to the New EIT Law and its implementing regulations, starting from 1 January 2008, dividends and interest payable to foreign investors are subject to a 10% withholding tax unless the foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

Our Directors, as advised by the PRC Legal Advisers, confirm that we have been in compliance with the foregoing during the Track Record Period and as at the Latest Practicable Date.

VAT Rebate Policy

The Amended Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) (the "VAT Regulations") were amended by the State Council of the PRC (中華人民共和國國務院) on 10 November 2008 and became effective on 1 January 2009. Under the VAT Regulations and its implementation regulations, value added tax is imposed on the sales of goods and provision of processing, repair and replacement services within the PRC and the importation of goods into China. The rate of value added tax for a general tax payer is 17% except for certain products. For a small-scale tax payer, the applicable tax rate is 3%.

Effective as of 1 January 2009, the value added tax refund policy available to certain foreign invested enterprises that purchase domestically manufactured equipment was abolished according to the Circular on Terminating Tax Refund Policies on Purchase of Domestically-Manufactured Equipment by Foreign-invested Enterprises (關於停止外商投資企業購買國產設備退稅政策的通知) ("Circular"), which was jointly promulgated by Ministry of Finance of the PRC (中華人民共和國財政部) and State Administration of Taxation (國家稅務總局) on 25 December 2008. There is, however, a six-month transition period. Foreign invested enterprises that purchase domestically manufactured equipment, receive value added tax invoices and submit a value added tax refund application with the relevant tax authorities on or prior to 30 June 2009, as well as comply with other conditions set out in the Circular, are entitled to receive the value added tax refund as before.

Tax on dividends from PRC Enterprise with foreign investment

According to the circular issued by the Ministry of Finance and the State Administration of Taxation of China Concerning Several Preferential Policies Relevant to Enterprise Income Tax (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知), the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the New EIT Law. The New EIT Law and its implementing regulations prescribe a standard withholding tax rate of 10% on dividends and other China-sourced passive income of non-resident enterprises.

The PRC and Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the "Double Taxation Arrangement") on 21 August 2006. According to the arrangement, no more than 5%

withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

On 24 August 2009, the State Administration of Taxation released the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation) (非居民享受稅收協定待遇管理辦法(試行)), or the Measures, which took effect on 1 October 2009. Under the Measures, Fortune Express is required to obtain an approval from the Jiangsu Branch of the State Administration of Taxation (江蘇省國家稅務局) in order to enjoy the preferential withholding tax rate of 5% in accordance with the Double Taxation Arrangement.

Customs Duties

According to the Customs Law of the PRC (中華人民共和國海關法), the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). The General Administration of Customs (中華人民共和國海關總署) is the authority in charge of the collection of customs duties.

The customs duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff (中華人民共和國進出口關稅條例) and shall be subject to tax levies pursuant to relevant tax rates.

Foreign Exchange Control

Foreign exchange regulation in China is primarily governed by the following rules:

- Foreign Exchange Administration Rules (中華人民共和國外匯管理條例), as amended, or the Exchange Rules; and

- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), or the Administration Rules.

Under the Exchange Rules, the RMB is convertible for current account items, including the distribution of dividends, interest and royalties payments, trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of SAFE. Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, including approval by the MOFCOM, the SAFE and the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) or their local counterparts.

On 29 August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or Circular No. 142. Pursuant to Circular No. 142, the RMB fund from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for.

Domestic Resident SAFE Registration

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外滙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), (the "SAFE Circular No. 75"), issued on 21 October 2005, (i) a PRC citizen residing in the PRC, who is referred to as a PRC resident in SAFE Circular No. 75, shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose company, for the purpose of overseas equity financing (including convertible debts financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas special purpose company, or engages in overseas financing after contributing assets or equity interests into an special purpose company, such PRC resident shall register his or her interest in the special purpose company and the change thereof with the local branch of the SAFE; and (iii) when the special purpose company undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas special purpose company.

On 3 March 2006, in accordance with the SAFE Circular No. 75, the shareholders of Fortune Express, Ms. Xu and Mr. Qian respectively filed a Registration Form of Overseas Investments Contributed by Domestic Individual Residents (境內居民個人境外投資外匯登記表) and registered with Xiaoshan Office of SAFE (國家外匯管理局蕭山支局) for the establishment of Fortune Express offshore and obtained the approval from the Xiaoshan Office of SAFE on the same day.

On 27 February 2007, in accordance with the SAFE Circular No. 75, each of the Initial Shareholders filed a Registration Form of Overseas Investments Contributed by Domestic Individual Residents (境內居民個人境外投資外匯登記表) and registered through Wuxi City Office of SAFE (國家外匯管理局無錫市中心支局) with Jiangsu Branch of SAFE (國家外匯管理局江蘇省分局) for the establishment of three overseas special purpose companies, being Ally Good, Allybest and the Company offshore and obtained the approval of the Jiangsu Branch of SAFE on the same day.

Regulation on the acquisition of domestic enterprises by foreign investors

On 8 August 2006, six PRC Governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated a new regulation, namely the Regulations on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "Acquisition Regulation"), that became effective on 8 September 2006 and were amended in 2009. Article 40 of the Acquisition Regulation ("Article 40") requires that an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, such as our Company, shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Based on its understanding of current PRC laws, regulations and rules, our PRC Legal Advisers have advised that the Acquisition Regulation does not apply to the acquisition of the PRC subsidiaries made by our Group and that the listing of our Company does not require CSRC approval for the reason that the consideration for acquisition of 60% interests in Jiangsu Daming by Fortune Express under the Reorganisation was paid in cash and no consideration shares had been issued.

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment Via Overseas Special Purpose Vehicle (國家外滙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滙管理有關問題的通知), which was promulgated by SAFE on 21 October 2005 and became effective as of 1 November 2005, the Initial Shareholders were required to apply to relevant foreign exchange administration authorities for foreign exchange registration of overseas investment before they set up or controlled our Company and its associated overseas companies. Our PRC Legal Advisers confirmed that the Initial Shareholders completed the foreign exchange registration and no other PRC approvals or consents in relation to the Initial Shareholders' direct or indirect interest in our Company are required to be obtained.

The Notice of the State Council regarding Further Strengthening of the Issue and Listing of Shares Outside China (國務院關於進一步加強在境外發行股票和上市管理的通知) promulgated by the State Council on 20 June 1997 provides that overseas listing by PRC entities shall be subject to the supervision and regulation of the relevant securities supervisory and regulatory organ. Our PRC Legal Advisers confirmed that such regulations do not apply to our Global Offering for the reason that the present ultimate shareholders of our Company are PRC individuals and not PRC legal entities.

The Reorganisation complies with applicable PRC laws and regulations, and all necessary approvals from PRC regulatory authorities, including the necessary foreign exchange registration, required to implement the Reorganisation have been obtained.

Our Company has engaged and will continue to engage external counsels to provide legal advice and has set up a supervision and compliance department to ensure on-going compliance with the relevant regulatory requirements after Listing. In addition, our Company has appointed Shenyin Wanguo Capital (H.K.) Limited as our compliance adviser after Listing.

OUR BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to 1998 when Mr. Zhou and Ms. Zhou established Wuxi Daming. Prior to its dissolution in 2007, Wuxi Daming engaged in business including the trading of stainless steel. In 2002, Mr. Zhou and Ms. Xu, through Daming Logistics, together with Mr. Wu Zhiguang, established Jiangsu Daming to engage in the stainless steel processing business. Our first processing centre commenced business in March 2003.

Since 2003, we have developed into a large-scale independent stainless steel processor. As at the Latest Practicable Date, we had four processing centres, which are located in Wuxi, Hangzhou, Wuhan and Tianjin, respectively. We have also established a sales network covering the Yangtze River Delta and central China.

Business milestones

The key milestones in our business development are as follows:

2002	• Jiangsu Daming was established in Wuxi, Jiangsu
2003	• First processing centre commenced operation
2005	• Wuhan Fortune was established, being our first processing centre outside Jiangsu
	• Hangzhou Wanzhou was established
2006	• Established sales offices through our branch office in Shanghai and Qianzhou
2007	• Second and third processing centres, operated by Wuhan Fortune and Hangzhou Wanzhou, respectively, commenced operations
	• Tianjin Taigang Daming, our first joint venture company with one of our key suppliers, was established
2009	• Sales office established in Ningbo
	• Fourth processing centre, operated by Tianjin Taigang Daming commenced operation
2010	• Sales office established in Shandong

OUR CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation. We also underwent certain reorganisation steps from the end of 2005 to 2009 in contemplation of the Global Offering, particulars of which are set forth in the subsection headed "Reorganisation" below.

Jiangsu Daming and its branch offices

Jiangsu Daming

Jiangsu Daming, a principal wholly-owned subsidiary of our Company, was incorporated in Wuxi, Jiangsu on 21 June 2002 with an initial registered capital of US$5 million, held as to 10% by Daming Logistics and 90% by Mr. Wu Zhiguang.

Since its incorporation, Jiangsu Daming has been principally operating as a stainless steel processing centre providing processing and delivery services to its customers. On 7 November 2002, Mr. Wu Zhiguang transferred 50% equity interests in Jiangsu Daming to Daming Logistics at a consideration of US$2.5 million, being the amount of registered capital in Jiangsu Daming contributed by Mr. Wu Zhiguang as at the date thereof. After being approved by the relevant authorities and following completion of the transfer, Jiangsu Daming was held as to 60% by Daming Logistics and 40% by Mr. Wu Zhiguang.

Pursuant to a share transfer agreement dated 12 November 2003 between Mr. Wu Zhiguang and Fortune Express, Mr. Wu Zhiguang transferred his remaining equity interest of 40% in Jiangsu Daming to Fortune Express at a consideration of US$2 million, being the amount of registered capital in Jiangsu Daming contributed by Mr. Wu Zhiguang as at the date thereof. Approval for such transfer was granted on 8 October 2004. After such transfer, Jiangsu Daming was held as to 60% by Daming Logistics and 40% by Fortune Express.

In December 2004, after being approved by the relevant authorities, the registered capital of Jiangsu Daming increased from US$5 million to US$11.3 million. The capital injection in the amount of US$6.3 million was made by Fortune Express and Daming Logistics in cash and by way of capitalisation of the distributable profit in Jiangsu Daming.

On 27 November 2006, as part of the Reorganisation, Daming Logistics transferred all its equity interest in Jiangsu Daming, at a consideration of RMB70,971,664.30, being 60% of the net asset value of Jiangsu Daming as at 31 December 2005, to Fortune Express. After being approved by the relevant authorities and following completion of the transfer, Jiangsu Daming became a wholly-owned subsidiary of Fortune Express.

In December 2007, after being approved by the relevant authorities, the registered capital of Jiangsu Daming increased from US$11.3 million to US$30 million. The capital injection in the amount of US$18.7 million was contributed by capitalising the statutory reserve of approximately RMB29.4 million and the distributable profit of US$14,700,000 in Jiangsu Daming. Such capitalisation complies with all relevant PRC laws and regulations, and all relevant registrations with local authorities for such capital increase were duly completed.

In October 2008, after being approved by the relevant authorities, the registered capital of Jiangsu Daming was further increased from US$30 million to US$40 million. The capital injection in the amount of US$10 million was made by Daming Logistics in kind as well as in cash by contributing the land use right of certain parcels of land and building in Wuxi. After such capital injection, Jiangsu Daming was held as to 25% by Daming Logistics and 75% to Fortune Express.

On 24 November 2009, in contemplation of the Listing, Daming Logistics transferred its equity interest of 25% in Jiangsu Daming, at a consideration of RMB147 million, to Fortune Express. Following completion of the transfer, Jiangsu Daming became a wholly-owned subsidiary of Fortune Express.

Jiangsu Daming's branch offices

On 26 July 2004 and 9 February 2006, Jiangsu Daming Wuhan Branch and Jiangsu Daming Shanghai Branch were established in Wuhan and Shanghai, respectively, to conduct sales in Wuhan and Shanghai areas. On 8 May 2008, Jiangsu Daming Wuhan Branch was deregistered due to the establishment and full operation of Wuhan Fortune.

On 5 December 2006 and 13 December 2006, Jiangsu Daming further established Jiangsu Daming Hangzhou Branch and Jiangsu Daming Qianzhou Branch, respectively, to conduct sales in Hangzhou and Qianzhou areas. On 13 March 2008, Jiangsu Daming Hangzhou Branch was deregistered due to the establishment and full operation of Hangzhou Wanzhou.

On 29 April 2007, Jiangsu Daming Tianjin Branch was established to conduct sales in that area. On 9 December 2008, such branch was deregistered due to the establishment and full operation of Tianjin Taigang Daming.

On 3 February 2009 and 14 January 2010, Jiangsu Daming Ningbo Branch and Jiangsu Daming Shandong Branch were established, respectively, to conduct sales in Ningbo and Shandong areas.

Wuhan Fortune and Hangzhou Wanzhou

Wuhan Fortune was established on 28 September 2005. At the time of establishment, the registered capital of Wuhan Fortune was US$3 million and was held as to 60% by Daming Logistics and 40% by Fortune Express. On 6 December 2006, as part of the Reorganisation, Daming Logistics transferred its equity interest of 60% in Wuhan Fortune to Jiangsu Daming at a consideration of RMB9,118,164.73, being the amount of registered capital in Wuhan Fortune contributed by Daming

Logistics, as at the date thereof. After being approved by the relevant authorities and following completion of the transfer, Wuhan Fortune has since then been held as to 60% by Jiangsu Daming and 40% by Fortune Express. The processing centre operated by Wuhan Fortune has commenced operation since 2007.

Hangzhou Wanzhou was established on 8 December 2005. At the time of establishment, the registered capital of Hangzhou Wanzhou was US$16 million and was held as to 60% by Daming Logistics and 40% by Fortune Express. On 6 December 2006, as part of the Reorganisation, Daming Logistics transferred all of its equity interest in Hangzhou Wanzhou to Jiangsu Daming at a consideration of RMB30,000,000, being the amount of registered capital in Hangzhou Wanzhou already contributed by Daming Logistics, as at the date thereof. After being approved by the relevant authorities and following completion of the transfer, Hangzhou Wanzhou has since then been held as to 60% by Jiangsu Daming and 40% by Fortune Express. The processing centre operated by Hangzhou Wanzhou has commenced operation since 2007.

Tianjin Taigang Daming

On 15 February 2007, Tianjin Taigang Daming was established by TISCO and Fortune Express. At the time of establishment, the registered capital of Tianjin Taigang Daming was US$35 million and was held as to 9% by TISCO and 91% by Fortune Express. In August 2008, after being approved by the relevant authorities, the registered capital of Tianjin Taigang Daming was increased from US$35 million to US$36.5 million. The capital injection in the amount of US$1.5 million was to be contributed by TISCO and Fortune Express in cash on a pro rata basis.

On 27 July 2009, Fortune Express transferred 63.60% nil-paid registered capital in Tianjin Taigang Daming to Jiangsu Daming at nil consideration. Simultaneously, TISCO transferred its 9% equity interest in Tianjin Taigang Daming to STSS at a consideration of RMB9,154,422.

The processing centre operated by Tianjin Taigang Daming targets to provide stainless steel processing services to the northern region of the PRC. At the same time, it serves as a processing centre for exporting stainless steel products. Under the joint venture agreement relating to Tianjin Taigang Daming, STSS has agreed that it will not establish similar projects in Tianjin by itself or through joint venture with any other third parties.

The processing centre operated by Tianjin Taigang Daming commenced operation in 2009.

Fortune Express

Fortune Express is a company incorporated in Hong Kong with limited liability on 14 July 2003 and was held as to 65% by Mr. Zhou and 35% by Ms. Xu as at 5 February 2004. On 11 May 2004, Mr. Zhou transferred 60% of his interest in Fortune Express to Ms. Xu and 5% of his interest in Fortune Express to Mr. Qian at par. Prior to the Reorganisation, Fortune Express was held by Ms. Xu and Mr. Qian as to 95% and 5%, respectively. On 1 September 2006, for the purpose of the

Reorganisation, Ms. Xu transferred all of her interest, and Mr. Qian transferred part of his interest in Fortune Express to Ally Good, Mr. Yu, Ms. Li and Ms. Zhou at par. After such transfer, Fortune Express was beneficially held as to 96.5%, 1.0%, 1.0%, 1.0% and 0.5% by Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou, respectively.

On 10 January 2007, Allybest acquired the entire issued share capital of Fortune Express from Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou at par, respectively. Subsequent to such transfers, Allybest became the sole shareholder of Fortune Express.

Further particulars of Fortune Express are set out in the subsection headed "Reorganisation" below.

Hong Kong Daming

On 30 November 2009, Hong Kong Daming was incorporated in Hong Kong with limited liability by Jiangsu Daming. Since its incorporation and as at the Latest Practicable Date, the entire issued share capital of Hong Kong Daming was US$2 million. The business nature of Hong Kong Daming is investment and metal trading. Hong Kong Daming will act as one of our Group's platforms for business expansion.

Allybest

Allybest is an investment holding company incorporated in the BVI with limited liability on 10 July 2006. Further particulars of Allybest are set out in the subsection headed "Reorganisation" below.

Compliance and Approvals

All increase in, and transfer of, registered capital in each of Jiangsu Daming, Wuhan Fortune, Hangzhou Wanzhou and Tianjin Taigang Daming have complied with the relevant PRC laws and regulations. As at the Latest Practicable Date, the registered capital in respect of each of Jiangsu Daming, Wuhan Fortune, Hangzhou Wanzhou and Tianjin Taigang Daming has been fully paid up.

Dissolved Entities

The Dissolved Entities include the following companies:

Wuxi Daming

Wuxi Daming was established on 12 November 1998 and was held by Mr. Zhou and Ms. Zhou as to 56% and 44%, respectively. Mr. Zhou was the sole director of Wuxi Daming since its establishment. Prior to its dissolution, Wuxi Daming engaged in business including sales of metal materials, general machineries and accessories and chemical products. The dissolution of Wuxi Daming was completed on 30 May 2007.

Daming Caigong

Daming Caigong was established on 19 November 2007 and was wholly-owned by Jiangsu Daming. Mr. Zhou was the sole director of Daming Caigong since its establishment. Prior to its dissolution, Daming Caigong engaged in business including procurement and supply of metal materials. The dissolution of Daming Caigong was completed on 25 November 2008.

Daming Shiye

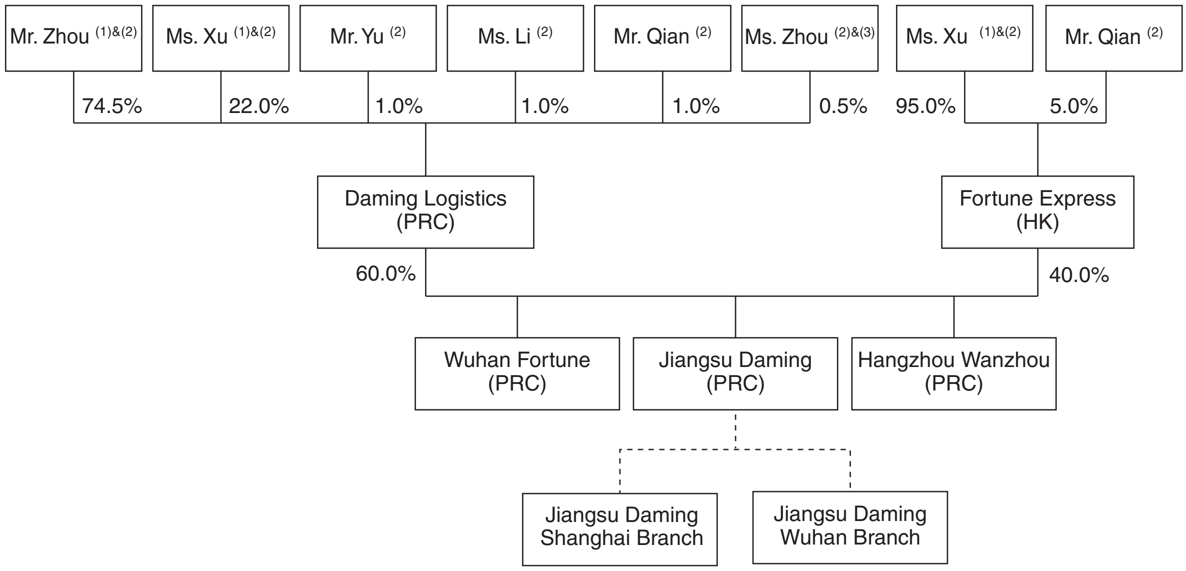
Daming Shiye was established on 21 June 2005 and was held by Ms. Xu and Mr. Luo Zhihui as to 90% and 10%, respectively. Ms. Xu was the sole director of Daming Shiye since 28 June 2005. Prior to its dissolution, Daming Shiye engaged in business including sales of office appliances, metal materials and construction materials. The dissolution of Daming Shiye was completed on 5 April 2007.

The Dissolved Entities are either (i) wholly-owned or controlled by Mr. Zhou, Ms. Xu and/or Jiangsu Daming, whether directly or indirectly; or (ii) under the de facto control of Mr. Zhou and/or Ms. Xu. As the Dissolved Entities carried out similar business as our Group, in anticipation of the Listing, Mr. Zhou and Ms. Xu decided to dissolve the Dissolved Entities.

As at the Latest Practicable Date, the Dissolved Entities had been dissolved and their respective registrations had been cancelled. The dissolution and deregistration of the Dissolved Entities did not involve any transfer of liabilities to our Group. The Dissolved Entities were solvent at the time when they were dissolved. All the contracts of the Dissolved Entities had been performed before their respective dissolutions and deregistrations. There were no outstanding contracts of the Dissolved Entities upon their dissolutions and customers of the Dissolved Entities are now served by our Group. Wuxi Daming and Daming Shiye involved transfers of a minimal amount of assets, such as computers and furniture to our Group.

REORGANISATION

The following chart sets out our shareholding and corporate structure immediately prior to the Reorganisation:



Notes:

(1) Ms. Xu is the wife of Mr. Zhou. Mr. Zhou, Ms. Xu and Ally Good are the Controlling Shareholders.

(2) Mr. Qian is an executive Director of our Company. Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou together with Mr. Zhou and Ms. Xu are the Initial Shareholders of our Group.

(3) Ms. Zhou is the sister of Mr. Zhou.

Our Reorganisation involved the following steps:

On 8 April 2006, Jiangsu Daming declared and paid a dividend in the total sum of RMB172,860,491.65 to its shareholders, Daming Logistics and Fortune Express.

On 7 July 2006, Ally Good was incorporated in the British Virgin Islands with limited liability and was held as to 77.2% by Mr. Zhou and 22.8% by Ms. Xu.

On 10 July 2006, Allybest was incorporated in the British Virgin Islands with limited liability. At the time of incorporation, Allybest was directly wholly-owned by Fortune Express.

On 1 September 2006, Ally Good, Mr. Yu, Ms. Li and Ms. Zhou acquired shares in Fortune Express from Ms. Xu and Mr. Qian at par. After such acquisition, Fortune Express was held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou as to 96.5%, 1.0%, 1.0%, 1.0% and 0.5% respectively.

On 27 November 2006, Daming Logistics transferred all its equity interest of 60 % in Jiangsu Daming to Fortune Express at a consideration of RMB70,971,664.30, being 60% of the net asset value of Jiangsu Daming as at 31 December 2005. After being approved by the relevant authorities and following completion of the transfer, Jiangsu Daming became a wholly-owned subsidiary of Fortune Express.

On 6 December 2006, Daming Logistics transferred its 60% equity interest in Wuhan Fortune to Jiangsu Daming at a consideration of RMB9,118,164.73, being the amount of registered capital in Wuhan Fortune contributed by Daming Logistics as at the date thereof. After such transfer, Wuhan Fortune was held as to 60% by Jiangsu Daming and 40% by Fortune Express. On the same day, Daming Logistics transferred its 60% equity interests in Hangzhou Wanzhou to Jiangsu Daming at a consideration of RMB30 million, being the amount of registered capital in Hangzhou Wanzhou already contributed by Daming Logistics as at the date thereof. After such transfer, Hangzhou Wanzhou was held as to 60% by Jiangsu Daming and 40% by Fortune Express.

On 7 December 2006, Ally Good acquired one share, being the entire issued share capital of Allybest, from Fortune Express at par. On 10 January 2007, Allybest acquired the entire issued share capital of Fortune Express from Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou at par. To maintain the same shareholding structure as that of Fortune Express, new shares were allotted and issued to Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou by Allybest at par. After such allotment, Fortune Express was wholly-owned by Allybest and Allybest was held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou as to 96.5%, 1.0%, 1.0%, 1.0% and 0.5%, respectively.

Our Company was incorporated in the Cayman Islands on 14 February 2007. At the time of incorporation, our Company was held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou as to 96.5%, 1.0%, 1.0%, 1.0% and 0.5%, respectively.

On 15 February 2007, Tianjin Taigang Daming was established by TISCO and Fortune Express. At the time of establishment, the registered capital of Tianjin Taigang Daming was US$35 million and was held as to 9% by TISCO and 91% by Fortune Express.

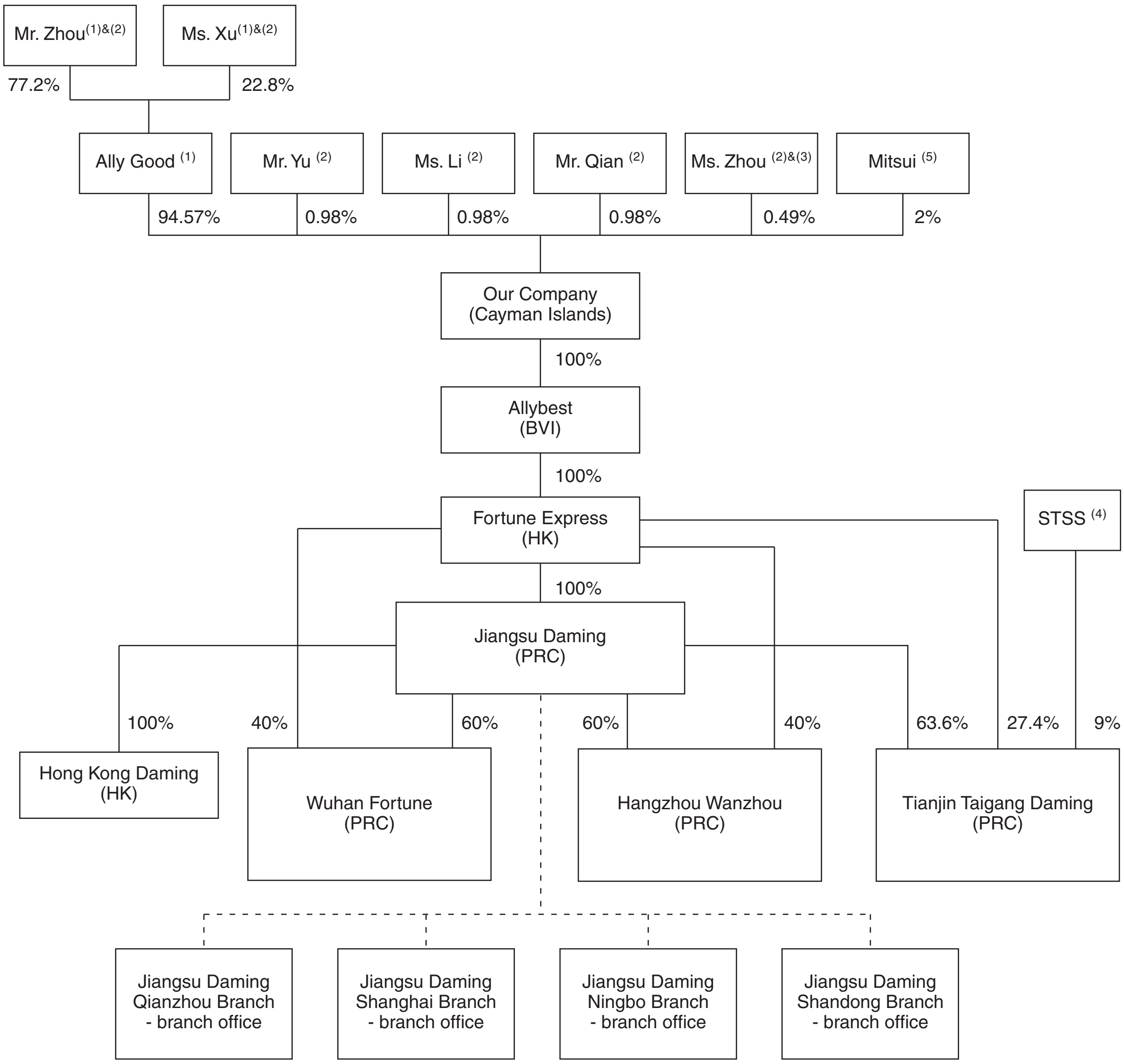
On 27 July 2009, Fortune Express transferred 63.6% nil-paid registered capital in Tianjin Taigang Daming to Jiangsu Daming at nil consideration.

On 30 November 2009, Hong Kong Daming, a company incorporated in Hong Kong with limited liability, was established by Jiangsu Daming with an issued share capital of US$2 million.

Allybest entered into a subscription agreement and a supplemental agreement with Mitsui on 14 May 2010 and 2 June 2010, respectively. According to the Mitsui Subscription Agreement, Mitsui subscribed for 2% of the enlarged share capital in Allybest. After such subscription, Allybest was beneficially held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui as to 94.57%, 0.98%, 0.98%, 0.98%, 0.49% and 2%, respectively. Further particulars regarding the subscription of Mitsui are set out in subsection headed “Strategic Investor of Our Group” in this section.

On 5 November 2010, our Company became the ultimate beneficial holding company of our Group by acquiring the entire issued share capital of Allybest from Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui. In consideration of the transfer of shares in Allybest by Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui, our Company allotted and issued an aggregate of 100,000 new Shares, all credited as fully paid, to these shareholders based on their then respective shareholdings in Allybest.

The following chart sets out our shareholding and corporate structure as at the Latest Practicable Date:



Notes:

1. Ms. Xu is the wife of Mr. Zhou. Mr. Zhou, Ms. Xu and Ally Good are the Controlling Shareholders.

2. Mr. Qian is an executive Director of our Company. Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou together with Mr. Zhou and Ms. Xu are Initial Shareholders of our Group.

3. Ms. Zhou is the sister of Mr. Zhou.

4. STSS is one of our key suppliers.

5. Mitsui is a strategic investor of our Group, details of which are set out in the subsection headed "Strategic Investor of Our Group" in this section.

STRATEGIC INVESTOR OF OUR GROUP

On 14 May 2010, Allybest, our direct wholly-owned subsidiary, entered into a subscription agreement with Mitsui, as amended by a supplemental agreement on 2 June 2010, pursuant to which, Mitsui subscribed for 400 shares of nominal value of US$1.00 each in the share capital of Allybest, representing 2% of the enlarged issued share capital of Allybest, at a price of US$12,500 per share, amounting to an aggregate consideration of US$5 million, which was determined after arm's length negotiations between the parties. The Mitsui Subscription Agreement was completed on 3 June 2010 and the consideration of US$5 million was received by our Company on 4 June 2010 in accordance with the provisions of the Mitsui Subscription Agreement.

Upon completion of the issuance of 400 shares of nominal value of US$1.00 each in the share capital of Allybest to Mitsui, the shareholding of Allybest was as follow:

	Number of shares in Allybest	Shareholders	Percentage of total share capital of Allybest in issue
	18,914	Ally Good	94.57%
	196	Mr. Yu	0.98%
	196	Ms. Li	0.98%
	196	Mr. Qian	0.98%
	98	Ms. Zhou	0.49%
	400	Mitsui	2.00%
Total:	20,000		100%

In accordance with the terms of the Mitsui Subscription Agreement and as part of our Reorganisation, on 5 November 2010, Mitsui sold all of its shares in Allybest together with the other shareholders of Allybest Shareholders. The consideration of such sale was satisfied by the allotment and issue of 2,000 Shares. Upon completion of the Capitalisation Issue, Mitsui will hold 15,000,000 Shares, representing approximately 2% of the issued share capital of our Company immediately before Listing. After completion of the Global Offering, Mitsui will hold 15,000,000 Shares, representing approximately 1.5% of the enlarged issued share capital of our Company, assuming the Over-allotment Option is not exercised or no Share will be issued pursuant to any share option which may fall to be granted under the Share Option Scheme. As such, the effective price per Share subscribed by Mitsui is approximately HK$2.58, which represents a discount of approximately 4.3% to the maximum Offer Price of HK$2.70 per Share.

Pursuant to the Mitsui Subscription Agreement, Mitsui is entitled to appoint two observers to the board of directors of Allybest, who have the right to receive the notice of and attend any meeting of the board of directors of Allybest. The observers appointed by Mitsui will not be counted as directors and cannot vote at such meeting. Also, certain corporate actions of Allybest, including, among others, creation of any new class or series of shares in Allybest having rights, preference or privileges senior to the shares subscribed by Mitsui, issuance of any new equity securities of Allybest at a price per share less than the consideration paid by Mitsui, amendments to Allybest's articles of association, any merger, acquisition, consolidation or disposition of all or substantially all of Allybest's assets, shall require the prior written approval of Mitsui.

In addition, pursuant to the Mitsui Subscription Agreement, Mitsui agreed to be subject to a lock-up period of 18 months commencing from the Listing Date with respect to the Shares to be held by Mitsui. Such Shares will be treated as part of the public float.

All rights granted to Mitsui under the Mitsui Subscription Agreement will lapse upon the date of the hearing by the Listing Committee.

The proceeds from the subscription was applied to repay the loan drawn for the payment to Daming Logistics for the transfer of 25% equity interest in Jiangsu Daming to Fortune Express in November 2009.

Information on Mitsui

Mitsui is a fund managed by a wholly-owned subsidiary of Mitsui & Co., Ltd.. Being a company listed on the Tokyo Stock Exchange, Mitsui & Co., Ltd. is involved in a wide range of business from product sales, worldwide logistics and financing to the development of major international infrastructure and other projects in the following fields: iron and steel products, mineral and metal resources, infrastructure projects, motor vehicles, marine and aerospace, chemicals, energy, food and retail, consumer services, information, electronics and telecommunications, financial markets and transportation logistics.

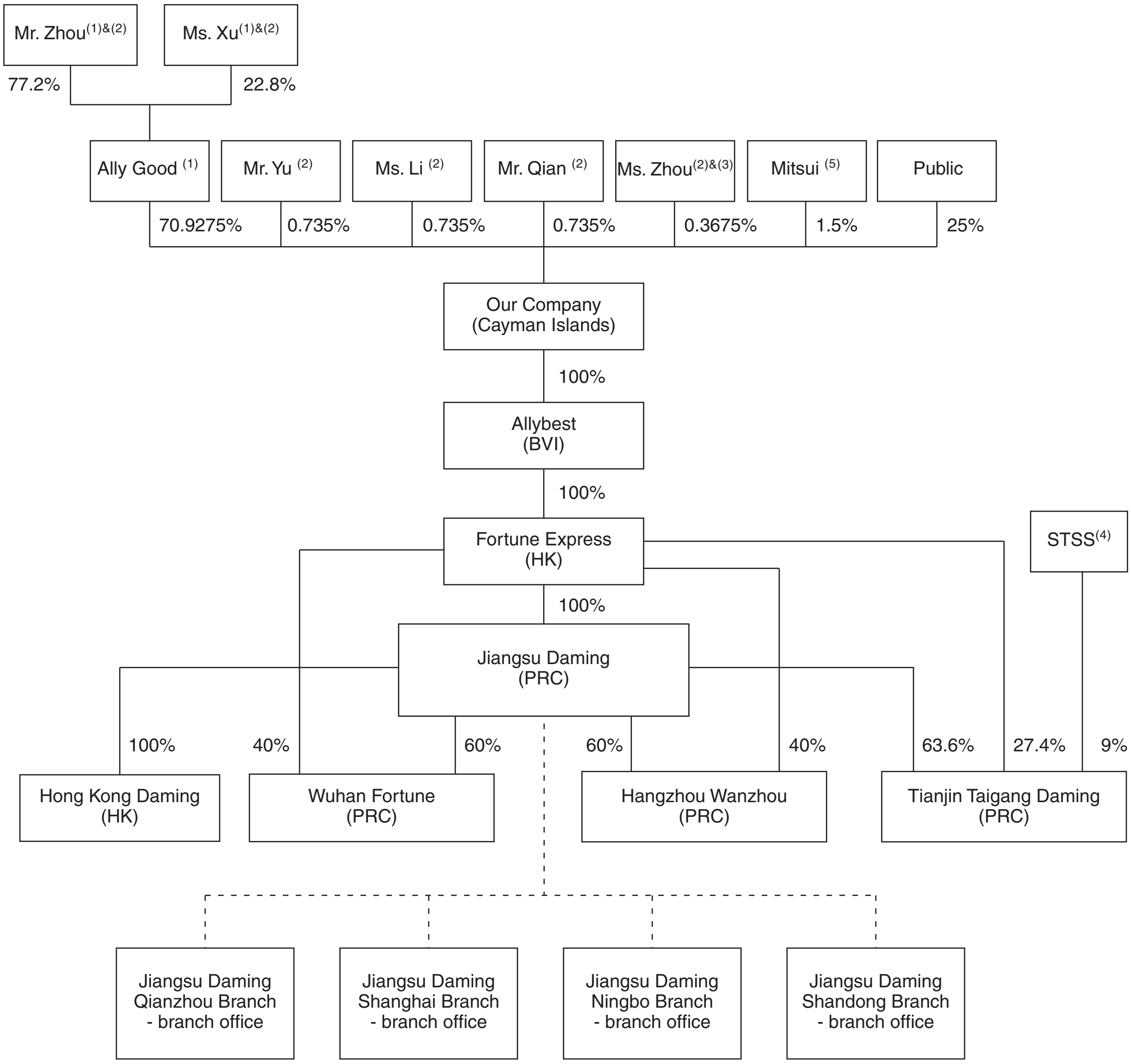
Commercial arrangement with Mitsui

Apart from the Mitsui Subscription Agreement, Jiangsu Daming, our principal subsidiary, entered into a memorandum of understanding with Mitsui & Co., Ltd. on 11 February 2010. Pursuant to such memorandum of understanding, Mitsui & Co., Ltd., as one of the distributors of stainless steel raw materials produced by NSSC in China, will supply to us stainless steel raw materials produced by NSSC at competitive price, quality and service, and we, in turn, will purchase stainless steel raw materials from NSSC through Mitsui & Co., Ltd. As a goodwill understanding between the parties on certain future on-going commercial arrangements, the memorandum of understanding is not legally binding and does not contain any specific terms on contract period, purchase commitment nor price, quality and services. The Directors believe that through the strategic cooperation with Mitsui & Co., Ltd., we have expanded our supplier base by securing stainless steel supply from internationally well-known steel manufacturer NSSC. Thus, we will be able to offer a broader range of stainless steel products to our customers. Further, Mitsui & Co., Ltd. will be able to act as a sales channel of our stainless steel products and to assist us in exploring new markets and customers both locally and overseas.

While the memorandum of understanding governs the on-going commercial framework arrangements between our Group and Mitsui & Co., Ltd., the Mitsui Subscription Agreement relates to the subscription of Shares in our Company, which are separate commercial arrangements governing different subject matters and are not inter-conditional.

OUR SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING

The following chart sets out our shareholding and corporate structure immediately upon completion of the Reorganisation, the Capitalisation Issue and the Global Offering assuming that the Over-allotment Option is not exercised:



Notes:

1. Ms. Xu is the wife of Mr. Zhou. Mr. Zhou, Ms. Xu and Ally Good are the Controlling Shareholders.

2. Mr. Qian is an executive Director of our Company. Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou together with Mr. Zhou and Ms. Xu are Initial Shareholders of our Group.

3. Ms. Zhou is the sister of Mr. Zhou.

4. STSS is one of our key suppliers.

5. Mitsui is a strategic investor of our Group, details of which are set out in the subsection headed "Strategic Investor of our Group" in this section.

OVERVIEW

We are a large-scale independent stainless steel processor in China. We purchase stainless steel coils and plates from our suppliers and process them to different shapes and sizes according to our customers' requirements. During the Track Record Period, we sold approximately 318,602 tonnes, 340,778 tonnes, 419,806 tonnes and 219,191 tonnes of stainless steel, respectively.

Stainless steel producers typically sell their products in the form of standard-sized coils and plates. As stainless steel production is capital-intensive, to reduce cost and increase efficiency, stainless steel producers generally do not provide direct supply and delivery to end users with small orders. The trend towards producing more standardised products to reduce production down-time also means that stainless steel producers are becoming less flexible in providing customised products and services to end users. Therefore, we aggregate end users' demand and purchase stainless steel raw materials in large volume to take advantage of bulk purchase discounts. This allows us to reduce our stainless steel procurement cost. Our Directors believe that stainless steel users are increasingly seeking to purchase from "one-stop" suppliers like us who can provide customised specifications, including value-added processing, in smaller volumes, on shorter lead times and with more reliable deliveries.

OUR PROCESSING SERVICES

We provide a wide variety of processing services to our customers, including coil cutting, coil slitting, surface polishing, plate cutting and forming. Our processing capacity means that our end customers can reduce their processing costs by outsourcing their processing operations to us. We believe our processing capability, inventory management and just-in-time delivery make us an important stainless steel processor to our customers.

We have a network of four processing centres situated in Wuxi, Hangzhou, Wuhan and Tianjin, respectively, all of which are high industrial growth regions in China. As of 30 June 2010, we had over 6,000 customers from industries including machineries, petrochemical, home hardware and appliances, automobile and transport, construction and renewable energy. Our long-term business relationships with key domestic and international stainless steel suppliers have allowed us to source different grades of stainless steel in large volume and process them to satisfy our customers' needs.

OUR COMPETITIVE STRENGTHS

Large scale independent stainless steel processor in China

We are a large-scale independent stainless steel processor in China. During the Track Record Period, we sold approximately 318,602 tonnes, 340,778 tonnes, 419,806 tonnes and 219,191 tonnes of stainless steel, respectively. As we operate as a standalone processing centre independent from upstream stainless steel mills, we are able to respond to our customers' demand and invest in the appropriate equipment to provide individualised services to our customers.

Further, by leveraging on our large and diversified customer base, we are able to place bulk purchase orders with volume discounts, and to source various grades of stainless steel from different major stainless steel producers in China as well as major international suppliers such as POSCO, Outokumpu and NSSC at competitive prices. We believe that our ability to operate independently from upstream stainless steel mills has allowed us to provide customised stainless steel products in a timely manner to our end customers.

Extensive network servicing a broad range of customers in various industries across China

Our four processing centres are strategically located in Wuxi, Hangzhou, Wuhan and Tianjin. We also operate four sales branches in Qianzhou, Shanghai, Ningbo and Shandong. With the strategic locations of these processing centres and sales branches, we are able to serve customers across various regions of China. We believe that our geographical reach helps us to capture business opportunities from a diversified range of industries. Although our revenue contribution was predominantly from the Eastern China region during the Track Record Period due to the relatively higher industrial activities in that region as compared to other regions, we expect revenue contribution from other regions will increase as our existing and new customers expand their business coverage to inner regions of China. Further, as of 30 June 2010, we had over 6,000 customers from industries including machineries, petrochemical, home hardware and appliances, automobile and transport, construction and renewable energy. During the Track Record Period, revenue from our five largest customers accounted for only 7.5%, 9.3%, 9.3% and 8.2% of our revenue, respectively. Our broad and diversified customer base allows us to capture growth in various industries, while at the same time reduces our business concentration risk from any unexpected downturn in a particular industry.

Long-standing strategic business relationships with our key suppliers

We have established stable and long-standing business relationships with our key stainless steel suppliers. Our close business relationships with our key suppliers enable us to have ready access to different grades of stainless steel materials on short notice.

We also have in place a purchase price adjustment arrangement with STSS Group whereby STSS Group would reimburse us, in the form of purchase credits, amounts calculated based on the difference between our procurement price and the market selling price of various grades of stainless steel raw materials. The aggregate purchase credits reimbursed by STSS Group to us during the Track Record Period were RMB76.1 million, RMB283.6 million, RMB63.7 million and RMB96.4 million, respectively. This represents 0.8%, 3.9%, 1.0% and 2.4% of our purchases of raw materials of RMB9,199.1 million, RMB7,297.6 million, RMB6,379.4 million and RMB4,013.2 million during the Track Record Period, respectively. These reimbursements were recognised when the purchase credit were granted by STSS Group and the amounts could be reliably measured, that is when STSS Group issued to us purchase credits invoice or signed written confirmation. These reimbursements were fully used to reduce our stainless steel raw materials purchase payments to STSS Group and hence reduced our overall stainless steel raw materials purchase cost. Please see the section headed “Our Business — Raw Materials and Suppliers” for more details.

Further, pursuant to the memorandum of understanding entered into between Mitsui & Co., Ltd. and Jiangsu Daming on 11 February 2010, Mitsui & Co., Ltd. will supply to us stainless steel raw materials produced by NSSC at competitive price, quality and service. We, in turn, will purchase stainless steel raw materials from NSSC through Mitsui & Co., Ltd. Although such memorandum of understanding is only a goodwill understanding between the parties on certain future on-going commercial arrangements, which is not legally binding and does not contain any specific terms on the contract period, purchase commitment or price, quality and services, as Mitsui & Co., Ltd. is a well known international trading company involving in business that ranges from worldwide logistics to development of major international infrastructure projects, we believe that we will be able to utilise Mitsui & Co., Ltd.'s international network and resources to support our market research and business operations. Please see the section headed "Our Business — Raw Materials and Suppliers" for more details.

Continuously upgrading our processing equipment to meet our customers' needs

We continue to invest in different processing equipment to increase our processing capacity and to extend the scope of processing services to our customers. Our annual processing capacity has increased from approximately 479,200 tonnes as at 31 December 2007 to approximately 736,100 tonnes as at 30 June 2010. Our management conducts regular visits to other metal processing centres and stainless steel mills to gather information on the latest processing technologies. Further, we closely monitor China's economic development so that we can invest in the appropriate processing equipment to meet the requirements of our potential and existing customers in various industries. We believe that the breadth of our processing capabilities enable us to provide individualised and advanced processing services to customers from a wide spectrum of industries.

Industry-focused sales force

We provide stainless steel processing services to customers engaging in a wide spectrum of industries. To accommodate the demand of our diversified range of customers, our sales personnel are divided into various teams to focus on specific industries. Regular trainings organised on a monthly basis are provided to the sales teams, such that our sales personnel are equipped with stainless steel and industry-specific information and knowledge. Our sales and marketing teams have increased from 103 personnel as at 31 December 2007 to 176 personnel as at 30 June 2010. We believe that our industry-focused sales and marketing teams allow us to meet our customers' requirements more efficiently and contribute to recurring orders from these customers.

An experienced senior management team

Our management team has extensive operational experience and in-depth industry knowledge of the stainless steel industry. Our executive Directors, Mr. Zhou and Mr. Tang have both been involved in the stainless steel industry for over 17 years, while most of the remaining management team have, on average, over seven years of experience in the stainless steel industry.

We believe that the knowledge and experience of our management team have been crucial to the success of our business, as well as to the establishment and operations of our processing centres and sales branches. Our senior management is also highly focused on developing our business to meet the challenges of a competitive stainless steel processing industry. We believe that our management team's extensive industry experience is key to developing our business into a large-scale stainless steel processor in China.

OUR BUSINESS STRATEGIES

Expand our services to processing of other types of metal

As the processing technology in respect of stainless steel is similar to the processing technology in respect of other metals including non-stainless steel, we will leverage on our knowledge and technological capabilities in the processing of stainless steel by expanding our services to cover processing of other types of metal. With an aim to increase our customer base in heavy industries, in particular the vessel manufacturing and renewable energy equipment industries, we plan to commence processing of non-stainless steel in our processing centre in Wuxi. Apart from our machines for the coil cutting platform, which cannot be used for non-stainless steel processing due to mechanical limitations, all our machines for the other platforms are capable of processing both stainless and non-stainless steel. We have purchased one set of new machines for the coil cutting platform for processing of non-stainless steel that is in the process of being installed and tested in our processing centre in Wuxi. Upon completion of the installation and testing procedures, we have commenced the processing of non-stainless steel since mid October 2010.

We currently intend to apply approximately 30% of the net proceeds from the Global Offering to the construction and development of a new processing and logistics complex in Jingjiang, Jiangsu, which will focus on the processing and provision of logistics services for non-stainless steel. Upon completion of our processing and logistics complex in Jingjiang, we will have an annual non-stainless steel processing capacity of 200,000 tonnes. As the apparent consumption of finished steel products in China in 2009 was 542 million tonnes, representing a CAGR of 16% between 1999 to 2009, our Directors believe that there will be sufficient demand for non-stainless steel processing. We believe that the diversification of our Group's processing services to cover other types of metal, in particular non-stainless steel, will enable us to increase our sales volume by selling these additional types of processed metal to our existing and new customers.

Expand our processing capacities, range of processing services and our processing centre network

We plan to expand our processing centre network and the processing capability of our existing processing centres. Based on our current expected demand in stainless steel and other metals in various provinces, we plan to construct new processing centres in Changsha in 2011, Shenyang in 2012, Xi'an in 2013, Chengdu in 2014 and Guangdong in 2015, as well as a processing and logistics complex in Jingjiang in 2012, all of which will be equipped with processing equipment capable of processing stainless steel, stainless steel rods and blocks and non-stainless steel. As we expect our existing and future customers' demand in these regions will increase in the future, we believe that these new processing centres will allow us to respond to our customers more timely by being located more closely to them. For details in relation to the development of the processing centre in Changsha and the processing and logistics complex in Jingjiang, please refer to the section headed "Future plans and use of proceeds" in this prospectus for more details.

We also plan to invest in new processing equipment in our existing processing centres to expand our processing capacities and increase the range of processing services we offer, including further development of our machining platform and new platform such as welding. We believe that by increasing the range of processing services we offer, we will be able to increase our sales volume by providing these additional processing services to our existing customers and new customers.

Continue to strengthen our inventory control, working capital and financing cost management

We will continue to implement a strict inventory control by maintaining close dialogue with our customers to understand their expected demand and also with our suppliers to understand their expected pricing policies.

On working capital management, we generally require our customers to pay us in cash upon delivery and we will continue to adopt this policy. Except for some of our key customers where we allow settlement after delivery, we will continue to demand a majority of our customers to settle outstanding payment within 30 days. As at 31 December 2007, 2008, 2009 and 30 June 2010, our total accounts receivable was RMB62.7 million, RMB67.1 million, RMB80.2 million and RMB112.2 million and our accounts receivable within 30 days represented 78.0%, 96.1%, 85.5% and 87.5% of our total accounts receivable, respectively.

On financing cost, as at 31 December 2007, 2008, 2009 and 30 June 2010, our weighted average effective interest rate on our RMB denominated borrowings was 6.79%, 6.25%, 4.97% and 4.85% per annum, respectively. As at 31 December 2007, 2008, 2009 and 30 June 2010, our weighted average effective discount rate on our notes payable was 3.31%, 2.62%, 1.44% and 2.46% per annum, respectively. We will continue to utilise a mixture of short term borrowing and notes payable to reduce our overall short term financing cost.

Expand our customer base in targeted industries

Our customers in the heavy industries, such as renewable energy equipment manufacturers and vessel manufacturers, generally require more advanced and in-depth processing services. We charge our processing fees according to the level and complexity of the processing services provided and the number of processing procedures involved. We aim to increase our customer base in these industries by continually investing in dedicated sales personnel to focus on these industries.

We believe that our continuing investment in an industry-focused sales force will allow us to provide technical support to our customers and allows us to offer to our customers more in-depth processing services that may otherwise have been undertaken by such customers in-house.

Increase information flow across processing centres to increase overall efficiency

We have been exploring solutions to reduce our operating costs and improve our operational efficiency. To improve efficiency, in 2009, we started to install the ERP system, which is an integrated computer-based system used to centralise and facilitate the flow of information across our processing centres, including procurement, production and sales. We currently expect that the installation of the ERP system across all our processing centres will be completed by the end of 2010.

Upon full installation of the ERP system across all our processing centres, we plan to develop an information platform which centralises, integrates and provides direct and instant information access to all processing centres. Once the development of the information platform is completed, we will extend the ERP system's coverage to corporate administration and management, office administration, as well as clients and suppliers management.

OUR PRINCIPAL SERVICES

Processing centres

As at the Latest Practicable Date, we operate four processing centres across China. Set out below is a summary of the processing functions available at each of our four processing centres:

		Type of processing services					
Processing Centre	Year of commencement of operations	Slitting	Cutting to length	Surface polishing	Plate cutting	Forming	Machining
Jiangsu Daming (Wuxi processing centre)	2003	√	√	√	√	√	√
Hangzhou Wanzhou (Hangzhou processing centre)	2007	√	√	√	—	—	—
Wuhan Fortune (Wuhan processing centre)	2007	√	√	√	—	√	—
Tianjin Taigang Daming (Tianjin processing centre)	2009	√	√	√	√	√	—

Processing process

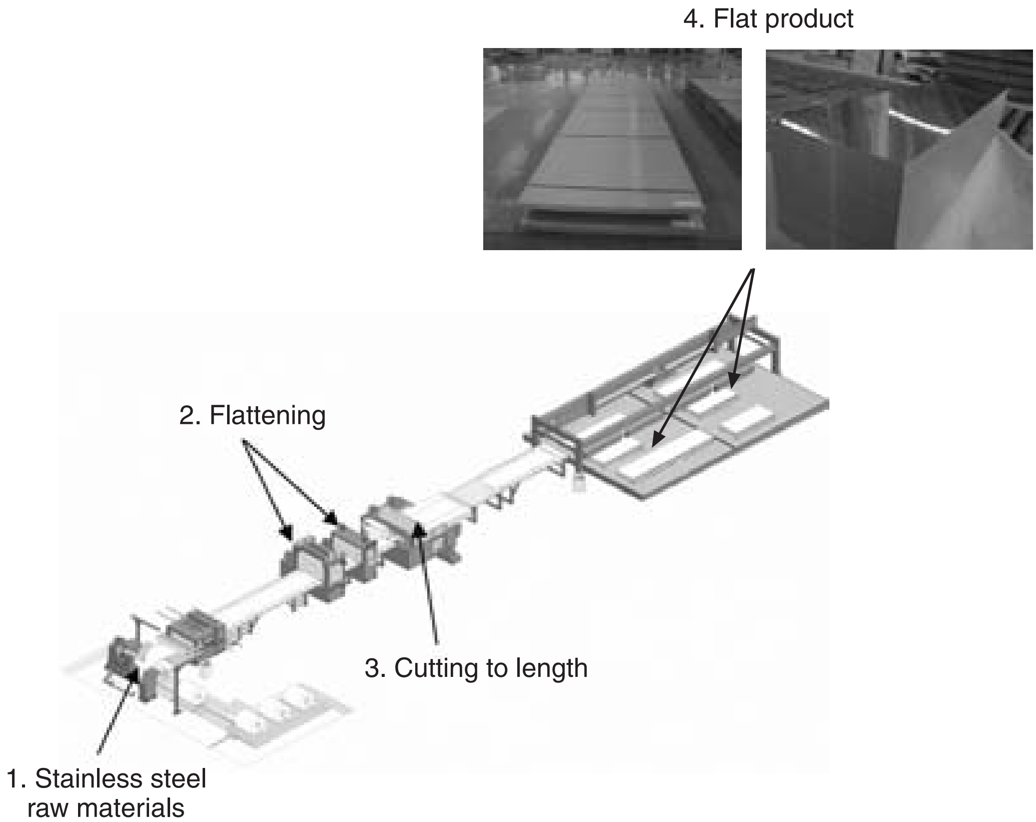
We provide stainless steel products to our customers. We provide coil cutting, surface polishing, plate cutting, forming and machining services. We process stainless steel raw materials into various sizes and shapes and perform different polishing steps according to our customers' requirements. Our processing centres are located in Wuxi, Hangzhou, Wuhan and Tianjin. This processing network covers a wide range of customers located across China.

Coil cutting

Coil cutting includes slitting and cutting to length. Cutting to length involves the cutting of stainless steel coils into the lengths specified by the customers. Our processing equipment is imported from Italy, Korea and Taiwan and can be used to process both hot and cold rolled stainless steel, for both strips and plates. The following diagrams illustrate the processing process of slitting and cutting to length and their respective end-products.

Cutting to Length

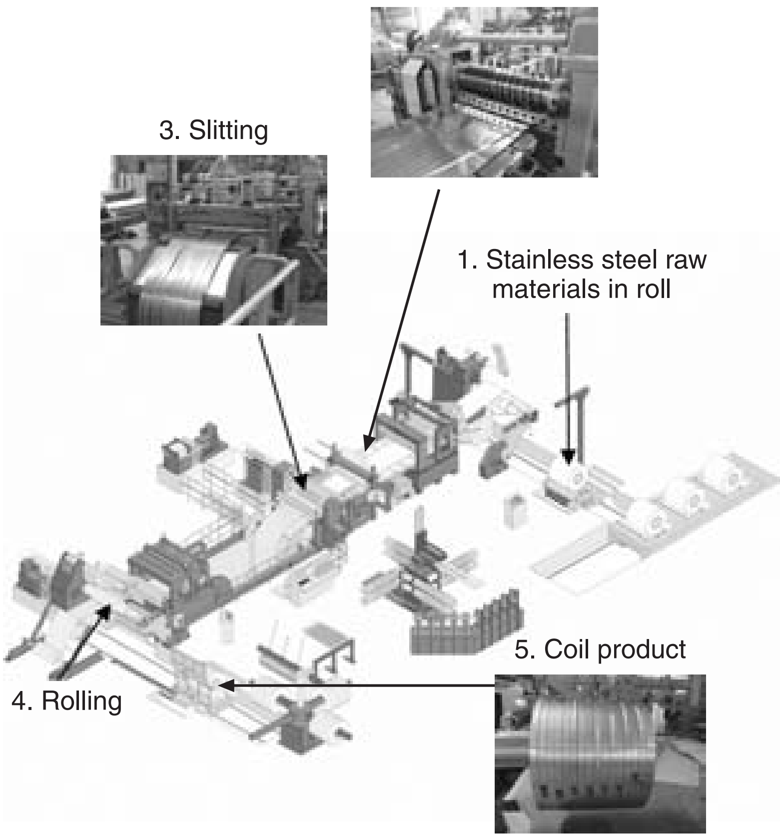
Cutting to length involves the cutting of stainless steel coils into the lengths specified by the customers. Set out below is an illustration of the cutting to length process:



Set out below is a photo of a coil cutting platform in our Wuxi processing centre:

Slitting

Slitting line involves the slitting of stainless steel coils by cutting the coil strips into different widths according to customers' requirements. Set out below is an illustration of the slitting process:



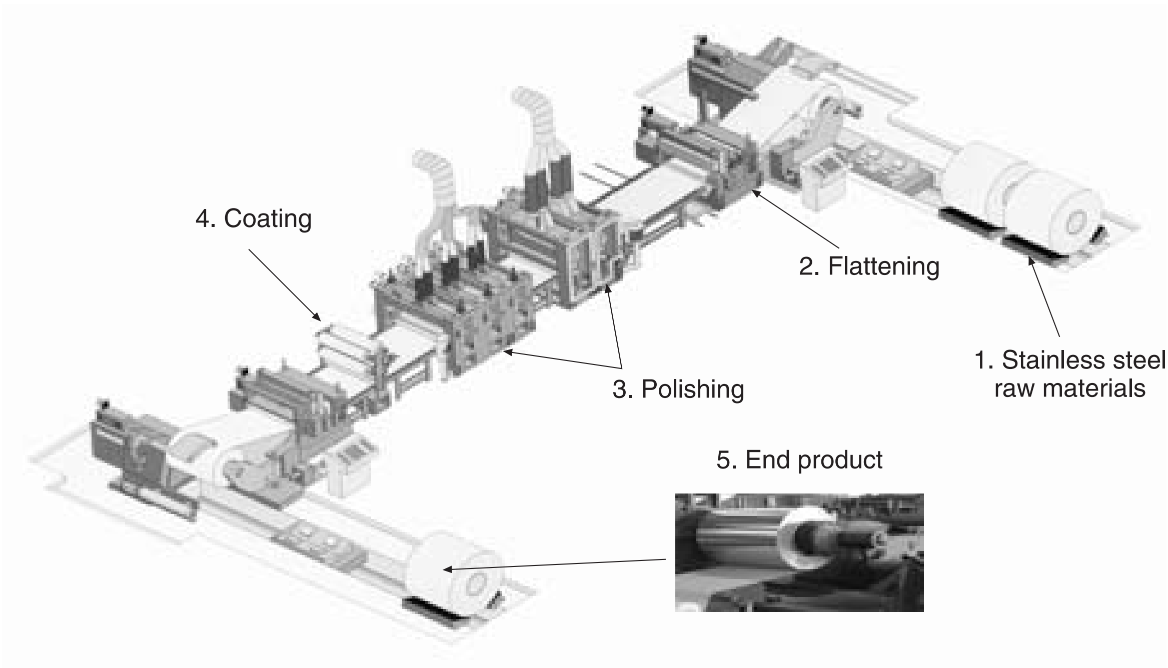
Set out below is a photo of a slitting platform in our Wuxi processing centre:

Surface polishing

Surface polishing includes plate polishing and coil polishing.

Coil Polishing

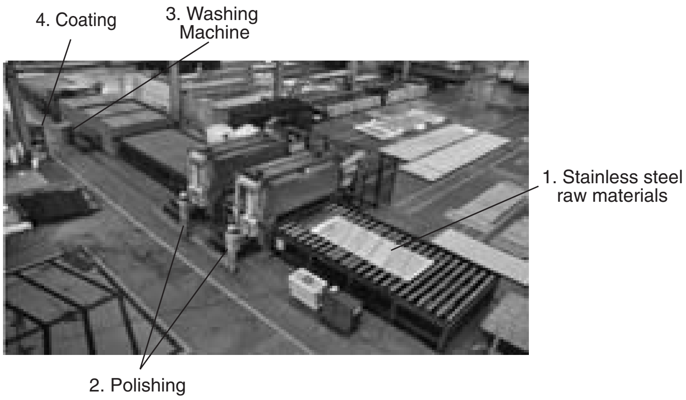
Coil polishing involves the surface polishing of stainless steel coils. Set out below is an illustration of the coil polishing process:



Set out below is a photo of a coil polishing platform in our Wuxi processing centre:

Plate Polishing

Plate polishing involves the surface polishing of stainless steel plates. Set out below is an illustration of the plate polishing process:



Set out below is a photo of finished products from our plate polishing platforms:

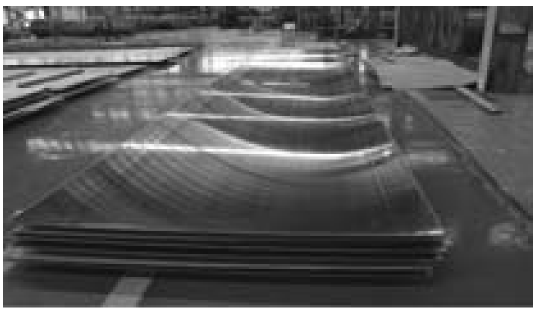
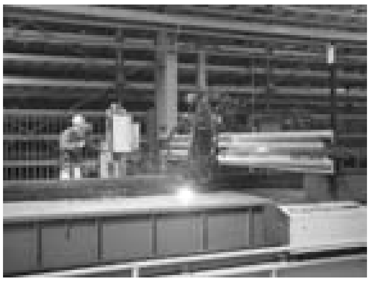


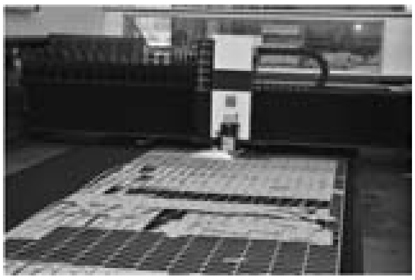
Plate cutting

Plate cutting includes laser cutting, plasma cutting and water jet cutting. Our cutting machines are imported from Germany, America and Japan. Plate cutting technology allows us to cut stainless steel plates diagonally. We can also cut holes or plates into curve shapes. Set out below are the processing steps of the plate cutting platform:

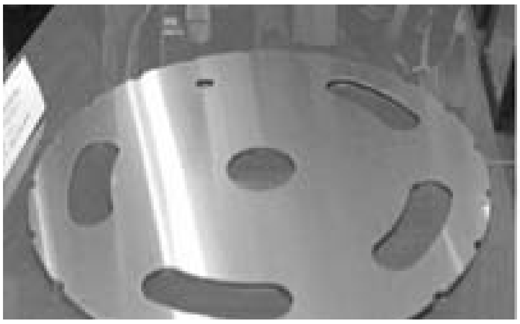
1. Stainless steel raw material → 2. Sketching → 3. Figures calculating → 4. Feeding → 5. Shearing/water jet cutting/or laser cutting → 6. End product

Set out below are photos of our plate cutting platform at our Wuxi processing centre:



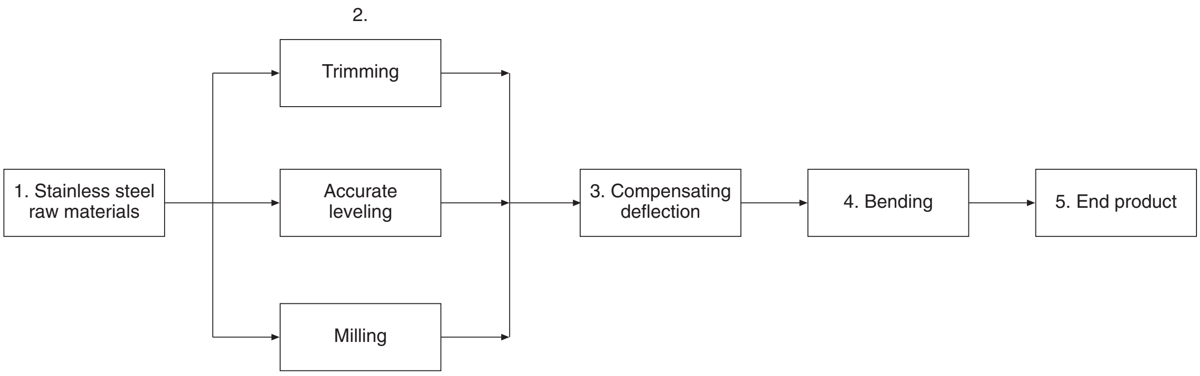


Set out below are photos of finished products from our plate cutting platforms:



Forming

Forming involves transforming stainless steel strips into three-dimensional shapes. Set out below are the processing steps of the forming platform:

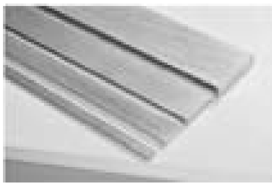
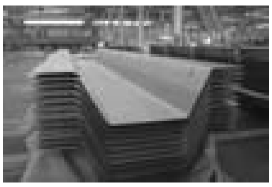
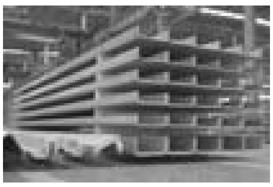


Set out below are photos of our forming platform at our Wuxi processing centre:

Hydraulic shear

Hydraulic bending machine

Set out below are photos of finished products from our forming platforms:

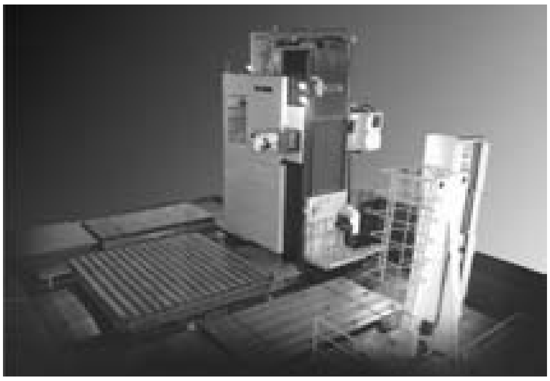





Machining

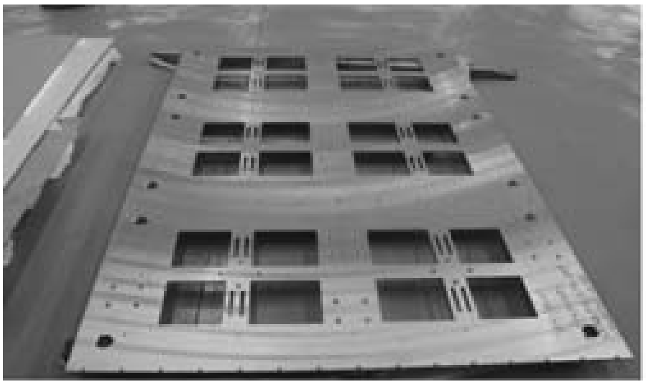
Machining involves the processing of stainless steel into large-size parts and structures. Set out below are the processing steps of the machining platform:

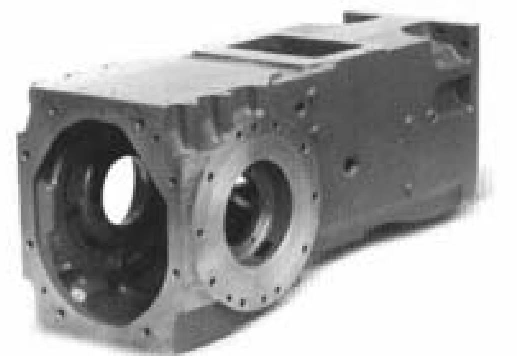
1. Stainless steel raw material → 2. Sketching → 3. Arranging processing format → 4. Molding → 5. Cutting → 6. End product

Set out below are photos of our machining platforms at our Wuxi processing centre:



Set out below are photos of our finished products from our machining platforms:





The table below sets out our processing capacity, processing output and utilisation rate of our processing platforms during the Track Record Period.

	Number of Machines				Designed Annual Processing Capacity(1)				Pro-rata Annual Processing Capacity(2)				Annual Processing Output(3)				Utilisation Rate(4)			
Platforms(7)	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010	2007	2008	2009	As at 30 June 2010
Coil Cutting Platform																				
CTL platform ('000 tonnes)	7	9	13	13	216.0	288.0	408.0	408.0	189.0	267.0	351.5	204.0	175.3	210.4	221.7	123.9	92.7%	78.8%	63.1%	60.8%
SL platform ('000 tonnes)	5	7	8	8	240.0	246.0	282.0	282.0	142.0	243.3	276.0	141.0	97.6	163.6	194.4	103.7	68.7%	67.3%	70.4%	73.6%
Surface Polishing Platform																				
Coil surface polishing platform ('000 tonnes)	2	3	3	3	18.0	27.0	27.0	27.0	8.3	19.5	27.0	13.5	3.9	11.1	20.9	13.3	47.1%	57.2%	77.2%	98.3%
Plate surface polishing platform ('000 m^2)	5	5	6	6	2,217.6	2,208.0	2,256.0	2,256.0	1,963.2	2,180.0	2,236.0	1,128.0	1,787.8	1,267.6	1,511.3	764.9	91.1%	58.1%	67.6%	67.8%
Plate Cutting Platform																				
Plate cutting platform ('000 tonnes)	5	9	10	10	5.2	8.0	8.2	8.2	4.1	7.3	8.1	4.1	n/a(5)	5.1	5.0	3.1	n/a(5)	70.1%	61.1%	75.1%
Forming Platform																				
Forming platform ('000 tonnes)	0	5	13	16	0.0	4.9	9.5	10.9	—	3.9	7.3	5.4	—	3.3	5.8	3.0	—	86.4%	80.2%	56.0%
Machining Platform																				
Machining platform ('000 hours)	0	0	0	1	0.0	0.0	0.0	4.6	—	—	—	2.3	—	—	—	1.5	—	—	—	65.1%
Total(6) ('000 tonnes)	24	38	53	57	479.2	573.9	734.7	736.1	343.4	541.0	669.9	368.0	276.8	393.5	447.8	247.0				

Notes:

1. The designed annual processing capacity of each platform was derived on the following basis and assumptions:
   - the processing platform operated 300 days a year, two shifts per operation day and eight hours per shift;
   - the designed capacity of each processing platform was estimated based on the following assumptions:
     — guidance on estimated processing capacities by the relevant equipment manufacturer;
     — specific length, width, thickness and weight of stainless steel;
     — specific processing hours per year; and
     — specific maintenance schedule;
   - all platforms commenced prior to or during the indicated period are assumed to be in full operation throughout the indicated period regardless of the actual production commencement date.
2. Pro-rata processing capacity was estimated based on the number of months in operation divided by the number of months for the relevant period multiplied by the designed annual processing capacity.
3. Annual processing output was the actual volume / square-meters / hours of stainless steel processed by each platform for the relevant period.
4. Utilisation rate of each processing platform was derived by dividing the annual processing output by the pro-rata annual processing capacity during the relevant period.
5. Processing output of the plate cutting platform in 2007 was not available because our Group recorded the stainless steel processed in terms of square meters instead of by volume processed. The total square meters of stainless steel processed in 2007 by the plate cutting platform was approximately 2,100m^2.
6. Except for the total number of machines, the total figures exclude plate surface polishing platform (as capacity is measured by square meters) and machining platform (as capacity is measured in hours).
7. Machines installed in our processing centres are computer-controlled.

Year on year change in the utilisation rate of the processing platforms

Coil Cutting Platform

Cutting to length

The utilisation rate in 2007 was 92.7%. We purchased new equipment in 2008, which increased our production capacities and led to a decrease in our utilisation rate to 78.8% in 2008. The further decrease in utilisation rate to 63.1% and 60.8% in 2009 and in the first six months of 2010, respectively, was primarily due to the commissioning of the Tianjin processing centre in 2009, which hosts three new cutting to length platforms that had a relatively low utilisation rate in 2009 due to its short operation period.

Slitting

The utilisation rate of the slitting platform was between 67.3% to 73.6% during the Track Record Period and had remained relatively stable.

Surface Polishing Platform

Coil surface polishing platform

The utilisation rate increased significantly from 47.1% in 2007 to 98.3% in the first six months of 2010. This is primarily due to the increasing customer demand on the services provided by these platforms.

Plate surface polishing platform

The utilisation rate decreased from 91.1% in 2007 to 58.1% in 2008. This is primarily due to the replacement of one of the older platforms at the Wuxi processing centre, which was sold in September 2007. The new platform had a relatively low utilisation rate when it first started its production in August 2008. The increase in utilisation rate of our new platform at the Wuxi processing centre in 2009 was partially offset by the commissioning of the Tianjin processing centre in 2009, which hosts one plate surface polishing platform that had a relatively low utilisation rate due to the short operation period in 2009.

Plate Cutting Platform

The utilisation rate of the plate cutting platform was between 61.1% to 75.1% during the Track Record Period. The fluctuation of the utilisation rate of the plate cutting platform was due to the fluctuation of customers' demand on the services provided by this platform.

Forming Platform

The utilisation rate decreased from 80.2% in 2009 to 56.0% in the first six months of 2010. This is primarily due to the three new platforms that have commenced operation in January 2010, where the utilisation rate has been relatively low given the short operation period.

Machining Platform

The utilisation rate of machining platform was 65.1% in the first six months of 2010 as the platform has commenced operation in January 2010.

ANCILLARY SERVICES

We also provide sourcing service for specific grades of stainless steel that we do not generally offer to our customers and which are only supplied by certain domestic and international stainless steel producers. We also provide technical support to our customers such as recommending an appropriate grade of stainless steel and processing services for their specific requirements. We believe that the technical assistance we provide to our customers helps to maintain a long-term relationship with them.

QUALITY CONTROL

We implement a strict quality control system over the processing procedures with a view to comply with the product specifications requested by our customers and to ensure the quality of our products. On 15 November 2006, we obtained the ISO9001:2000 qualification (Quality management system in respect of slitting, cutting, contour machining and polishing for stainless steel coils and plates) and on 15 October 2009, such qualification was further upgraded to ISO9001:2008 (Quality management system in respect of slitting, cutting, contour machining and polishing for stainless steel coil and plate). Set out below are photos illustrating our various quality control examinations during our processing procedures:

Measurement of size

Measurement of stainless steel rods angle

Measurement of mechanically processing blades

Inspection of the evenness of flattened sheets

Inspection of the coarseness of grinding planks

As of 30 June 2010, our quality control department is supported by more than 40 quality control inspectors. Our quality control system is divided into two stages: (i) quality control of raw materials and (ii) quality control of the processing procedures.

Quality control of raw materials

Upon the arrival of the raw materials, we take samples for laboratory testing on the chemical contents in order to ensure their quality meets their respective specifications.

Inspection on the utility and extendability of raw materials

Spectral analysis of raw materials chemical contents

Quality control on processing procedures

We continuously monitor our processing procedures and carry out regular inspections to ensure consistency in the quality of our services. Our quality control personnel conduct tests and inspections at various stages of the processing procedures before the stainless steel products are packed for delivery.

DELIVERY SERVICES

We provide delivery services at customers' requests and maintain sufficient inventory to satisfy different needs of customers from time to time. We usually arrange delivery services for our customers. We have entered into service provision agreements with delivery service companies. The delivery service companies are usually required to pay deposits to our Group to ensure their due delivery of the stainless steel products to our customers.

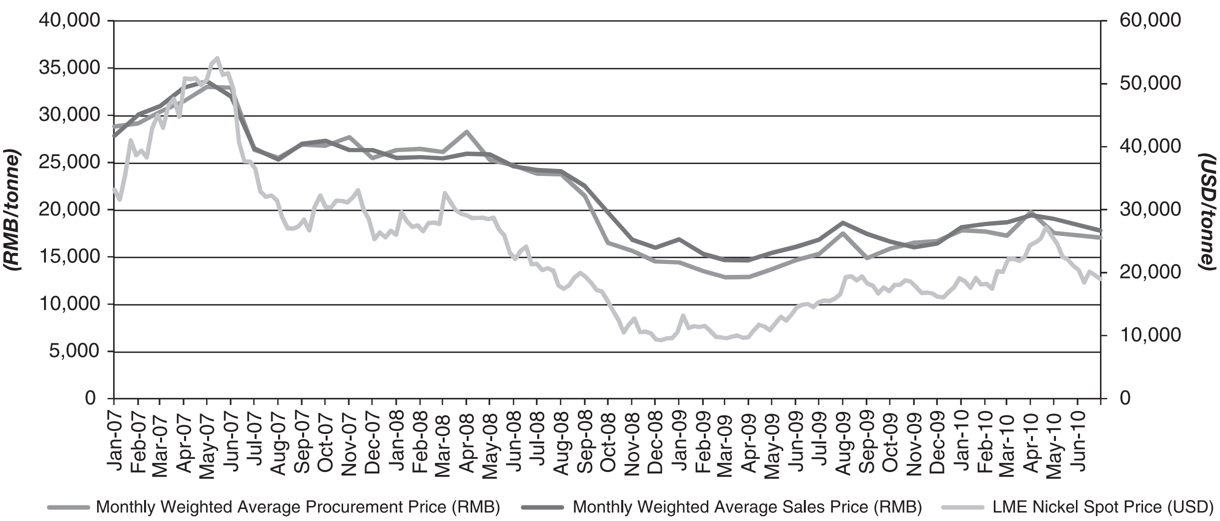
In addition, upon receiving customers' requests, we also arrange delivery services for the customers by liaising with the delivery services companies on behalf of the customers. The delivery service contracts will be entered into between the delivery service companies and the customers directly. Furthermore, our customers may collect the stainless steel products themselves. In such case, the transportation cost will be borne by the customers.

Pursuant to the service provision agreements entered into between our Group and the delivery service companies, the delivery service companies undertake to safeguard delivery of our Group's stainless steel products against any loss or damages. In the event of any loss or damages caused to the stainless steel products by the delivery service companies, the delivery service companies shall be liable to indemnify our Group the actual loss and all the losses arising therefrom. Our Group has not experienced any material losses or damages through transportation from the delivery service companies.

FLUCTUATION IN MONTHLY WEIGHTED AVERAGE PROCUREMENT PRICE AND MONTHLY WEIGHTED AVERAGE SALES PRICE

The chart below compares the historical movement of nickel price to our Monthly Weighted Average Procurement Price and Monthly Weighted Average Sales Price. The fluctuation in our Monthly Weighted Average Procurement Price and Monthly Weighted Average Sales Price during the Track Record Period was mainly attributable to the fluctuation in raw material prices, which in turn was caused by the fluctuation in nickel price, the main component used in the production of stainless steel. During the Track Record Period, there was significant fluctuation in our Monthly Weighted Average Procurement Price and Monthly Weighted Average Sales Price. Our Monthly Weighted Average Procurement Price and Monthly Weighted Average Sales Price was highest in May 2007 as nickel price reached more than US$54,000 per tonne caused by strong demand. Subsequently, nickel price started to decline due to global economic downturn and a decreasing level of manufacturing activities. The price of nickel reached a low of approximately US$9,300 per tonne in late 2008. Nickel price began to stabilise in early 2009 and started to recover since March 2009 due to the strengthening of demand backed by a recovering economy.

Correlation between nickel price and Monthly Weighted Average Procurement Price & Monthly Weighted Average Sales Price[(1)]

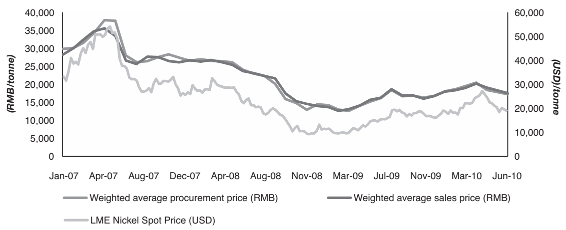


Note:

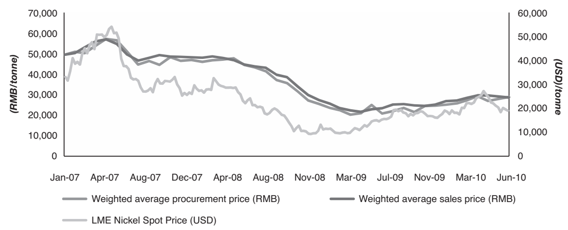
(1) In line with the accounts preparation and inventory management of our Company which are prepared and conducted on a monthly basis, the weighted sales price and the weighted procurement price of stainless steel are also recorded on a monthly basis.

The charts below illustrate the fluctuations in the monthly weighted average procurement price of different grades of stainless steel raw materials purchased and the monthly weighted average sales price of different grades of stainless steel products, as compared to the movement in LME nickel spot price, during the Track Record Period:

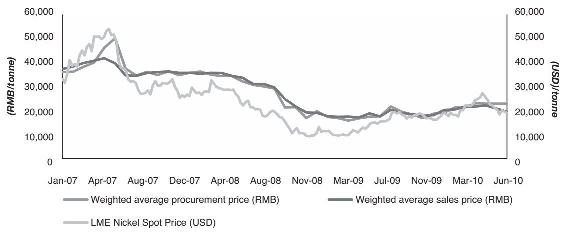
Correlation between nickel price and monthly weighted average procurement price & monthly weighted average sales price - 304



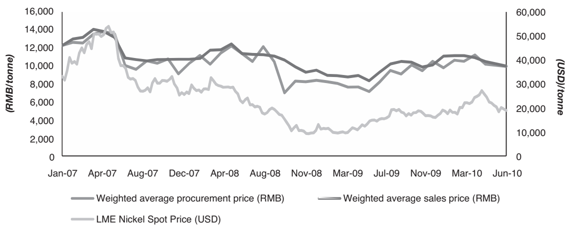
Correlation between nickel price and monthly weighted average procurement price & monthly weighted average sales price - 316L



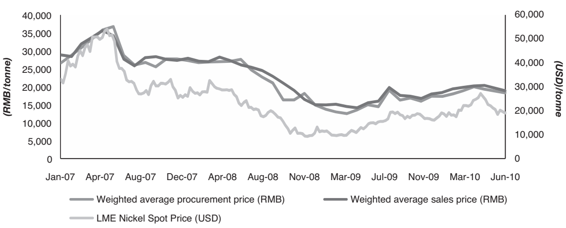
Correlation between nickel price and monthly weighted average procurement price & monthly weighted average sales price - 321



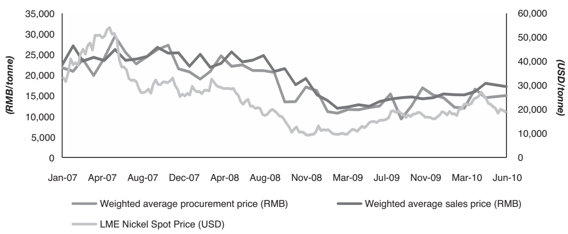
Correlation between nickel price and monthly weighted average procurement price & monthly weighted average sales price - 430



Correlation between nickel price and monthly weighted average procurement price & monthly weighted average sales price - 304L



Correlation between nickel price and monthly weighted average procurement price & monthly weighted average sales price - Other types of stainless steel



INVENTORY MANAGEMENT

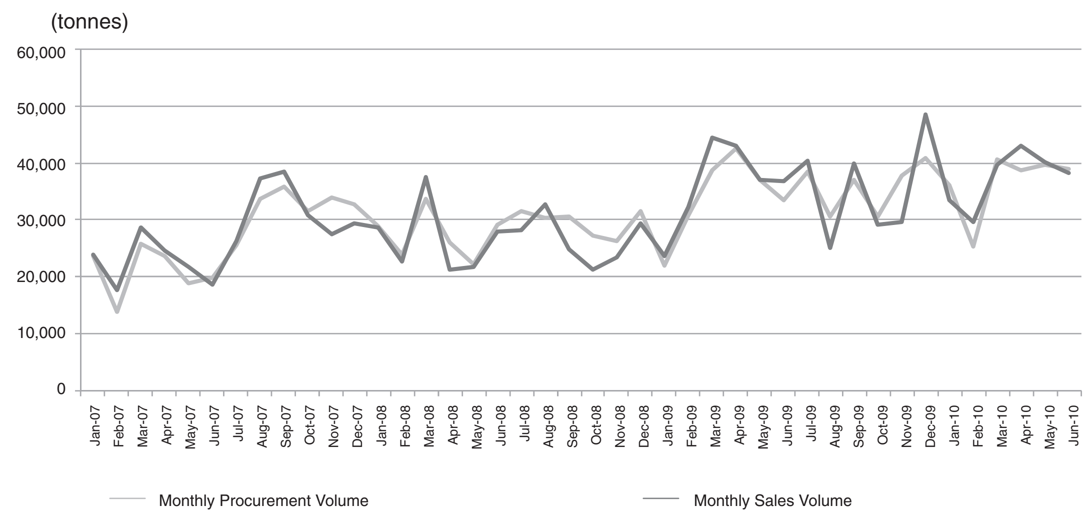
Inventory

Our inventory comprises different grades of stainless steel and processed finished goods (i.e. stainless steel products). We conduct monthly stock take and hold meetings with our procurement and sales departments to ascertain appropriate levels of stock for each type of stainless steel raw materials. We also inspect our inventories regularly on a monthly basis to identify slow-moving and obsolete stocks during stock takes.

Our purchase of stainless steel raw materials and the sale of our products are driven by typical commercial considerations and determined by various factors such as the need to ensure that there is sufficient inventory of different grades of stainless steel to maintain normal business operations at our processing centres, stable and adequate inventory level of both stainless steel and processed finished goods, and the cash flow positions with reference to the requirements of our Group at the relevant period.

The table below shows that our monthly procurement volume follows closely with the monthly sales volume, reflecting a procurement pattern whereby we would (i) purchase more stainless steel raw materials when there is a greater expected demand and (ii) purchase less stainless steel raw materials when there is an expected decreasing demand. The table below shows that we did not, and do not, acquire inventory for speculation on price movements of stainless steel raw materials. We do not focus on purchasing stainless steel raw materials when the market price of stainless steel raw materials is anticipated to increase or decrease, as we have historically continued to engage in purchasing stainless steel raw materials to meet our expected customers' demand.

Correlation between procurement volume & sales volume



To minimise the risks of stainless steel raw material price fluctuation causing a negative impact on our business and financial conditions, we have adopted the following procedures to determine an appropriate level of inventory:

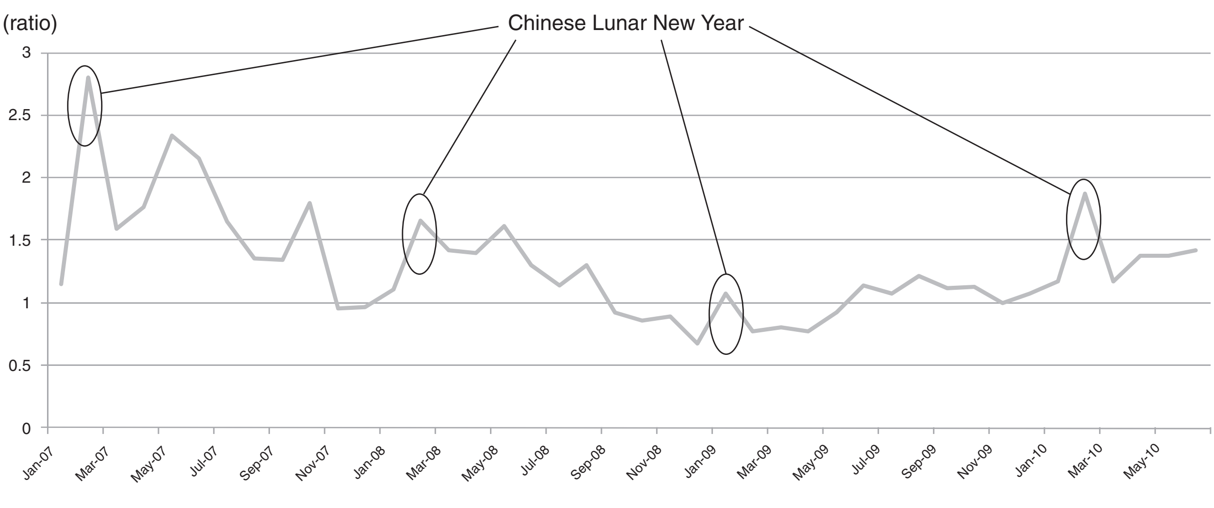
- at the end of each month, our sales department will estimate customers' demand for the next month;

- our procurement department will evaluate (i) the existing level of inventory, (ii) the incoming inventory, (iii) the procurement volume stated in the supply contracts with our stainless steel suppliers, (iv) overall market conditions, and (v) customers' demand, in order to estimate the overall purchase volume of stainless steel raw materials to be placed for the next month; and

- our procurement department will, according to the information provided by the sales department, place orders with our stainless steel suppliers.

The chart below shows the month-end inventory divided by our historical monthly sales volume measured in tonnes (the "Inventory/Sales Ratio") during the Track Record Period. Since the beginning of 2008, we have generally managed to maintain an Inventory/Sales Ratio of between 0.5 to 1.5. The high Inventory/Sales Ratio in the month of the Chinese Lunar New Year during the Track Record Period was due to lower sales volume during the Chinese Lunar New Year holidays, coupled with an increase in inventory due to management's anticipation of increased sales volume in the months immediately following the Chinese Lunar New Year holidays. We will continue to target an Inventory/Sales Ratio range of between 0.5 to 1.5 so as to balance (i) our business needs of providing stainless steel products to our end customers on time and (ii) inventory holding risks.

Month-end Inventories (tonnes)/Monthly Sales Volume (tonnes)

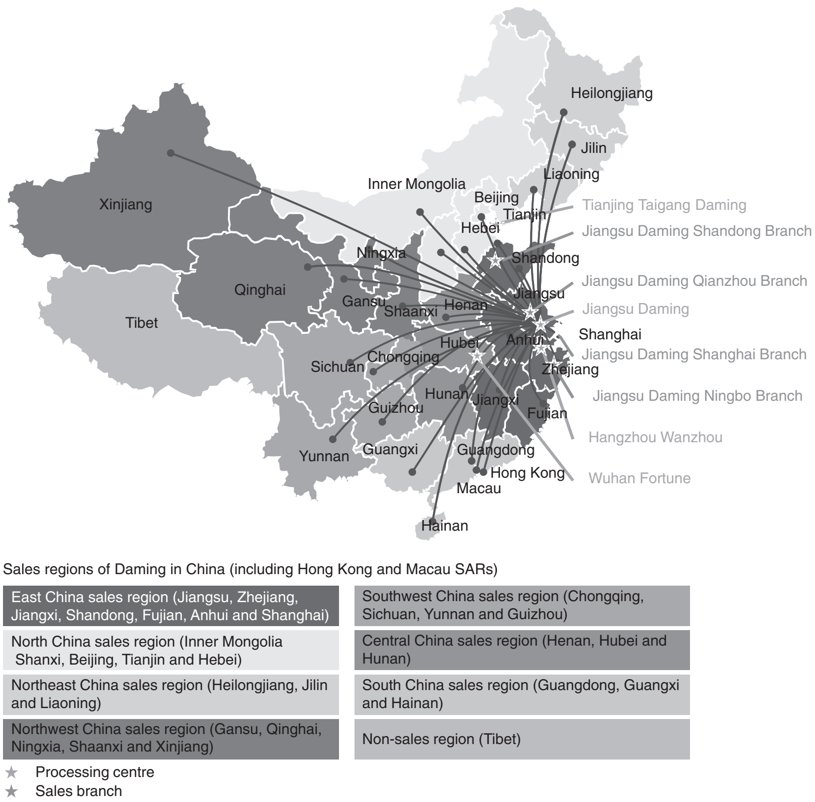


SALES AND CUSTOMERS

When our customers make sales enquiries, we would provide price quotations with reference to the prevailing market price of stainless steel raw material as at such date, plus processing fee and costs of packaging and delivery. If the customers accept our price quotations and the timing for delivery, the customers would generally be required to place their orders at such price (the "Order Price") and also pay a deposit within one to three days (i.e. the Order Price is only valid for one to three days). Once we receive the deposit payment, the Order Price is binding on the customers and us and cannot be amended. The time from order to delivery generally ranges from less than a week for simple processing services such as cutting and slitting, to more than 15 days for more advanced and/or additional processing services such as polishing, machining and forming.

Our sales network

The following map illustrates the coverage of our sales network. Our sales network currently consists of processing centres located in Wuxi, Hangzhou, Wuhan and Tianjin. According to www.51bxg.com, an independent web-based organisation that provides business intelligence and updates on the stainless steel industry, stainless steel consumption is concentrated in the Eastern and Southern regions of China and they together accounted for over 70% of the nation's stainless steel consumption. These two regions include some of the nation's highest GDP provinces and zones — Guangdong, Zhejiang, Jiangsu, Shandong, Pearl River Delta and Yangtze River Delta, all of which are the nation's core industrial production bases.



Our stainless steel products are sold mainly to domestic customers. Our sales network mainly covers the Yangtze River Delta and northern China. The following table shows our sales breakdown for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 by different regions in China and overseas. As demonstrated below, a majority of our sales during the Track Record Period is derived from the Eastern region of China, which is in line with where the majority of stainless steel is consumed in China.

	For the year ended 31 December						For the six months ended 30 June	
Region	**2007**		**2008**		**2009**		**2010**	
		% of revenue/ volume		*% of revenue/ volume*		*% of revenue/ volume*		*% of revenue/ volume*
Eastern region, China								
RMB'000	7,243,271	80.2	6,314,623	79.2	5,101,982	79.1	3,086,592	75.8
Tonnes	261,918	82.2	275,837	81.0	336,055	80.0	168,602	76.9
Northern region, China								
RMB'000	360,970	4.0	416,289	5.2	460,498	7.1	408,738	10.0
Tonnes	11,525	3.6	16,013	4.7	28,393	6.7	21,243	9.7
Central region, China								
RMB'000	614,305	6.8	531,956	6.7	430,123	6.7	253,109	6.2
Tonnes	20,261	6.4	21,904	6.4	27,378	6.5	12,695	5.8
Southwestern region, China								
RMB'000	218,706	2.4	228,937	2.9	184,383	2.9	101,840	2.5
Tonnes	6,911	2.2	9,240	2.7	11,643	2.8	4,829	2.2
Northeastern region, China								
RMB'000	164,106	1.8	158,899	2.0	103,239	1.6	70,389	1.7
Tonnes	4,678	1.4	5,661	1.7	6,598	1.6	4,103	1.9
Northwestern region, China								
RMB'000	144,065	1.6	237,897	2.9	94,592	1.5	71,796	1.8
Tonnes	4,062	1.3	8,279	2.4	5,279	1.3	3,450	1.6
Southern region, China								
RMB'000	194,130	2.1	75,423	0.9	59,377	0.9	52,554	1.3
Tonnes	6,382	2.0	3,206	0.9	3,707	0.9	2,918	1.3
Overseas								
RMB'000	95,069	1.1	12,813	0.2	13,163	0.2	27,812	0.7
Tonnes	2,865	0.9	638	0.2	753	0.2	1,351	0.6
Total								
RMB'000	9,034,622	100.0	7,976,837	100.0	6,447,357	100.0	4,072,830	100.0
Tonnes	318,602	100.0	340,778	100.0	419,806	100.0	219,191	100.0

Our sales and marketing team is divided by regions and industries. We normally establish one branch office in a region when the sales in that region exceed 1,000 tonnes per month. Once the sales in a region exceed 2,000 tonnes per month, we will consider expanding the branch office into a trading company, which will be further expanded into a category one processing centre (as defined below) when the monthly sales exceed 5,000 tonnes. We will consider building a category two processing centre (as defined below) if the monthly sales exceed 10,000 tonnes.

Category one processing centre generally provides processing services such as slitting, cutting to length and surface polishing. Category two processing centre generally provides processing services in addition to those provided by category one processing centre, which includes services such as plate cutting, forming and machining.

As at the Latest Practicable Date, we had four processing centres, with our processing centre in Wuhan being a category one processing centre and the other three processing centres in Wuxi, Hangzhou and Tianjin being category two processing centres, and four branch offices in Shandong, Shanghai, Qianzhou and Ningbo. Apart from these processing centres and branch offices, our Company does not own or operate any trading companies.

Our sales teams have specific industry focus. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had 103, 117, 146 and 176 sales and marketing personnel, respectively. To ensure that our sales and marketing personnel are equipped with sufficient knowledge and skills to serve our customers, all of our sales and marketing personnel undergo regular training conducted on a monthly basis on product and industry-specific knowledge, marketing and management skills.

Sales by stainless steel grades

The following table sets out a summary of the sales volume, sales amount and weighted average sales price for different stainless steel grades during the Track Record Period:

	For the year ended 31 December															For the six months ended 30 June				
	2007					2008					2009					2010				
Steel Grade	Sales volume	% of total sales volume	Sales amount	% of total sales amount	Weighted average sales price	Sales volume	% of total sales volume	Sales amount	% of total sales amount	Weighted average sales price	Sales volume	% of total sales volume	Sales amount	% of total sales amount	Weighted average sales price	Sales volume	% of total sales volume	Sales amount	% of total sales amount	Weighted average sales price
	(tonne)		*(RMB '000)*		*(RMB/ tonne)*	*(tonne)*		*(RMB '000)*		*(RMB/ tonne)*	*(tonne)*		*(RMB '000)*		*(RMB/ tonne)*	*(tonne)*		*(RMB '000)*		*(RMB/ tonne)*
304	198,970	62.5	5,751,394	63.7	28,906	209,317	61.4	4,683,281	58.7	22,374	257,578	61.4	3,971,005	61.6	15,417	133,839	61.1	2,510,586	61.6	18,758
316L	22,651	7.1	1,145,879	12.7	50,588	29,718	8.7	1,269,640	15.9	42,723	29,610	7.1	716,640	11.1	24,203	16,759	7.6	473,903	11.6	28,277
304L	14,426	4.5	424,955	4.7	29,458	19,080	5.6	461,064	5.8	24,164	25,243	6.0	407,795	6.3	16,155	13,036	5.9	254,466	6.2	19,520
430	31,621	9.9	371,961	4.1	11,763	28,045	8.2	309,142	3.9	11,023	35,825	8.5	337,830	5.2	9,430	14,219	6.5	151,116	3.7	10,628
321	6,098	1.9	231,976	2.6	38,041	4,524	1.3	134,936	1.7	29,827	8,132	1.9	147,926	2.3	18,191	3,690	1.7	78,930	1.9	21,388
Others	44,836	14.1	1,108,457	12.2	24,722	50,094	14.8	1,118,774	14.0	22,333	63,418	15.1	866,161	13.5	13,658	37,648	17.2	603,829	15.0	16,039
Total	318,602	100.0	9,034,622	100.0	28,357	340,778	100.0	7,976,837	100.0	23,408	419,806	100.0	6,447,357	100.0	15,358	219,191	100.0	4,072,830	100.0	18,581

An analysis of the sales volume, percentage of sales and weighted average sales price of our main grades of stainless steel products during the Track Record Period is set out below:

Stainless steel grade 304

Stainless steel grade 304 generally has a nickel content of between 8% to 11%. It has good corrosion resistance and is widely used in the home hardware and appliances, construction, automobile and the petrochemical industries. During the Track Record Period, we sold 198,970 tonnes, 209,317 tonnes, 257,578 tonnes and 133,839 tonnes of stainless steel grade 304, respectively.

During the Track Record Period, sales of stainless steel grade 304 represented the majority of our sales, accounting for approximately 63.7%, 58.7%, 61.6% and 61.6% of our revenue, respectively. During the Track Record Period, the weighted average sales price of stainless steel grade 304 per tonne was RMB28,906, RMB22,374, RMB15,417 and RMB18,758, respectively. The decrease in weighted average sales price from 2007 to 2009 was primarily caused by the decrease in nickel prices during the same period and the global economic downturn in 2008. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average sales price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Stainless steel grade 316L

Stainless steel grade 316L has a nickel content of between 10% to 14%. It has strong tensile strength even at high temperature. Stainless steel grade 316L is used, for example, in the food preparation equipment industries and in the construction industries. During the Track Record Period, we sold 22,651 tonnes, 29,718 tonnes, 29,610 tonnes and 16,759 tonnes of stainless steel grade 316L, respectively.

During the Track Record period, sales of stainless steel grade 316L accounted for approximately 12.7%, 15.9%, 11.1% and 11.6% of our revenue, respectively. During the Track Record Period, the weighted average sales price of stainless steel grade 316L per tonne was RMB50,588, RMB42,723, RMB24,203 and RMB28,277, respectively. The higher weighted average sales price as compared to other stainless steel grades we sold during the Track Record Period was primarily attributable to the higher nickel content of stainless steel grade 316L as compared to stainless steel grade 304, 304L, 430 and 321. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average sales price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Stainless steel grade 304L

Compared to stainless steel grade 304, stainless steel grade 304L generally has the same nickel content as stainless steel grade 304 of between 8% to 11%. It has very similar physical properties to stainless steel grade 304 but contains a lower carbon content. The lower carbon content means that stainless steel grade 304L is suitable for a much wider range of corrosive applications. Stainless steel grade 304L is also widely used in home hardware and appliances, construction, automobile and the petrochemical industries. During the Track Record Period, we sold 14,426 tonnes, 19,080 tonnes, 25,243 tonnes and 13,036 tonnes of stainless steel grade 304L, respectively.

During the Track Record Period, sales of stainless steel grade 304L accounted for approximately 4.7%, 5.8%, 6.3% and 6.2% of our revenue, respectively. During the Track Record Period, the weighted average sales price of stainless steel grade 304L per tonne was RMB29,458, RMB24,164, RMB16,155 and RMB19,520, respectively. The decrease in weighted average sales price from 2007 to 2009 was primarily caused by the decrease in nickel prices during the same period and the global economic downturn in 2008. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average sales price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Stainless steel grade 430

Stainless steel grade 430 generally has a very low nickel content of less than 0.75%. It has good corrosion resistance and formability characteristics. Stainless steel grade 430 is used, for example, in the manufacturing of heat-resistance equipment and electrical appliances. During the Track Record Period, we sold 31,621 tonnes, 28,045 tonnes, 35,825 tonnes and 14,219 tonnes of stainless steel grade 430, respectively.

During the Track Record period, sales of stainless steel grade 430 accounted for approximately 4.1%, 3.9%, 5.2% and 3.7% of our revenue, respectively. During the Track Record Period, the weighted average sales price of stainless steel grade 304 per tonne was RMB11,763, RMB11,023, RMB9,430 and RMB10,628, respectively. The weighted average sales price for stainless steel grade 430 is lower than other stainless steel grades we sold during the Track Record Period as stainless steel grade 430 contains the lowest nickel content among the main grades of stainless steels sold. The decrease in weighted average sales price from 2007 to 2009 was primarily due to the global economic downturn in 2008. As the general economy started to improve in the second half of 2009, our weighted average sales price also started to increase.

Stainless steel grade 321

Stainless steel grade 321 generally has a nickel content of between 9% to 12%. It has good forming and welding characteristics, and good resistance to oxidation and corrosion. Stainless steel grade 321 is used, for example, in the manufacturing of automotive exhaust systems and oil refinery equipment. During the Track Record Period, we sold 6,098 tonnes, 4,524 tonnes, 8,132 tonnes and 3,690 tonnes of stainless steel grade 321, respectively.

During the Track Record period, sales of stainless steel grade 321 accounted for approximately 2.6%, 1.7%, 2.3% and 1.9% of our revenue, respectively. During the Track Record Period, the weighted average sales price of stainless steel grade 321 per tonne was RMB38,041, RMB29,827, RMB18,191 and RMB21,388, respectively. The decrease in weighted average sales price from 2007 to 2009 was primarily caused by the decrease in nickel prices during the same period and the global economic downturn in 2008. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average sales price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Marketing activities

Our sales department is responsible for conducting marketing activities for our Group. We participate in exhibitions and trade shows, in particular those trade shows held by industry sectors that we focused on. We place advertisements on our website and industry websites such as www.51bxg.com, www.wuxidm.cn and www.ccen.net, as well as industry magazines such as 不銹 (Stainless Steel) (quarterly magazine), 壓力容器 (Pressurised Cylinders) and 化工機械 (Chemical Processing Machinery) (bimonthly magazine).

The amount of advertising expenses and exhibition expenses incurred during the Track Record Period was approximately RMB662,000, RMB200,000, RMB919,000 and RMB436,000, respectively.

Our Customers

The following table shows our revenue by key industry segments for the top 200 customers for the three years ended 31 December 2007, 2008 and 2009. Our three largest customer segments during this period were machineries, petrochemical and home hardware & appliances. The fluctuation in revenue contribution from our customer segments were primarily due to the fluctuations in orders we received, which we believe was primarily due to difficult operating environment and the global economic downturn in 2008 and the subsequent economic recovery in the second half of 2009. The increasing contribution from construction and automobile segments were primarily due to us introducing steel grade 400 series products in 2008, which are materials primarily used in these two segments, hence we recorded an increase in revenue contribution from the construction and automobile segments from 0.7% to 4.1% and from 3.5% to 6.0%, respectively.

	For the year ended 31 December					
	2007		2008		2009	
	RMB '000	*% revenue from top 200 customers*	*RMB '000*	*% revenue from top 200 customers*	*RMB '000*	*% revenue from top 200 customers*
Industry						
Machineries	**907,585**	**22.2**	**798,583**	**20.2**	**495,274**	**16.7**
Petrochemical	**1,316,573**	**32.2**	**1,602,621**	**40.6**	**915,182**	**30.9**
- Pipes & Tubes	642,410	15.7	619,768	15.7	470,924	15.9
- Chemical Pressure Containers	674,163	16.5	982,853	24.9	444,258	15.0
Home Hardware & Appliances	**339,130**	**8.2**	**211,014**	**5.3**	**243,857**	**8.2**
- Hardware & Appliances	124,841	3.0	126,561	3.2	93,270	3.1
- Metal Products	214,289	5.2	84,453	2.1	150,587	5.1
Automobile	**87,428**	**2.1**	**124,244**	**3.1**	**194,743**	**6.6**
Construction	**143,051**	**3.5**	**172,685**	**4.4**	**177,697**	**6.0**
- Clad Plate	113,240	2.8	111,111	2.8	57,167	1.9
- Construction	29,811	0.7	61,574	1.6	120,530	4.1
Solar Energy	**133,155**	**3.3**	**41,975**	**1.1**	**0**	**0.0**
Others	**1,167,172**	**28.5**	**1,000,990**	**25.3**	**934,264**	**31.6**
Grand Total of revenue from top 200 customers	**4,094,094**	**100.0**	**3,952,112**	**100.0**	**2,961,017**	**100.0**
Top 200 customers as % of Total Revenue	**45.3**		**49.5**		**45.9**	

In 2009, as our business continued to expand, in order to align our business focus with the growing customer base, we installed an updated ERP system, which enable us to perform industry analysis to all of our customers using a new customer industry segment categorisation standard. The following table shows our revenue by the key industry segments, using the new customer industry segment categorisation standard, for all of our customers in 2009 and for the six months ended 30 June 2010:

	Revenue			
Industry	**For the year ended 31 December 2009**		**For the six months ended 30 June 2010**	
	RMB '000	*% of total revenue*	*RMB '000*	*% of total revenue*
Machineries	**2,024,064**	**31.4**	**1,469,489**	**36.1**
Trading / Distributors	**1,557,605**	**24.2**	**889,058**	**21.8**
Petrochemical	**839,798**	**13.0**	**525,964**	**12.9**
- Pipes & Tubes	646,957	10.0	365,103	9.0
- Petrochemicals	192,841	3.0	160,861	3.9
Home Hardware & Appliances	**784,197**	**12.2**	**436,444**	**10.7**
- Hardware & Appliances	332,455	5.2	179,746	4.4
- Metal Products	451,742	7.0	256,698	6.3
Automobile and Transport	**335,225**	**5.2**	**198,304**	**4.9**
- Automobiles	266,614	4.1	169,502	4.2
- Transportation	68,611	1.1	28,802	0.7
Construction	**267,017**	**4.1**	**164,519**	**4.0**
- Clad Plate	78,702	1.2	50,227	1.2
- Construction	188,315	2.9	114,292	2.8
Renewable Energy	**144,280**	**2.2**	**61,780**	**1.5**
Others	**495,171**	**7.7**	**327,272**	**8.1**
Grand Total	**6,447,357**	**100.0**	**4,072,830**	**100.0**

As of 30 June 2010, we had over 6,000 customers engaging in a wide variety of industries. The table below sets out a few of our key customers in various industries during the Track Record Period. Despite the purchase amount from some of the key customers set out below was relatively minimal during the Track Record Period, we have identified these customers in accordance with various criteria, including but not limited to, sales volume, reputation and profile of such customers in the relevant industries.

			Sales revenue (RMB'000)				
			For the year ended 31 December			For the six months ended 30 June	
Industry	**Selective customers**		**2007**	**2008**	**2009**	**2010**	**Length of relationship**
Machineries	• 南通中集罐式儲運設備製造有限公司 (Nantong CIMC Tank Equipment Co., Ltd.)		66,420	117,270	10,523	9,693	>3 years
	• 山東核電設備製造有限公司 (Shandong Nuclear Power Equipment Manufacturing Co., Ltd.)		—	504	847	220	>1 year
	• 東方電氣集團東方汽輪機有限公司 (Dong Fang Turbine Co., Ltd.)	—	—	12,977	22,961	15,834	>2 years
	• 中國航天科技集團公司長征機械廠 (Changzheng Machinery Plant of China Aerospace Science and Technology Corporation)		—	—	2,576	1,866	>10 months
	• 蘇州海陸重工股份有限公司 (SuZhou Hailu Heavy Industry Co., Ltd.) *(Stock code: 002255, Shenzhen Stock Exchange)*	—	6,565	101,553	7,149	3,148	>3 years
	• 寧波樂惠食品設備製造有限公司 (Ningbo Lehui Food Machinery Co., Ltd.)		20,817	25,345	4,859	9,010	>3 years

Industry	Selective customers		Sales revenue (RMB'000)				Length of relationship
			For the year ended 31 December			For the six months ended 30 June	
			2007	2008	2009	2010	
	• 經緯紡織機械股份有限公司 (Jingwei Textile Machinery Co., Ltd.) *(Stock code: 000666, Shenzhen Stock Exchange; Stock code: 350, Stock Exchange)*	经纬纺织机械股份有限公司	9,294	6,314	3,901	4,801	>2 years
Trading	• 三星(天津)國際貿易有限公司(Samsung (Tianjin) International Trading Co., Ltd.)		885	554	782	2,955	>3 years
Petrochemicals	• 鎮海石化建安工程有限公司 (Zhenhai Petrochemical Jian'an Engineering Co., Ltd.)(1)	—	—	2,044	20,875	10,970	>3 years
Pipes and Tubes	• 蘭州蘭石四方容器設備有限責任公司 (Lanzhou Lanshi Sifang Vessel Equipment Co., Ltd.)(2)	—	26,726	102,132	31,474	5,146	>3 years
	• 浙江久立特材科技股份有限公司 (Zhejiang Jiuli Hi-Tech Metals Co., Ltd.) *(Stock code: 002318, Shenzhen Stock Exchange)*	Jiuli 久立特材	192,348	153,131	186,196	87,573	>3 years
	• 江蘇武進不銹焊管有限公司 (Jiangsu Wujin Welded Stainless Pipe Co., Ltd.)(3)	—	90,797	161,024	122,469	62,320	>3 years

Industry	Selective customers		Sales revenue (RMB'000) For the year ended 31 December 2007	2008	2009	For the six months ended 30 June 2010	Length of relationship
Electrical appliance	• 無錫小天鵝股份有限公司 (Wuxi Little Swan Co., Ltd.) *(Stock code: 000418, Shenzhen Stock Exchange)*		16,487	8,548	5,521	5,507	>3 years
	• 武漢蘇泊爾炊具有限公司 (Wuhan Supor Cookware Products Co., Ltd.)		13,781	13,595	22,238	6,716	>3 years
Automobile and Transport	• 上海法維萊交通車輛設備有限公司 (Shanghai Faiveley Railway Technology Co. Ltd.)		—	3,789	8,644	3,683	>1 year
	• 蘇州事達同泰汽車零部件有限公司 (Suzhou Shida Tongtai Automobile Components Co., Ltd.)	—	—	64,227	77,258	47,929	>1 year
	• 無錫威孚力達催化淨化器有限責任公司 (Wuxi Weifu Lida Catalytic Converter Co., Ltd.)		12,991	22,439	28,197	20,487	>3 years
Construction	• 重慶澤勝投資集團造船有限公司 (Chongqing Ze Sheng Investment Group Ship Building Co., Ltd.)	—	—	—	26,356	2,110	>1 year
	• 西子奧的斯電梯有限公司 (Xizi Otis Elevator Co., Ltd.)		—	—	171	4,591	>8 months

Industry	Selective customers		Sales revenue (RMB'000) For the year ended 31 December 2007	2008	2009	For the six months ended 30 June 2010	Length of relationship
	• 大連船舶重工集團爆炸加工研究所有限公司 (前稱為大連爆炸加工研究所)) (Dalian Shipbuilding Industry Explosive Processing Research Co., Ltd. formerly known as Dalian Explosive Working Research Institute)	大连船舶重工集团爆炸加工研究所有限公司 DALIAN SHIPBUILDING INDUSTRY EXPLOSIVE PROCESSING RESEARCH CO., LTD.	5,916	4,993	1,396	4,999	>3 years
	• 南京寶泰特種材料有限公司 (Nanjing Baotai Special Materials Co., Ltd.)	NBSM 南京宝泰特种材料有限公司 NANJING BAOTAI SPECIAL MATERIALS CO., LTD.	12,682	16,495	6,024	9,914	>3 years
Renewable energy	• 無錫華生精密材料股份有限公司 (Wuxi Huasheng Precision Material Co., Ltd.)	无锡华生精密材料股份有限公司	269,464	205,941	180,549	102,231	>3 years

Notes:

(1) A subsidiary of 中國石油化工股份有限公司鎮海煉化分公司 (Sinopec Zhenhai Refining & Chemical Company).

(2) A subsidiary of 蘭州蘭石集團有限公司 (Lanzhou Lanshi Group Company Limited).

(3) A subsidiary of 江蘇武進不銹鋼管廠集團有限公司 (Jiangsu Wujin Stainless Steel Pipe Group Co., Ltd.).

We are not dependent on any single customer, group of customers, or any particular industry. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, revenue from our five largest customers in aggregate accounted for approximately 7.5%, 9.3%, 9.3% and 8.2% of our revenue, respectively. During the same periods, revenue from our largest customer only accounted for 2.9%, 2.6%, 2.8% and 2.5% of our revenue, respectively. We believe that we have established a good and steady relationship with most of our key customers. None of our Directors or their respective associates, or any Shareholder has any equity interest in any of our five largest customers during the Track Record Period.

Strategic cooperation with STSS

As part of our strategy to secure and maintain our business relationships with STSS and our key customers, we have entered into tri-partite cooperative arrangements with STSS and four customers, namely 浙江久立特材科技股份有限公司 (Zhejiang Jiuli Hi-Tech Metals Co., Ltd.), 蘇州事達同泰汽車零部件有限公司 (Suzhou Shida Tongtai Automobile Components Co., Ltd.), 無錫威孚力達催化淨化器有限責任公司 (Wuxi Weifu Lida Catalytic Converter Co., Ltd.) and 江蘇武進不銹焊管有限公司 (Jiangsu Wujin Welded Stainless Pipe Co., Ltd.) in 2010. Pursuant to the arrangements, each relevant customer has to specify the annual quantity of stainless steel raw materials to be purchased from STSS, and at least 80% of such quantity has to be purchased from STSS through our Company, whereby STSS guarantees the supply of such amount. For the first six months ended 30 June 2010, the four customers had purchased from us the following quantity of stainless steel: 浙江久立特材科技股份有限公司 (Zhejiang Jiuli Hi-Tech Metals Co., Ltd.) approximately 4,300 tonnes, 蘇州事達同泰汽車零部件有限公司 (Suzhou Shida Tongtai Automobile Components Co., Ltd.) approximately 5,000 tonnes, 無錫威孚力達催化淨化器有限公司(Wuxi Weifu Lida Catalytic Converter Co., Ltd.) approximately 1,800 tonnes and 江蘇武進不銹焊管有限公司 (Jiangsu Wujin Welded Stainless Pipe Co., Ltd.) approximately 3,000 tonnes. We have also agreed to provide processing services to those customers. Such arrangements do not involve any agreed entitlement on our part.

The tri-partite cooperative arrangements are mutually beneficial to STSS and these customers, as STSS can leverage on our processing capabilities to secure customers that require individualised and advanced processing services. These customers can also benefit from the reliable supply and ready access to different grades of stainless steel materials on short notice from STSS through us, which reinforces our position as the intermediary between STSS and our customers.

Credit terms

The majority of our sales transactions are settled by telegraphic transfer and bank acceptance notes. We generally require our customers to pay a certain amount of deposit when orders are placed and then settle the outstanding purchase price before delivery. To maintain our long-term relationship with our key customers, we offered credit terms up to 90 days. Such credit terms are offered to customers who have good credit history or have entered into tri-partite cooperative arrangement with us. Our trade receivables as at 31 December 2009 accounted for approximately 1.7% of our sales for the year ended 31 December 2009. The granting or extension of any credit period must be approved by the Head of Sales Department of our Group.

Receivables are closely monitored by our sales department and finance department. A provision will be made if there is objective evidence that we will not be able to collect all amounts due. As at 31 December 2007, 2008 and 2009 and 30 June 2010, our provision for impairment of trade receivables was approximately RMB530,000, RMB668,000, RMB589,000 and RMB911,000, respectively.

AFTER-SALES SERVICES

We aim at providing prompt and reliable after-sales services to our customers. Our after-sales services focus on after-sales technical support services and provision of data and information in relation to the prevailing market condition to our customers. We believe that by providing the after-sales services, we will be able (i) to improve the relationship with our customers, (ii) to obtain customers feedback on our products and services, (iii) to conduct market research and (iv) to identify potential customers.

Three departments are responsible for the after-sales services, namely, the technical department, the quality control department and the sales department.

Our technical department provides free after-sales technical support to our customers. We advise our clients on raw materials quality control and utilisation, and handle customers' enquiries and complaints in relation to the application of our products. In addition, we cooperate with stainless steel mills to provide training and up to date technical and industry information to our customers.

The sales representatives in the sales department generally would deal with and record enquiries and complaints from our customers. If we receive any complaints, the sales persons would conduct preliminary investigation to verify its validity and notify the quality control department about the plausible cases for further action. In order to provide a timely response to our customers, the sales representatives also report the customers' enquiries to our quality control department. Our quality control department will categorise the enquiries into various aspects for further handling, such as (i) enquiries in relation to the stainless steel raw materials, which will be passed to the stainless steel raw materials suppliers; (ii) enquiries in relation to the stainless steel processing services, which will be passed to our production department; and (iii) general enquiries, which will be handled by the sales department. We commit to responding to our customers within 48 hours after enquiries are raised.

RAW MATERIALS AND SUPPLIERS

Raw materials

We set out below a summary of the properties and main applications of the main grades of stainless steel we purchased during the Track Record Period:

Stainless steel code	Main chemical composition	Chemical properties	Physical properties	Main applications
304/304L	18Cr-8Ni	Good corrosion resistance	Widely used steel, good thermal resistance, low temperature strength and mechanic properties, good drawability and bending treatment properties, no thermal treatment hardening, non-magnetic, temperatures ranging from 196°C to 800°C	Household products, automobile parts, medical apparatus, building material, chemical, food processing industry, agricultural industry, containers
316L	18Cr-12Ni-2.5Mo	With molybdenum contents, good corrosion resistance, non-magnetic and intergranular corrosion resistance	Good high-temperature resistance, applicable under severe conditions	Chemical, dye making, paper mill, fertiliser production equipment, coastal installations
321	18Cr-9Ni-Ti	With titanium contents, intergranular corrosion resistance	Applicable to usages at temperatures between 430°C to 900°C	Aircrafts, exhaust pipes, boilers
430	16Cr	Anti-oxidation	Low thermal expansibility, good malleability	Heat-resistance equipment, furnace burners, electrical appliance, tableware, external decoration materials, gas range stoves, washing machine drums

Stainless steel code	Main chemical composition	Chemical properties	Physical properties	Main applications
409L	11Cr-Ti	Maintain complete structure under high and normal temperature with titanium contents, corrosion resistance under normal temperature	Excellent weldability and formability, high temperature resistance	Exhaust pipes, dish washing machines, shipping containers
443	21Cr-Ti	Corrosion resistance with titanium contents	Low density, high thermal conductivity, low thermal expansibility	Electrical appliance, automobile application, interior design and decoration materials
2205	22Cr-5Ni-3Mo-N	Duplex stainless steel with high content of molybdenum, corrosion resistance	Excellent weldability, high thermal expansion and conductivity	Oil and gas exploration and processing equipment, chemical processing equipment and storage equipment
904L	20Cr-25Ni-4.5 Mo-1.5Cu	Low carbon high alloy austenitic stainless steel, designed for severe corrosive condition	Better resistance to pitting / crevice corrosion and stress corrosion cracking, excellent weldability and formability	Parts and components of various facilities of the chemical industry involving the use of acid
C276	Cr15-16.5 Mo15-17 W3.0-4.5 V0.1-0.3	Alloy with low content of carbon and silicon Corrosion resistance	Good anti bending and cracking strength	Parts and components of machines used in acidic environment
Alloy 600	NI72/Cr14-17 Fe6-10	Good resistance to oxidisation and corrosion in normal and high temperature, anti-oxidation	Good machinability structural engineering material with good anti bending and cracking strength, recommended for use at high temperature	For use in acidic environment, such as acidic metal production

Stainless steel grades purchased during the Track Record Period

The following table sets out a summary of our purchase volume, purchase amount of raw materials and weighted average purchase price for different steel grades during the Track Record Period:

	For the year ended 31 December															For the six months ended 30 June				
	2007					2008					2009					2010				
Steel Grade	Purchase volume	% of total purchase volume	Purchase amount	% of total purchase amount	Weighted average purchase price	Purchase volume	% of total purchase volume	Purchase amount	% of total purchase amount	Weighted average purchase price	Purchase volume	% of total purchase volume	Purchase amount	% of total purchase amount	Weighted average purchase price	Purchase volume	% of total purchase volume	Purchase amount	% of total purchase amount	Weighted average purchase price
	(tonne)		*(RMB '000)*		*(RMB/ tonne)*	*(tonne)*		*(RMB '000)*		*(RMB/ tonne)*	*(tonne)*		*(RMB '000)*		*(RMB/ tonne)*	*(tonne)*		*(RMB '000)*		*(RMB/ tonne)*
304	200,561	61.7	5,911,397	64.3	29,474	193,050	60.4	4,261,617	58.4	22,075	267,232	62.0	4,078,627	63.9	15,263	122,046	54.4	2,296,523	57.2	18,817
316L	22,076	6.8	1,088,033	11.8	49,287	28,849	9.0	1,203,150	16.5	41,705	30,065	7.0	674,710	10.6	22,442	17,874	8.0	486,300	12.1	27,207
304L	14,845	4.6	430,197	4.7	28,979	19,181	6.0	446,110	6.1	23,258	24,166	5.6	358,041	5.6	14,816	14,973	6.7	278,773	6.9	18,618
430	33,197	10.2	376,489	4.1	11,341	24,699	7.7	253,109	3.5	10,248	36,155	8.4	309,920	4.9	8,572	15,589	7.0	163,081	4.1	10,461
321	5,678	1.7	212,429	2.3	37,412	4,129	1.3	121,834	1.7	29,505	8,021	1.9	139,581	2.2	17,403	3,159	1.4	66,648	1.7	21,100
Other	48,957	15.0	1,180,526	12.8	24,113	49,785	15.6	1,011,790	13.8	20,323	65,450	15.1	818,564	12.8	12,507	50,622	22.5	721,856	18.0	14,259
Total	325,314	100.0	9,199,071	100.0	28,278	319,693	100.0	7,297,610	100.0	22,827	431,089	100.0	6,379,443	100.0	14,798	224,263	100.0	4,013,181	100.0	17,895

An analysis of the purchase volume, purchase amount of raw materials and the weighted average purchase price of the main grades of stainless steel purchased during the Track Record Period is set out below:

Stainless steel grade 304

Stainless steel grade 304 generally has a nickel content of between 8% to 12%. It has good corrosion resistance and is widely used in the home hardware and appliances, construction, automobile and the petrochemical industry. During the Track Record Period, we purchased 200,561 tonnes, 193,050 tonnes, 267,232 tonnes and 122,046 tonnes of stainless steel grade 304, respectively.

During the Track Record Period, purchases of stainless steel grade 304 represented the majority of our raw materials purchase costs, accounting for approximately 64.3%, 58.4%, 63.9% and 57.2% of our purchase amount of raw materials, respectively. During the Track Record Period, the weighted average purchase price of stainless steel grade 304 per tonne was RMB29,474, RMB22,075, RMB15,263 and RMB18,817, respectively. The decrease in weighted average purchase price from 2007 to 2009 was primarily caused by the decrease in nickel prices during the same period and the global economic downturn in 2008. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average purchase price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Stainless steel grade 316L

Stainless steel grade 316L has a nickel content of between 10% to 14%. It has strong tensile strength even at high temperature. Stainless steel grade 316L is used, for example, in the food preparation equipment industry and in the construction industry. During the Track Record Period, we purchased 22,076 tonnes, 28,849 tonnes, 30,065 tonnes and 17,874 tonnes of stainless steel grade 316L, respectively.

During the Track Record Period, purchases of stainless steel grade 316L accounted for approximately 11.8%, 16.5%, 10.6% and 12.1% of our purchase amount of raw materials, respectively. During the Track Record Period, the weighted average purchase price of stainless steel grade 316L per tonne was RMB49,287, RMB41,705, RMB22,442 and RMB27,207, respectively. The higher weighted average purchase price as compared to other stainless steel grades we purchased during the Track Record Period was primarily attributable to the higher nickel content of stainless steel grade 316L as compared to stainless steel grade 304, 304L, 430 and 321. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average purchase price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Stainless steel grade 304L

Compared to stainless steel grade 304, stainless steel grade 304L generally has the same nickel content as stainless steel grade 304 of between 8% to 12%. Stainless steel grade 304L has very similar physical properties to stainless steel grade 304 but has a lower carbon content. The lower carbon content means that stainless steel grade 304L is suitable for a much wider range of corrosive applications. Stainless steel grade 304L is also widely used in the home hardware and appliances, construction, automobile and the petrochemical industry. During the Track Record Period, we purchased 14,845 tonnes, 19,181 tonnes, 24,166 tonnes and 14,973 tonnes of stainless steel grade 304L, respectively.

During the Track Record Period, purchases of stainless steel grade 304L accounted for approximately 4.7%, 6.1%, 5.6% and 6.9% of our purchase of raw materials, respectively. During the Track Record Period, the weighted average purchase price of stainless steel grade 304L per tonne was RMB28,979, RMB23,258, RMB14,816 and RMB18,618, respectively. The decrease in weighted average purchase price from 2007 to 2009 was primarily caused by the decrease in nickel prices during the same period and the global economic downturn in 2008. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average purchase price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Stainless steel grade 430

Stainless steel grade 430 generally has a very low nickel content of less than 0.75%. It has good corrosion resistance and formability characteristics. Stainless steel grade 430 is used, for example, in the manufacturing of heat-resistance equipment and electrical appliances. During the Track Record Period, we purchased 33,197 tonnes, 24,699 tonnes, 36,155 tonnes and 15,589 tonnes of stainless steel grade 430, respectively.

During the Track Record Period, purchases of stainless steel grade 430 accounted for approximately 4.1%, 3.5%, 4.9% and 4.1% of our purchase of raw materials, respectively. During the Track Record Period, the weighted average purchase price of stainless steel grade 304 per tonne was RMB11,341, RMB10,248, RMB8,572 and RMB10,461, respectively. The weighted average purchase price for stainless steel grade 430 is lower than other stainless steel grades during the Track Record Period as stainless steel grade 430 mostly contains the lower nickel content among the main grades of stainless steel we purchased. The decrease in weighted average purchase price from 2007 to 2009 was therefore primarily due to the global economic downturn in 2008. As the general economy started to improve in the second half of 2009, our weighted average purchase price also started to increase.

Stainless steel grade 321

Stainless steel grade 321 generally has a nickel content of between 9% to 12%. It has good forming and welding characteristics, and good resistance to oxidation and corrosion. Stainless steel grade 321 is used, for example, in the manufacturing of automotive exhaust systems and oil refinery equipment. During the Track Record Period, we purchased 5,678 tonnes, 4,129 tonnes, 8,021 tonnes and 3,159 tonnes of stainless steel grade 321, respectively.

During the Track Record Period, purchases of stainless steel grade 321 accounted for approximately 2.3%, 1.7%, 2.2% and 1.7% of our purchase of raw materials, respectively. During the Track Record Period, the weighted average purchase price of stainless steel grade 321 per tonne was RMB37,412, RMB29,505, RMB17,403 and RMB21,100, respectively. The decrease in weighted average purchase price from 2007 to 2009 was primarily caused by the decrease in nickel prices during the same period and the global economic downturn in 2008. As nickel accounts for a significant part of the cost in the production of stainless steel, a decrease in nickel prices since 2007 also led to a decrease in stainless steel prices. As the general economy started to improve in the second half of 2009, our weighted average purchase price also started to increase. Such increase was generally in line with the increase in nickel prices since the second half of 2009.

Major suppliers of raw materials

Our principal suppliers are mainly stainless steel producers in China. The table below sets out the background of our key suppliers during the Track Record Period and the length of our relationships with each of them:

			Stainless steel purchased (RMB '000)				% of total purchase of stainless steel			
			For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
	Background	Length of relationship	2007	2008	2009	2010	2007	2008	2009	2010
STSS Group and related entities	**a stainless steel producer**	**>8 years[(1)]**	**3,391,395**	**3,493,917**	**3,853,966**	**2,148,535**	**36.8**	**47.9**	**60.5**	**53.5**
- STSS			1,475,287	878,328	2,255,173	1,934,627	16.0	12.0	35.4	48.2
- Taigang Technology			1,244,026	2,042,928	1,134,038	—	13.5	28.0	17.8	—
- 無錫太鋼銷售有限公司 (Wuxi Taigang Trading Co., Ltd.)			490,424	450,093	311,653	24,774	5.3	6.2	4.9	0.6
- 天津太鋼天管不銹鋼有限公司 (Tianjin Taigang Tianguan Stainless Steel Co., Ltd.)			181,658	122,568	153,102	137,540	2.0	1.7	2.4	3.4
- 太原鋼鐵(集團)現貨銷售有限公司 (Taiyuan Iron & Steel (Group) Spot Trading Co., Ltd.)			—	—	—	51,594	—	—	—	1.3

	Background	Length of relationship	Stainless steel purchased (RMB '000)				% of total purchase of stainless steel			
			For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
			2007	2008	2009	2010	2007	2008	2009	2010
ZPSS	**a company providing stainless steel production process from steel making, continuous casting, hot rolling, annealing and pickling to cold rolling**	**>8 years[(1)]**	**2,868,525**	**2,237,384**	**1,681,949**	**1,152,270**	**31.2**	**30.7**	**26.3**	**28.7**
Baogang Group	**a stainless steel producer**	**>8 years[(1)]**	**1,903,339**	**909,518**	**234,233**	**48,282**	**20.7**	**12.4**	**3.6**	**1.2**
- Shanghai Baosteel Pudong International Trading Co., Ltd.			1,010,155	556,675	2,028	—	11.0	7.6	0.0	—
- Ningbo Baoxin Stainless Steel Co., Ltd.			893,184	352,843	232,205	48,282	9.7	4.8	3.6	1.2
昆山大庚不銹鋼有限公司 (Kunshan Daekyung Stainless Steel Co., Ltd.)	**a stainless steel producer**	**>8 years[(1)]**	**328,260**	**263,205**	**119,428**	**109,801**	**3.6**	**3.6**	**1.9**	**2.7**
無錫市酒鋼博創鋼業有限公司 (Wuxi JISCO Bochuang Steel Co., Ltd.)	**a stainless steel producer**	**>2 years[(1)]**	**—**	**10,215**	**69,248**	**97,080**	**—**	**0.1**	**1.1**	**2.5**
上海克虜伯不銹鋼有限公司 (Shanghai Krupp Stainless Co., Ltd.)	**a stainless steel producer**	**>5 years**	**52,985**	**57,396**	**21,232**	**1,055**	**0.6**	**0.8**	**0.3**	**0.0**

Note:

(1) Prior to the commencement of our first processing centre in Wuxi in March 2003, Daming Logistics, our predecessor, established relationships with the respective suppliers through Xin Daming. Accordingly, the length of relationship includes the length of relationship between our predecessor and the respective suppliers.

STSS Group

We have more than eight years of business relationship with STSS Group starting from 2002. During the Track Record Period, we purchased approximately 131,000 tonnes, 158,000 tonnes, 266,000 tonnes and 121,000 tonnes, respectively, of stainless steel raw materials from STSS Group. On 1 January 2010, in order to secure a stable supply of stainless steel raw materials, we entered into an annual framework supply agreement with STSS. Under the supply agreement, we agreed to purchase, and STSS agreed to supply, 200,000 tonnes of different types of stainless steel. The purchase price of such stainless steel raw materials was to be fixed according to the market price of stainless steel raw materials at the time when the order was placed with STSS during the year. Subject to STSS's discount policy implemented from time to time, we are entitled to varying discounts on different volume of purchases. The exact amount of stainless steel to be purchased in a month from STSS is subject to monthly negotiation of the parties. The parties will enter into monthly sales agreement each month once the types and amount of stainless steel raw materials to be supplied/purchased by the parties are determined for that particular month. The annual framework supply agreement does not create any contractual obligation on the Company to purchase and/or guarantee any minimum purchase volume.

We generally do not enter into any long-term fixed price and minimum purchase volume contracts (i.e. more than one year in line with industry practice). We do not have any intention to deviate from the industry practice. This industry practice has developed as it is difficult for stainless steel suppliers to agree on a fixed supply price or price range for different grades of stainless steel in advance. Stainless steel pricing generally follows the price fluctuations and movement of other metals (in particular the market prices for nickel, the key metal used in the manufacturing of stainless steel). During the Track Record Period, we did not experience any material supply interruptions or shortage of any of the raw materials.

Purchase price adjustment arrangement with STSS group

As one of STSS Group's long-term customers, during the Track Record Period, subject to STSS Group's sole discretion in determining the actual purchase credit amount and the time in which such purchase credit would be given to us, our Group had the following price adjustment arrangement with STSS Group whereby STSS Group would, in the form of purchase credit, reimburse us with the difference between:

(i) the purchase price of the stainless steel raw materials that we purchased (which includes various different grades of stainless steel); and

(ii) the benchmark selling price as decided by STSS Group of different grades of stainless steel based on the actual selling price achieved by STSS Group's key customers including us, after adjusting for the bulk purchase discount available from STSS Group and the processing fee as set out in detail below.

The aggregate purchase credits reimbursed by STSS Group to us during the Track Record Period were RMB76.1 million, RMB283.6 million, RMB63.7 million and RMB96.4 million, respectively. This represents 0.8%, 3.9%, 1.0% and 2.4% of our purchases of raw materials of RMB9,199.1 million, RMB7,297.6 million, RMB6,379.4 million and RMB4,013.2 million during the Track Record Period, respectively. These reimbursements were recognised when the purchase credits were granted by STSS Group and the amount could be reliably measured, that is when STSS Group issued to us purchase credits invoices or signed written confirmation. These reimbursement were fully used to reduce our stainless steel raw materials purchase payments to STSS Group and hence reduced our overall stainless steel raw materials purchase cost. For the year ended 31 December 2007, another stainless steel supplier of our Group, Ningbo Baoxin Stainless Steel Co., Ltd. (寧波寶新不銹鋼有限公司), an independent third party, also adopted a similar purchase price adjustment arrangement and reimbursed us in 2007 purchase credit of RMB10.9 million.

Since March 2009, we have been issuing to STSS Group a purchase order at the end of each calendar month that specifies the aggregate amount of stainless steel raw materials which we will purchase in the immediately following calendar month, without payment of or fixing any price (the "Purchase Order"). During the course of the following calendar month, using the expected purchase volume stated in the Purchase Order as guidance, we will take delivery of the stainless steel raw materials that we require in batches (the "Batch Order") against payment of the purchase price based on the then prevailing purchase price published by STSS Group (the "Batch Order Purchase Price"). In the following week after we took delivery of such Batch Order, STSS Group will decide the benchmark selling prices (the "Benchmark Selling Prices") of different grades of stainless steel raw materials based on the actual selling prices achieved by STSS Group's key customers, including us, after adjusting for bulk purchase discounts and the processing fees. If the Batch Order Purchase Price is higher than the Benchmark Selling Prices, STSS Group would reimburse us with the difference between the Batch Order Purchase Price and the Benchmark Selling Prices. We would not obtain any reimbursement from, and are not obliged to pay any amount to, STSS Group if the Benchmark Selling Prices are higher than the Batch Order Purchase Price.

The reimbursement is effected by way of a purchase credit in our favour and we can apply such credit to settle the purchase price of the stainless steel raw materials that we purchased.

Similar arrangements were adopted by STSS Group and us from 2007 to February 2009 but the calculations of the price differences were carried out on a monthly (as opposed to weekly) basis. The change of purchase credit calculation from monthly to weekly basis allows the market price of the stainless steel raw materials to be more accurately reflected in calculating the purchase credit.

Such stainless steel raw material purchase price adjustment arrangement was a one-on-one arrangement between our Company and STSS Group and was granted at the sole discretion of STSS Group. The provision of such price adjustment arrangement is not subject to any contractual arrangement between us and STSS Group and there is no assurance that STSS Group will continue to make available such adjustment arrangement to us, particularly if we fail to sustain our business relationship with STSS Group.

Currently, this price adjustment arrangement with STSS Group is our main method used to mitigate the risks associated with the fluctuation of stainless steel prices. If STSS Group were to (i) terminate this non-contractual price adjustment arrangement with us, (ii) decide not to exercise its discretion to reimburse us with any purchase credit at all even though we fulfill the criteria under the arrangement, or (iii) exercise its discretion to reimburse us, but not necessarily in accordance with the arrangement set out above, thereby potentially causing us to receive less purchase credits than expected, we will lose significant control over the fluctuation in the purchase price of stainless steel raw materials and our financial results may be materially and adversely affected.

ZPSS

During the Track Record Period, we purchased approximately 90,000 tonnes, 95,000 tonnes, 102,000 tonnes and 58,000 tonnes of stainless steel raw materials from ZPSS, respectively. Based on the amount of stainless steel raw materials purchased during the Track Record Period and the expected demand of customers, we entered into a five-year supply agreement with ZPSS on 9 February 2010, pursuant to which, the parties agreed that ZPSS will supply, and the Company will purchase, on a best effort basis, 50% or above of the Company's annual purchase of cold rolled stainless steel and 20% or above of the Company's annual purchase of hot rolled stainless steel. The above percentages are indicative figures only on the amount of the relevant stainless steel raw materials to be purchased by the Company and we are not committed to purchase such indicative percentages from ZPSS. However, in the event that ZPSS cannot fulfil the aforesaid percentages due to its own reasons, it shall guarantee the supply of 120,000 tonnes of cold rolled stainless steel and 30,000 tonnes of hot rolled stainless steel for the period between 2010 to 2011, and 150,000 tonnes of cold rolled stainless steel and 50,000 tonnes of hot rolled stainless steel for the remaining contractual period. The Company is not contractually obliged to take up any or all of the aforesaid guaranteed supply amount from ZPSS.

Mitsui

Our principal subsidiary, Jiangsu Daming, entered into a memorandum of understanding with Mitsui & Co., Ltd. on 11 February 2010. Being one of the distributors of stainless steel raw materials produced by NSSC in China, and pursuant to the terms of the memorandum of understanding, Mitsui & Co., Ltd. will supply to us stainless steel raw materials produced by NSSC at competitive price, quality and service and we, in turn, will purchase stainless steel raw materials from NSSC through Mitsui & Co., Ltd. As a goodwill understanding between the parties on certain future on-going commercial arrangements, the memorandum of understanding is not legally binding and does not contain any specific terms on contract period, purchase commitment nor price, quality and services. The Directors believe that through the strategic cooperation with Mitsui & Co., Ltd., we have expanded our supplier base by securing stainless steel supply from internationally well-known steel manufacturer NSSC. Thus, we will be able to offer a broader range of stainless steel products to our customers. Further, Mitsui & Co., Ltd. will be able to act as a sales channel of our stainless steel products and to assist us in exploring new markets and customers both locally and overseas.

Mitsui is a fund managed by a wholly-owned subsidiary of Mitsui & Co., Ltd. Being a company listed on the Tokyo Stock Exchange, Mitsui & Co., Ltd. is involved in a wide range of business from product sales, worldwide logistics and financing to the development of major international infrastructure and other projects in the following fields: iron and steel products, mineral and metal resources, infrastructure projects, motor vehicles, marine and aerospace, chemicals, energy, food and retail, consumer services, information, electronics and telecommunications, financial markets and transportation logistics. Our Directors believe that by leveraging on Mitsui & Co., Ltd.'s operations and international network, we will be able to expand our product offering to our customers.

Our Five Largest Suppliers

During the Track Record Period, purchase from our five largest suppliers accounted for approximately 81.4%, 84.5%, 88.0% and 85.5% of our total purchases of raw materials, respectively. During the same periods, purchase from our largest supplier accounted for approximately 31.2%, 30.7%, 35.4% and 48.2% of our total purchases of raw materials, respectively.

We generally have no credit arrangement with our suppliers and most of our purchases are settled on a cash basis shortly before or upon delivery. Our accounts payable to our suppliers for purchases that were settled after delivery during the Track Record Period were approximately RMB10.3 million, RMB7.3 million, RMB18.7 million and RMB10.3 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

Other than Mr. Jiang Changhong, our non-executive Director, who together with his wife hold approximately 30,550 shares in STSS as at the Latest Practicable Date, which represents less than 0.001% of the issued share capital of STSS as at the Latest Practicable Date, none of our Directors or their respective associates, or any Shareholders who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company, as at the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period.

AWARDS AND CERTIFICATES

The following table sets out a summary of selective awards and certificates we received since 2006:

Year of grant	Awards/Accreditations	Issued by	Period of validity
2006	Major Private Enterprise Tax Payer in Jiangsu (江蘇省民營企業納稅大戶)[12]	Jointly by 中共江蘇省委統戰部 (The United Front Department of Jiangsu Provincial Committee of CPC)[1], 江蘇省國家稅務局 (State Administration of Taxation of Jiangsu)[2], 江蘇省工商業聯合會 (Jiangsu Federation of Industry and Commerce)[3], 江蘇省經濟貿易委員會 (Jiangsu Economic Business Commission)[4], and 江蘇省地方稅務局 (Jiangsu Local Taxation Bureau)[5]	—
2006 to 2010	Top 500 Enterprises of China's Manufacturing Industry (中國製造業企業500強)[13]	中國企業聯合會 (China Enterprise Confederation)[6] and 中國企業家協會 (China Enterpreneur Federation)[7]	—
2008	Advanced Technology and Quality Control Entity of China (全國科技創新質量管理先進單位)[14]	CHC 全國高科技質量監督促進工作委員會 (CHC National High Tech Quality Supervising Committee)[8]	January 2008 to January 2010
2008	4 "As" Logistics Enterprise (4A級物流企業)[15]	中國物流與採購聯合會 (China Federation of Logistics and Purchasing)[9]	November 2008 to November 2010
2009	2008 Largest stainless steel re-seller in terms of sales volume in China (2008年中國不銹鋼流通企業銷售量第一名)[16]	中國金屬材料流通協會不銹鋼分會 (Stainless Steel Division of the Metallic Materials Distribution Association of China)[10]	—
2010	2009 Largest stainless steel re-seller in terms of trading volume in China (2009年中國不銹鋼行業貿易量第一名)[17]	中國金屬材料流通協會不銹鋼分會 (Stainless Steel Division of the Metallic Materials Distribution Association of China)[10]	—
2010	"A grade" Enterprise for Safety Production and Supervision (無錫市工業企業安全生產A類企業)[18]	無錫市安全生產監督管理局 (Wuxi Municipal Administration for Work Safety)[11]	January 2010 to January 2012

Notes:

1. The United Front Department of Jiangsu Provincial Committee of CPC is a working department under the Jiangsu Provincial Committee of Communist Party of China responsible for the united front work and functions as the assistant of the Chinese Communist Party Committee.

2. State Administration of Taxation of Jiangsu, an administrative institution managed by the State Taxation Bureau, is in charge of the state taxation work in Jiangsu Province.

3. Jiangsu Federation of Industry and Commerce is a civil chamber consisting of industrial and commercial entities of Jiangsu Province.

4. Jiangsu Economic Business Commission, as part of the provincial government, is in charge of regulating the operation of the economy in Jiangsu Province.

5. Jiangsu Local Taxation Bureau, an administrative department which performs the function of management and service of provincial taxation work.

6. China Enterprise Confederation, a national association registered in the State Ministry of Civil Affairs, consists of enterprises, entrepreneurs (employers) and business groups, whose business is supervised by the State-owned Assets Supervision and Administration Commission of the State Council.

7. Chinese Entrepreneur Federation, a national association registered in the State Ministry of Civil Affairs as a legal entity, consisting of enterprises, entrepreneurs (employers) and business groups, whose business is supervised by the State-owned Assets Supervision and Administration Commission of the State Council.

8. CHC National High Tech Quality Supervising Committee, a non-profit entity under CHC, responsible for promoting the industrialisation of high technology and directing the work of quality control nation wide.

9. China Federation of Logistics and Purchasing, an industrial association approved by the State Council, responsible for promoting the developments of China's logistics industry, government and non-government purchasing, reform and expansion of the market of production goods.

10. Stainless Steel Division of the Metallic Materials Distribution Association of China, which is administered by State-owned Assets Supervision and Administration Commission of the State Council. It records and reports information on the stainless steel industry in China.

11. Wuxi Municipal Administration for Work Safety, the municipal level entity of State Administration for Work Safety, is responsible for the overall supervision of work safety in Wuxi.

12. The assessment was based on the total amount of enterprise tax paid by the enterprises during the year.

13. The assessment was based on the ranking system of the revenue of the companies in the previous year in the manufacturing industry adopted by the associations.

14. The assessment was based on the market position, operational strategies, resource management, quality assurance, innovation, technology application of a company in the industry.

15. The assessment was based on the national standard as set out in 物流企業分類與評估指標 (Guidance to Classification and Evaluation for Logistics Enterprises). A full-scale evaluation as to the Company's operations, assets, facilities, administration, services, quality of employees, and level of information technology was conducted. Our Group was given such award as it served as an intermediary between stainless steel suppliers and customers, which facilitated the movement of raw materials and end products in the stainless steel industry.

16. The assessment was based on the stainless steel sales volume of a company.

17. The assessment was based on the stainless steel trading volume of a company.

18. The assessment was based on the standard as set out in 關於在全市工業企業中實行安全生產分類監督管理的通知 (Notice in relation to Supervision and Management for Safe Production in Industrial Enterprises in Wuxi) published by 無錫市安全生產監督管理局 (Wuxi Municipal Administration for Work Safety).

UTILITIES

During the Track Record Period, we did not experience any shortage of water and electricity supply.

RESEARCH AND DEVELOPMENT

The nature of stainless steel processing does not require our Company to conduct any substantive research and development. As such, during the Track Record Period, our Company did not conduct any substantive research and development and no cost had been incurred in relation thereto.

INFORMATION SYSTEM

Our existing information management system incorporates a software application known as ERP system that integrates various information in relation to, among other things, our procurement, production and sales under one system. The centralisation of such data enables us to comprehensively manage and monitor our manufacturing process, supply chain, logistics, information flow, fund flows and inventory control through real time input, as well as status checks of our purchases and orders, inventory level, accounts receivables and accounts payables, production schedule, logistics support and warehousing needs.

INTELLECTUAL PROPERTY RIGHTS

We use 18 trademarks for our business and have also registered 32 domain names. Please refer to the section headed "B. Further Information about the Business — (2) Intellectual property rights" in Appendix VI to this prospectus for details of our registered trademarks and domain names.

COMPETITION

The stainless steel processing industry is highly fragmented and competitive. We face competition from numerous competitors, including companies engaging in similar businesses, stainless steel raw materials providers intending to enter the delivery and processing industry or end users starting to conduct their own preliminary raw materials processing. The low technological barrier may allow future competitors, both foreign and domestic, to enter into or compete in our market segment. For details on the risks of competition that we face, please refer to the section headed "Risk Factors — We are operating in a highly competitive environment" in this prospectus.

Nevertheless, we believe the high level of capital expenditure required in the stainless steel processing industry and our broad and diversified customer base pose barrier to potential entrants to this market. Further, by leveraging on our diversified customers base, long-standing relationship with our suppliers, the expertise of our management team, and our constant effort in researching and introducing in different kinds of processing services, we believe we have been and will continue to be a key player in the highly fragmented and competitive stainless steel processing industry in China.

INSURANCE

As at the Latest Practicable Date, we maintained equipment insurance coverage and also insurance for our vehicles. We believe our insurance coverage is in line with market practice. As at the Latest Practicable Date, we had not received any material claims in relation to the products we sell. We do not maintain any insurance coverage for risks associated with business interruption, natural disasters or environmental damage since such risks are not customary.

SAFETY AND ENVIRONMENTAL MATTERS

Workplace safety and health care

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) ("PRC Labour Law") promulgated on 5 July 1994, employers are required to establish and improve their labour safety and health care system, to strictly implement the labour safety and health care regulations, to carry out labour safety and health care education among their workers and to prevent accidents during work and reduce occupational hazards. We have complied with the PRC Labour Law and other relevant applicable laws and regulations in relation to labour management.

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法) promulgated on 29 June 2002 and effective on 1 November 2002, enterprises operating production activities within the PRC are required to observe laws and regulations concerning production safety, strengthen their administration of, establish and improve a system of responsibility for, and improve facility conditions to ensure production safety. We are not involved in any production safety matter which is necessarily to be approved and examined by the government.

In order to comply with the Regulation Governing the Corporate Labour, Safety and Hygiene Educational Managements (企業職工勞動安全衛生教育管理規定) (which was repealed as of 1 September 2010) formulated pursuant to the PRC Labour Law, a production safety committee has been established for the administration of production safety. In addition, we provide safety education to our employees and have established safety standards in connection with matters such as the usage of safety helmets, the operation of vehicles and the mechanism of reporting the industrial accidents with view to enhance the occupational safety and to minimise the possibility of work-related accidents and injuries as well as occupational illness.

We have not committed any event of non-compliance in relation to health and safety matters during the Track Record Period. As advised by our PRC Legal Advisers, we have been in compliance with the relevant PRC law, rules and regulations in relation to health and safety matters during the Track Record Period.

Environmental protection

Manufacturing enterprises in the PRC are subject to various PRC environmental protection laws and regulations. However, as we only process (as opposed to manufacturing of) stainless steel, we are not categorised by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) as a polluting enterprise in the PRC. The design of our existing facilities does not cause environmental pollution, and almost all of the solid wastes produced therefrom, for example, scrap iron, are recycled, collected and sold to third parties. Details in relation to environmental matters are set out in the section headed "Regulatory Overview — Environmental Protection" in this prospectus.

As confirmed by our PRC Legal Advisers, prior to commencement of our operation, we have complied with the relevant environmental protection laws and regulations in the PRC by submitting an environmental impact assessment to the local environmental protection bureau for approval. As members of our Group do not discharge any waste gases in their production process, and the very limited solid wastes, waste water and noise are duly processed before discharging, our Group's business has minimal impact on the environment and has not incurred any costs of compliance with applicable rules and regulations during the Track Record Period and the expected cost of compliance will be minimal in 2010.

As advised by our PRC Legal Advisers, we have not committed any non-compliance and have not been charged for or incurred any penalties or fines as a result of violation of the relevant environmental protection laws and regulations. Our PRC Legal Advisers further advised that we have complied with all the relevant PRC law, rules and regulations in relation to environmental protection in all material respects in the locations at which our processing centres operate during the Track Record Period.

PROPERTIES

Owned properties

As of 31 August 2010, we possess the land use rights for eight parcels of land with an aggregate site area of approximately 415,694 sq.m. with a total gross floor area of approximately 159,966.94 sq.m..

Our headquarters and processing centre in Wuxi, Jiangsu occupy five parcels of land with an aggregate site area of approximately 209,241 sq.m..

Save as disclosed below, we have obtained building ownership certificates for all the buildings erected on the land we owned.

Jiangsu Daming Qianzhou Branch, one of our sales branches, currently occupies a three-storey building with a total gross floor area of approximately 540 sq.m. as its office (the "Qianzhou Property") on one parcel of land with an aggregate site area of 2,817.4 sq.m. in Wuxi (the "Qianzhou Land"). The Qianzhou Property was built by the former land owner on the Qianzhou Land which was collectively-owned land prior to the land use right was granted to us by the relevant local land authority in 2008.

Notwithstanding that we do not have the building ownership certificate of the Qianzhou Property, our PRC Legal Advisers confirmed that as the Qianzhou Property was not built by us but was transferred to us together with the Qianzhou Land by the relevant land authority, our continual use of the Qianzhou Property will not expose us to any administrative penalty or fine and will not constitute a breach under the relevant PRC laws and regulations. Given that the Qianzhou Property is occupied by Jiangsu Daming Qianzhou Branch for office purpose only and does not form part of our production facilities, our Directors confirmed that the Qianzhou Property is not crucial to our operations. Our Directors also confirmed that we have never been requested to demolish the Qianzhou Property. Considering that the Qianzhou Property is not crucial to our operations, the Directors expect the relocation costs to be minimal and will not result in any loss in the Group's revenue in the event that the Qianzhou Property is forced to be demolished. However, our Controlling Shareholders have agreed to keep us indemnified against any costs of relocation suffered by us in the event of any forced eviction.

Our processing centre in Hangzhou, Zhejiang occupies one parcel of land with an aggregate site area of approximately 63,635 sq.m.. One plant, one office building and one ancillary building with a total gross floor area of approximately 22,100 sq.m. were erected on the land. We have obtained building ownership certificates for all of the buildings erected thereon.

Our processing centre in Tianjin occupies one parcel of land with an aggregate site area of approximately 140,000 sq.m. Five buildings with a total gross floor area of approximately 56,975.02 sq.m. were erected on the land. We have obtained building ownership certificates for all of the building erected thereon.

Leased properties

When searching for a location to establish our processing centre in Wuhan in 2005, we were approached by certain land owners, including 武漢烽火集團有限公司 (Wuhan Feng Huo Group Co., Ltd.) (the "Lessor"). When conducting due diligence in connection with the land owned by the Lessor, we were given to understand that the Lessor had been in the process of applying for proper land use right certificate with the relevant government authority. The Lessor also produced an approval for land use planning dated 6 August 2004 issued by the City Planning Administrative Bureau of Wuhan (武漢市城市規劃管理局) and an approval for land use planning dated 30 August 2004 issued by the Administrative Team of Construction and Development of City-level Industrial Parks of Wuhan (武漢市都市工業園區建設和發展工作領導小組). The Lessor further produced a confirmation letter dated September 2005 issued by the People's Government of Qingling Township, Hongshan District, Wuhan (武漢市洪山區青菱鄉人民政府) confirming that the Lessor was applying for a proper land use right certificate for the land.

On 12 December 2005, based on the documents as provided and the representation of the Lessor that it would strive to obtain the relevant land use rights certificate and building ownership certificate in accordance with the applicable PRC law, we entered into a lease with the Lessor for a term of 10 years. As at the Latest Practicable Date, the Lessor has yet to obtain such land use right certificate.

According to the PRC Legal Adviser, our Company will not be subject to any criminal, civil or administrative penalty as a result of the Lessor's failure to obtain the relevant land use right certificate prior to leasing the land to us. However, we may be forced to relocate our Wuhan processing centre to another location. If we are required to relocate, we expect we will incur a one-off relocation cost of approximately RMB1,500,000 and relocation time of four months, rendering an estimated loss in the sum of approximately RMB600,000.

In light of the lengthy period in obtaining the land use right certificate by the Lessor and the potential risk that we may be forced to relocate, we have not made any significant investment to develop and expand our production capacity at Wuhan processing centre since the commencement of its operation in March 2007. The Wuhan processing centre remains a category one processing centre with the smallest scale of operation among the four processing centres of the Group. The revenue contribution and the net profit of the Wuhan processing centre represented approximately 5.9% and 4.0% of the Group's total revenue and net profit, respectively, for the year ended 31 December 2009. Our Board is currently evaluating the relocation plan which may be implemented in case we are forced to relocate the processing centre in Wuhan. The detailed schedule will be decided in the future subject to the future business development of the Wuhan processing centre and the future development of the processing centre in Changsha, being a location close to Wuhan. Our Controlling Shareholders have agreed to keep us indemnified against any costs of relocation and all other potential losses in the event of any relocation. On the basis of the aforesaid, our Directors confirm that the leased property is not crucial to our Company's operations.

For further details of the properties occupied by us, please refer to the valuation report prepared by Jones Lang LaSalle Sallmanns Limited, an independent property valuer as set out in Appendix IV to this prospectus.

LITIGATION AND LEGAL COMPLIANCE

As at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations.

Compliance with PRC law and regulations

Our Directors, as advised by our PRC Legal Advisers, confirm that as at the Latest Practicable Date, our Group had complied with all relevant PRC law and regulations in all material respects of our operations in China, including obtaining all required permits and licences.

EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into the following transaction which is expected to continue after the Listing, and will constitute an exempt continuing connected transaction of our Company under Rule 14A.33 of the Listing Rules. Our Company will be exempt from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of such transaction. Particulars of such exempt continuing connected transaction are set out below.

Leasing of properties to our connected person

The five parcels of land on which our headquarters and processing centre in Wuxi are located (the "Land") were previously owned by Daming Logistics. Certain properties on the Land and the properties (the "Properties") were leased by Daming Logistics to other tenants ("Third Party Leases"). To sustain long-term development of Jiangsu Daming's operations, ownership to the Land and the Properties is crucial. On 20 October 2008, the registered capital of Jiangsu Daming was increased from US$30 million to US$40 million and such increased portion was partly contributed by Daming Logistics through injection of the Land and the Properties subject to the Third Party Leases which remain valid and subsisting as at the date thereof.

As our Group's core business is the processing of stainless steel raw materials and we do not engage in property leasing business, our Company entered into the Lease Agreement with Daming Logistics on 1 January 2010, pursuant to which, Jiangsu Daming agreed to lease the Properties to Daming Logistics at an annual rental of around RMB500,000, for a term of two years.

As Daming Logistics was owned by certain Directors, namely Mr. Zhou as to 74.5%, Ms. Xu as to 22% and Mr. Qian as to 1%, and Mr. Zhou and Ms. Xu are also the ultimate Controlling Shareholders, Daming Logistics being an associate of Mr. Zhou and Ms. Xu is a connected person of our Company. As such, the entering into of the Lease Agreement constitutes a continuing connected transaction of our Company. As all applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are less than 0.1% and the total consideration on an annual basis is less than HK$1,000,000, the transaction contemplated under the Lease Agreement is exempt from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As our Group does not engage in property leasing business, the entering into of the Lease Agreement will allow us to focus on our business development. We consider the terms of the Lease Agreement are normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DIRECTORS

Our Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title in the Group	Date of appointment	Roles and Responsibilities in the Group
Mr. Zhou Keming (周克明先生)	40	executive Director, chairman of the Board and chief executive officer	14 February 2007	overall business strategies
Ms. Xu Xia (徐霞女士)	36	executive Director, sales director of Jiangsu Daming	14 February 2007	overall sales and business development
Mr. Qian Li (錢立先生)	36	executive Director, assistant to general manager of Jiangsu Daming	9 March 2007	procurement, stainless steel raw material cost monitoring and quality assurance
Mr. Zou Xiaoping (鄒曉平先生)	45	executive Director, deputy general manager of Jiangsu Daming	9 March 2007	overall management, daily administration and operation including finance, human resources and accounting, member of the remuneration committee and nomination committee
Mr. Tang Zhonghai (唐中海先生)	52	executive Director, deputy general manager of Jiangsu Daming	3 July 2010	management of stainless steel processing, manufacturing technology and operation
Mr. Jiang Changhong (蔣長虹先生)	47	non-executive Director	26 July 2010	assisting and advising on business operation and administration
Prof. Hua Min (華民教授)	60	independent non-executive Director	20 March 2007	supervising and providing independent judgement to the Board, member of the audit committee, remuneration committee and nomination committee
Mr. Chen Xuedong (陳學東先生)	46	independent non-executive Director	3 July 2010	supervising and providing independent judgement to the Board, member of the audit committee, remuneration committee and nomination committee
Mr. Cheuk Wa Pang (卓華鵬先生)	46	independent non-executive Director	20 March 2007	supervising and providing independent judgement to the Board, chairman of the audit committee, remuneration committee and nomination committee

Executive Directors

Mr. Zhou Keming, aged 40, is an executive Director. He is also the chairman of the Board, the chief executive officer and the general manager of our Group and is responsible for our Group's overall business strategy. Mr. Zhou is one of the founders of our Group. He also founded enterprises such as Wuxi Daming, Xin Daming and Daming Logistics and acted as the legal representative and held various senior management positions in these enterprises. From 1988 to 1993, Mr. Zhou worked at 無錫縣前洲印橋供銷經理部 (Wuxi County Qianzhou Town Yinqiao Supply and Marketing Managerial Unit) for the sales of stainless steel materials. Mr. Zhou acted as the legal representative of 無錫縣大明物資公司 (Wuxi County Daming Commodities Company) and 錫山大明物資有限公司 (Xishan Daming Commodities Limited Company) from 1993 to 1996 and from 1996 to 1998, respectively, both of which carried on the business of stainless steel materials where he was responsible for corporate and sales management. With his previous and current positions in our Group, he has 22 years of experience in the steel industry. In 2006, Mr. Zhou completed 總裁高級研修班 (Advanced Studies Programme for Chief Executive Officers) at 復旦大學繼續教育學院 (College of Continuing Education of Fudan University) on a part-time basis. In 2001, Mr. Zhou was elected as a member of 無錫市錫山區政治協商會議第一屆委員會 (the First Session of the Wuxi Municipal Xishan District Chinese People's Political Consultative Conference). In addition, Mr. Zhou was awarded the 無錫市十大傑出青年 (Top Ten Outstanding Youths in Wuxi) and 無錫市新長征突擊手標兵 (The Pioneer (Role Model) of the New Long March of Wuxi) in 2002. Mr. Zhou was awarded 無錫市節約集約用地先進個人 (The Advanced Person for Saving and Intensification of the Use of Land in Wuxi) in 2006 and 全國物流業勞動模範 (The National Logistics Labour Model) in 2007. Mr. Zhou was qualified as a 高級經濟師 (senior economist) in 2007 by 江蘇省經濟專業高級專業技術資格評審委員會 (The Appraisal Committee for Senior Economic Technical Qualification of Jiangsu). Senior economist is a recognised qualification in the PRC and is normally granted to a person who has passed necessary examinations and has acquired substantial management experience. Over the past three years, Mr. Zhou has not been a director in other listed companies. Mr. Zhou is the husband of Ms. Xu.

Ms. Xu Xia, aged 36, is an executive Director and is also one of the founders of our Group. Since 1998, she has been primarily responsible for the overall sales and business development of our Group. From 2002 to 2004, Ms. Xu was the sales division manager of Xin Daming before she was appointed as the sales division manager of Jiangsu Daming in 2005. With her current and previous positions in our Group, Ms. Xu has obtained over 11 years of experience in the steel industry. Ms. Xu graduated from 中國紡織大學 (China Textile University) (currently known as 東華大學 (Donghua University)) in 1995 with a diploma in Trading Operation. She also completed 卓越經理人高級研修班 (Advanced Studies for Senior Executives) at 復旦大學繼續教育學院 (College of Continuing Education of Fudan University) in 2005 on a part-time basis. Over the past three years, Ms. Xu has not been a director in other listed companies. She is the wife of Mr. Zhou.

Mr. Qian Li, aged 36, is an executive Director. Mr. Qian is wholly responsible for procurement, stainless steel raw materials cost monitoring and quality assurance of our Group. He is also responsible for the import and export trading of our Group and coordination with the relevant authorities and institutions. Mr. Qian joined our Group in 1998 and has become a director of Daming Logistics since 2004. From 2002 to 2004, he was the supply division manager of Xin Daming. Mr. Qian has been the supply division manager of Jiangsu Daming since 2007. He has been concurrently serving as the supply division manager and assistant general manager of the same company since 2009. With the previous and current positions held by Mr. Qian in our Group, Mr. Qian has obtained over 11 years of experience in the steel industry. Mr. Qian graduated from 南京化工學校 (Nanjing Chemical School) (currently known as 南京化工職業技術學院 (Nanjing College of Chemical Technology)) in 1994 with a diploma in Computer Science and Computer Application. Over the past three years, Mr. Qian has not been a director in other listed companies.

Mr. Zou Xiaoping, aged 45, is an executive Director. Mr. Zou has served as our executive deputy general manager since he joined our Group in 2002. In 2003, he was also appointed as the head of finance and head of inventory of Daming Logistics. Mr. Zou is responsible for our Group's overall management, daily administration and operation, including finance, human resources and accounting. Prior to joining our Group, Mr. Zou worked at 錫山區地方稅務前洲所 (Local Tax Bureau, Qianzhou Town, Xishan District) from 1986 to 2002 on taxation matters, during which he was responsible for collection and administration of tax in relation to the corporations in Qianzhou, and was granted a certificate for having undergone the in-service taxation training offered to the civil servants in 2000, when serving as the assistant to the head of the Bureau. With his current and previous positions in our Group and other institutions, Mr. Zou has obtained over 16 and 8 years of experiences in taxation and corporate management, respectively, which are relevant to the management and operation of our Group. Mr. Zou completed the program of 市場經濟高級研修 (Advanced Studies in Market Economy) at Peking University in 2004. He graduated from 中共中央黨校函授學院 (Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party) with a Bachelor of Laws degree in 2004 and obtained a Master of Business Administration degree from Asia International Open University (Macau) in 2005. Over the past three years, Mr. Zou has not been a director in other listed companies.

Mr. Tang Zhonghai, aged 52, is an executive Director. Mr. Tang joined our Group in February 2003 as a deputy general manager and is responsible for the management of stainless steel processing and manufacturing technology as well as the operation of our Group. Prior to joining our Group, Mr. Tang was the deputy factory director of 江門市日新不銹鋼材料廠有限公司 (Jiangmen City Rixin Stainless Steel Material Factory Co., Ltd) from 1993 to 2001, and was responsible for production technology. With his previous and current positions in our Group and other institutions, Mr. Tang has obtained more than 17 years of extensive experience in the steel industry. Mr. Tang graduated from 華東工程學院兵器工業部 (Rocket and Missile Discipline of Eastern China Engineering Institute) (currently known as 南京理工大學 (Nanjing University of Science and Technology)) in 1982, and completed 卓越經理人高級研修班 (Advanced Studies for Senior Executives) at 復旦大學繼續教育學校 (College of Continuing Education of Fudan University) in 2005 on a part-time basis. He was qualified as a mechanical engineer in 1988 by 國家機械工業委員會 (National Machinery Industry Committee) and a 高級經濟師 (senior economist) in November 2007 by 江蘇省經濟專業高級專業技術資格評審委員會 (The Appraisal Committee for Senior Economic Technical Qualification of Jiangsu). Senior economist is a recognised qualification in the PRC and is normally granted to a person who has passed necessary examinations and has acquired substantial management experience. Mr. Tang was awarded the 2006 - 2008年度無錫市勞動模範 (The Labour Model of Wuxi for 2006 to 2008) in 2009. Over the past three years, Mr. Tang has not been a director in other listed companies.

Non-executive Director

Mr. Jiang Changhong, aged 47, is a non-executive Director. Mr. Jiang joined our Group in July 2010. He has served STSS, one of our key suppliers, since 1986 to present. He is currently the manager of the sales department of STSS. Mr. Jiang started as a technician in the automated department of STSS from 1986 to 1989. From 1992 to 1998, he worked in 熱連軋工廠自動化車間 (automated workshop of STSS's Re Lian Rolling Factory) as a director of workshop. He was appointed as the technology manager and factory manager of the Re Lian Rolling Factory of STSS in 1998 and 2004, respectively. In 2009, he was appointed to his current position as the manager of the sales department of STSS. With his positions in STSS, Mr. Jiang has over 21 years of experience in the steel industry. Mr. Jiang graduated from 北京鋼鐵學院 (Beijing Steel and Iron Institute) (currently known as 北京科技大學 (University of Science and Technology Beijing)) with a Bachelor of Engineering degree in Computer Science in 1986. He further obtained a Master of Engineering degree in Computer Application in 1992. Mr. Jiang was accredited by 山西省人事廳 (Department of Human Resources, Shanxi Province) in 1997 as a 高級工程師 (senior engineer). Over the past three years, he has not been a director in other listed companies.

Independent non-executive Directors

Professor Hua Min, aged 60, is an independent non-executive Director. He joined our Group in March 2007. Since 2004, Professor Hua has also been an independent non-executive director and a member of the audit committee of Shanghai International Shanghai Growth Investment Limited (stock code: 770), the shares of which are listed on the Main Board of the Stock Exchange. He is a professor and doctoral candidates adviser and has taught and conducted research in world economics, China economics and finance at Fudan University since 1990. Currently he is the chairman of 復旦大學世界經濟研究所 (Institute of World Economy of Fudan University) and chief of 復旦大學經濟學院學術委員會 (Academic Committee of School of Economics of Fudan University). With his previous positions in other institutions, Professor Hua has obtained over 20 years of experience in economics, which are relevant to the management and operation of our Company. Professor Hua graduated from Fudan University with a Bachelor degree in Political Economics in 1982 and obtained a Doctoral degree in Economics from Fudan University in 1993. From March 2008 to February 2010, he was one of the Specially Appointed Policy - Making Advisory Experts of the Peoples' Government of Shanghai City (上海市人民政府決策諮詢特聘專家). Save as disclosed hereto, over the past three years, Professor Hua has not been a director in other listed companies. Professor Hua has not by himself or through the institution in which he works, provided any professional services to our Company during the Track Record Period.

Mr. Chen Xuedong, aged 46, is an independent non-executive Director. He joined our Group in July 2010. Prior to this, he joined 合肥通用機械研究院 (Hefei General Machinery Research Institute) as an assistant engineer in 1986 and has served in the same institute, where he was appointed as head of research department and deputy head of research institute in 1996 and 1999, respectively. He has been the head of research institute since 2008, and has been concurrently serving as the party secretary of the same institute since 2009. Mr. Chen was qualified as a researcher in 2002. Prior to that, he attained the qualification of professor level senior engineer in 1999. Since 2003, Mr. Chen has served as head of 國家壓力容器與管道安全工程技術研究中心 (National Safety Engineering Technology Research Centre for Pressure Vessels and Pipelines). Mr.

Chen graduated from Zhejiang University with a Bachelor degree in Chemical Engineering in 1986. He then obtained a Master degree and Doctoral degree in Chemical Engineering at Zhejiang University in 1995 and 2004, respectively. With his previous positions in other institutions, Mr. Chen has obtained over 24 years of experience in engineering, which is relevant to the management and operation of our Company. Over the past three years, Mr. Chen has not been a director in other listed companies. Mr. Chen has not by himself or through the institution in which he works, provided any professional services to our Company during the Track Record Period.

Mr. Chen was selected as the first and second level candidate of the 國家百千萬人才工程 (National Talents Project) in 2000, and awarded as the high level science and technology expert of 中國機械工業集團公司 (China National Machinery Industry Corporation) in 2008. Mr. Chen was a member of the tenth People's Congress of Anhui and is also a member of the eleventh People's Congress of Anhui. As Mr. Chen has made outstanding contribution to the engineering and technology business of the country, he was entitled to receive special allowance from the State Council in 2004. Mr. Chen was appointed as member and deputy secretary-general of 全國鍋爐壓力容器標準化技術委員會 (China Standardisation Committee on Boilers and Pressure Vessels) in 2003 and deputy director of 國家質檢總局特種設備安全技術委員會 (Special Equipment Safety Technology Committee of General Administration of Quality Supervision, Inspection and Quarantine of the PRC) in 2009. Mr. Chen has been deputy chairman of 中國液壓氣動和密封件工業協會 (China Hydraulics Pneumatics and Seals Association) since 2002, deputy director of 全國氣瓶標準化技術委員會 (China Gas Cylinder Standardisation Technical Committee) since 2003, executive director of 中國機械工程學會 (China Mechanical Engineering Society) since 2008, deputy executive director of 中國機械工程學會壓力容器分會 (Pressure Vessel branch, China Mechanical Engineering Society) and member of 中國合格評定國家認可委員會檢查機構技術委員會 (Technical Committee for Inspection Bodies of China National Accreditation Service for Conformity Assessment) since 2009. Currently, Mr. Chen is also a member of 國際壓力容器學會亞太地區委員會 (Asian Oceanic Regional Committee of ICPVT), deputy head of 中國通用機械工業協會 (China General Machinery Industry Association) and deputy chairman of 中國特種設備檢驗學會 (China Special Equipment Inspection Association).

Mr. Cheuk Wa Pang, aged 46, is an independent non-executive Director. He joined our Group in March 2007. Mr. Cheuk has been the chief financial officer, the qualified accountant and the company secretary of Lee Kee Holdings Limited (stock code: 637), a non-ferrous metal purchaser and distributor, the shares of which are listed on the main board of the Stock Exchange since 2006. He was also appointed as a financial controller of Lee Kee Group Ltd, a wholly-owned subsidiary of Lee Kee Holdings Limited, in 2002. He also worked as a financial controller of China Post E-Commerce (Holdings) Limited (formerly known as Intcera High Tech Group Limited), a telecom equipment manufacturer, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8041) from 2001 to 2002, and worked as company secretary of the same company from 2000 to 2002, and as a business consultant to a company which uses internet technology to provide facilities management, and a financial controller of a Sino-Italian joint venture. Prior to this, he was an accountant at Coopers & Lybrand from 1991 to 1996. With his previous positions in other institutions, Mr. Cheuk has over 15 years of experience in accounting and auditing. Mr. Cheuk holds a Bachelor of Science degree in Engineering from the University of Hong Kong, a Master degree in Applied Finance and a Master degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public

Accountants. He is also a member of the Institute of Chartered Accountants of England and Wales (ICAEW). Over the past three years, Mr. Cheuk has not been a director in other listed companies. Mr. Cheuk has not by himself or through the company in which he works, provided any professional services to our Company during the Track Record Period.

Please refer to the subsection headed "Statutory and General Information — C. Disclosure of Interests — (1) Directors — (b) Particulars of service contracts" in Appendix VI to this prospectus for further information on our Directors' service agreements.

Save as disclosed above, there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Position/Title
Mr. Leung Man Fai (梁文輝先生)	46	Chief financial officer and company secretary
Mr. Yu Wenjun (俞文軍先生)	42	Deputy general manager (Project Co-ordination)
Mr. Zhou Xiaodong (周曉棟先生)	35	General manager of Wuhan Fortune
Mr. Lv Shihui (呂世輝先生)	37	General manager of Hangzhou Wanzhou
Mr. Situ Shunxin (司徒順新先生)	44	General manager of Tianjin Taigang Daming

Mr. Leung Man Fai, aged 46, is the chief financial officer and company secretary of our Group. Mr. Leung joined our Group in 2007. From 2003 to 2006, he had served as a financial controller and company secretary of a private company. Prior to this, he served various accounting roles including financial controller and finance manager from 1996 to 2003 within several group companies of ITC Corporation (stock code: 372), the shares of which are listed on Main Board of the Stock Exchange. He also worked as a senior accountant during 1992 to 1996 in Hopewell Holdings Limited (stock code: 54), the shares of which are listed on Main Board of the Stock Exchange. During 1990 to 1992, Mr. Leung served as an accountant in a private enterprise. With his previous and current positions in our Group and in other companies, Mr. Leung has obtained over 20 years of experience in accounting and finance. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong in 1991. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Yu Wenjun, aged 42, is the deputy general manger of our Group and is responsible for the management and operation of our Group. He was appointed as the vice commander of the project management office of Tianjin Taigang Daming in 2007. Mr. Yu joined our Group in 1999 and was appointed to his current positions in 2007. He had been the manager of Hangzhou Wanzhou from 2006 to 2007 and served as the deputy manager of Tianjin Taigang Daming in 2009. Prior to joining our Group, Mr. Yu worked in 江蘇新苑集團公司 (Jiangsu Xinyuan Group Corporation) since 1990, and was appointed as an economist in 1999. With his current and previous positions in our Group and Jiangsu Xinyuan Group Corporation, Mr. Yu has over 11 years of experience in the steel industry. Mr. Yu graduated from 西安交通大學 (Xi'an Jiaotong University) in 1990 with a Bachelor degree in English for Technology and attained the intermediate qualification level in Industrial Economy from the 中國人民共和國人事部 (Ministry of Personnel of the PRC), thereby he has been qualified as an economist in 1995. Mr. Yu was qualified as a 高級經濟師 (senior economist) in November 2007 by 江蘇省經濟專業高級專業技術資格評審委員會(The Appraisal Committee for Senior Economic Technical Qualification of Jiangsu Province). Senior Economist is a recognised qualification in the PRC and is normally granted to a person who has passed necessary examinations and has acquired substantial management experience. In 2005, he completed the 高級經理工商管理研修班 (Advanced Studies in Business Administration for Senior Executives) at 復旦大學繼續教育學院 (College of Continuing Education of Fudan University) on a part-time basis.

Mr. Zhou Xiaodong, aged 35, is the general manager of Wuhan Fortune and is responsible for its management and operation. Mr. Zhou joined our Group in 1995 as a salesman and was appointed to his current position in January 2010. Prior to this, he had served as the project manager and deputy general manager in 2006 and 2007 respectively. In 2007 he was also appointed as the general manager of Jiangsu Daming Wuhan Branch and has been responsible for its overall management and operation. With his current and previous positions in our Group, Mr. Zhou has over 15 years of experience in the steel industry. In 2005, he also completed 卓越經理人高級研修班 (Advanced Studies for Senior Executives) at 復旦大學繼續教育學院 (College of Continuing Education of Fudan University) on a part-time basis.

Mr. Lv Shihui, aged 37, is the general manager of Hangzhou Wanzhou and is responsible for its overall management and operation. Mr. Lv graduated from the Metal Pressure and Processing profession of Wuhan Steel College (武漢鋼鐵學院) in 1994. Mr. Lv joined our Group in 2006 and was appointed to his current position in 2010. Prior to this, he had been the deputy general manager of Hangzhou Wanzhou since 2007. Prior to joining our Group, Mr. Lv was one of the team leaders of 四川省攀枝花鋼鐵公司冷軋廠 (Sichuan Province Panzhihua Steel Company Cold Rolling Factory) during the period of 1994 to 1998, and served as the sales supervisor and sales manager of 浙江省寧波寶新不銹鋼有限公司 (Zhejiang Province Ningbo Baoxin Stainless Steel Co., Ltd) during the period of 1998 to 2006. He had participated in 寶新1500mm不銹鋼縱切機組和橫切機組 (Baoxin 1500mm Stainless Steel Slitting Line and Cut to Length Line Project) and was awarded first class honour in Science Technology of China Mechanical Industry jointly by 中國機械工程學會 (China Mechanical Engineering Society) and 中國機械工程聯合會 (China Machinery Industry Federation) in 2001. In 2008, Mr. Lv was granted a patent by 中華人民共和國國家知識產權局 (State Intellectual Property Office of the PRC) for the specific device invented for automatic checking of stow capacity and malfunction. With his current and previous positions in our Group and other companies and his relevant innovations, Mr. Lv has obtained over 16 years of experience in the steel industry.

Mr. Situ Shunxi, aged 44, is the general manager of Tianjin Taigang Daming and is responsible for its management and operation. Mr. Situ joined our Group in 2007 as a production administrator and is appointed to his current position in January 2010. He had been the deputy leader of the organising committee of the project management office of Tianjin Taigang Daming since 2007 and the deputy general manger of Tianjin Daming since 2009. Prior to joining our Group, Mr. Situ served at 江蘇錫興集團 (Jiangsu Xixing Group) (currently known as 江蘇沙鋼集團錫興特鋼有限公司 (Xixing Special Steel Co., Ltd. of Jiangsu Shagang Group)) from 1989 to 1998 during which he held various positions including assistant engineer, engineer and production administrator. In addition, Mr. Situ served as the deputy director of ZPSS's production department from 1998 to 2007. With his current and previous positions in our Group and in other companies, Mr. Situ has obtained over 21 years of experience in the steel industry. Mr. Situ graduated from 武漢鋼鐵學院 (Wuhan Steel College) in 1989 with a bachelor's degree in Metal Pressure and Processing.

BOARD COMMITTEES

Audit committee

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by our Board on 9 November 2010 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our Group's financial reporting process and internal control system. The audit committee comprises the three independent non-executive Directors, namely Mr. Cheuk Wa Pang, Prof. Hua Min and Mr. Chen Xuedong. Mr. Cheuk Wa Pang is the chairperson of the audit committee.

Remuneration committee

We established the remuneration committee on 9 November 2010 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. The remuneration committee comprises the three independent non-executive Directors, namely, Mr. Cheuk Wa Pang, Prof. Hua Min and Mr. Chen Xuedong and an executive Director, Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairperson of the remuneration committee.

Nomination committee

We established the nomination committee on 9 November 2010 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the nomination committee is to make recommendations to our Board on the appointment of Directors and senior management. The nomination committee comprises the three independent non-executive Directors, namely, Mr. Cheuk Wa Pang, Prof. Hua Min and Mr. Chen Xuedong and an executive Director Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairperson of the nomination committee.

DIRECTORS' REMUNERATION

During the Track Record Period, the aggregate amount of fees, salaries, and allowances, discretionary bonus and pension-defined contribution plans paid by our Group to our Directors were approximately RMB1.4 million, RMB2.0 million, RMB2.4 million and RMB1.1 million, respectively.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, their experiences, their responsibilities and their performances.

The emolument of the two, three, three and two highest paid individuals (excluding Directors) during the Track Record Period was approximately RMB851,000, RMB1.97 million, RMB2.0 million and RMB625,000, respectively.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Group.

None of our Directors waived any emoluments for any of the last three years.

Save as disclosed above, no other payments have been paid or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee of our Company will consider factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of our Directors and the senior management as the case may be, in assessing the amount of remuneration payable to our Directors and such employees. It is estimated that under the arrangements currently in force, the aggregate remuneration of the Directors payable in respect of the year ending 31 December 2010 is estimated to be approximately RMB2.2 million.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraphs under "D. Share Option Scheme" in Appendix VI to this prospectus.

STAFF

As at 30 June 2010, our Group employed 864 employees. The table below sets forth the number of employees in the respective functions of our Group as at 31 December 2007, 2008 and 2009 and 30 June 2010:

	As at 31 December			As at 30 June
Functions	**2007**	**2008**	**2009**	**2010**
	Number of employees			
Management	9	9	11	10
Administration	86	103	112	125
Sales department	103	117	146	176
Finance department	56	49	46	48
Procurement department	19	14	16	18
Warehousing department	70	76	96	92
Quality control department	7	10	11	12
Technical department	36	49	53	57
Processing department	219	254	277	326
Total	605	681	768	864

In compliance with the applicable statutory requirements in the PRC and the requirements of the local government, our Group participates in a pension contribution plan for our employees. The pension contributed by our Group under this plan during the Track Record Period was approximately RMB1.8 million, RMB3.0 million, RMB4.5 million and RMB2.2 million, respectively.

Under the relevant PRC law and regulations, it is mandatory for our subsidiaries established in China to contribute to the social security fund and housing provident fund for our employees and such contributions are required to be made commencing from the respective dates of establishment of our PRC subsidiaries. Notwithstanding such mandatory requirements, for Jiangsu Daming, we only commenced our contributions to the social security fund and the housing provident fund from June 2003 and June 2006 respectively; for Wuhan Fortune, we only commenced our contributions to the social security fund and the housing provident fund from March 2007 and June 2006 respectively; for Hangzhou Wanzhou, we only commenced our contributions to the social security fund and the housing provident fund from November 2006 and March 2007 respectively; and for Tianjin Taigang Daming, we only commenced our contributions to the social security fund and the housing provident fund both from November 2007.

The reasons that the relevant members of the Group did not comply with the contribution requirement are as follows:

Jiangsu Daming

The Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) were promulgated and became effective on 22 January 1999 and the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) were promulgated on 3 April 1999, amended and effective on 24 March 2002 (collectively, the "Regulations"). Jiangsu Daming was established in June 2002. At the time of its establishment, the management was not fully appraised of the impact of the Regulations. With the further understanding by the management of the Regulations and their increasing care of the employees, Jiangsu Daming started to contribute to the social insurance contribution for its employees since June 2003 and the housing provident fund contribution since June 2006.

Further, the Regulations require employees to contribute a certain proportion of the funds. As advised by the PRC Legal Advisers, there is no PRC law or regulations providing that the social insurance and housing provident fund can be transferred from one administrative region to another, and it is general practice around China that they are not transferable as such. As a result, some employees were not willing to contribute their portion because such social insurance and housing provident fund are not transferable to their new employer after they leave Jiangsu Daming. Hence, Jiangsu Daming was unable to promptly register with relevant departments and pay the contribution.

Wuhan Fortune, Hangzhou Wanzhou and Tianjin Taigang Daming

When Wuhan Fortune, Hangzhou Wanzhou and Tianjin Taigang Daming were respectively established, their personnel were appointed by Jiangsu Daming, and the position and the number of the employees had not been fixed.

Further, the Regulations require employees to contribute a certain proportion of the funds. Given there is no PRC law or regulations providing that the social insurance and housing provident fund can be transferred from one administrative region to another, and it is general practice around China that they are not transferable as such. As a result, some employees were not willing to contribute their portion because such social insurance and housing provident fund are not transferable to their new employer after they leave Wuhan Fortune, Hangzhou Wanzhou and Tianjin Taigang Daming respectively. Hence, Wuhan Fortune, Hangzhou Wanzhou and Tianjin Taigang Daming were unable to promptly register with relevant departments and pay the contribution respectively.

Regarding our contributions to the social security fund, our PRC Legal Advisers confirmed that (a) pursuant to Article 23 of the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) , if a company fails to carry out social insurance registration, change its registration or cancel its registration according to the Regulations, or fails to report the amount of social insurance premiums payable according to the Regulations, the relevant Administrative Department of Labour Security shall order such company to remediate the situation within a prescribed time limit; in serious cases, a fine of not less than RMB1,000 and not more than RMB5,000 may be imposed on the persons who are directly responsible; in very serious cases, a fine of not less than RMB5,000 and not more than RMB10,000 may be imposed on the persons who are directly responsible; (b) in accordance with Article 29 of Administrative Punishment Law of the PRC (中華人民共和國行政處罰法), if any unlawful acts are not discovered within two years, the responsible party would not be subject to any administrative punishments; and (c) given the non-compliance of the social insurance and housing provident fund regulations by our PRC operating subsidiaries were not discovered within two years, such subsidiaries of the Company will not be subject to any administrative punishment. Further, as mentioned above, any penalty for such non-compliance shall be borne by the responsible persons of the relevant subsidiary, instead of the subsidiary itself.

In respect of our contributions to the housing provident fund, our PRC Legal Advisers also confirmed that pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), there is no provisions for punishment of a company which does not register with relevant department and pay the contribution at its establishment but rectified the non-compliance at a later time, unless the relevant administrative authority has notified such company of a deadline which has not been duly met. As such our PRC operating subsidiaries will not be subject to penalty for failing to contribute to the housing provident fund since their respective dates of establishment.

Save as disclosed above, we have complied with the relevant labour and social welfare laws and regulations in China and that we have made the relevant contributions in accordance with the PRC law and regulations. Each of our PRC operating subsidiaries namely, Jiangsu Daming, Wuhan Fortune, Hangzhou Wanzhou and Tianjin Taigang Daming has not received any notification from relevant government authorities requiring further rectification of the previous non-compliance in respect of social security and housing provident fund, and has received compliance confirmation from social security administration departments and housing provident fund management centres covering the Track Record Period.

Based on the above, our PRC Legal Advisers advise that our act does not constitute serious non-compliance or particularly serious non-compliance, and will not result in any administrative punishment.

COMPLIANCE ADVISER

We intend to appoint Shenyin Wanguo Capital (H.K.) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end 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 commencing after Listing.

Immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Ally Good will be interested in approximately 71% of our total issued share capital. As Ally Good is held as to 77.2% and 22.8% by Mr. Zhou and Ms. Xu respectively, each of Ally Good, Mr. Zhou and Ms. Xu will be our Controlling Shareholder. Our Controlling Shareholders confirm that they do not have any interest in a business apart from us which competes or is likely to compete, directly or indirectly, with us. For the factors set out below, our Directors are satisfied that we can operate independently of the Controlling Shareholders:

Management and operational independence

The Board comprises nine Directors, including Mr. Zhou and Ms. Xu, three other executive Directors, one non-executive Director and three independent non-executive Directors.

Although the Controlling Shareholders will retain a controlling interest in our Company after Listing, Mr. Zhou and Ms. Xu only constitute a minority of the Board. Management and investment decisions are made by the Board in a collective manner, and each of our Directors is aware of his fiduciary duties as a Director, which require, among others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his personal interest. As disclosed under the paragraph headed "2. Articles of Association — (a) Directors — (v) Disclosure of interests in contracts with the Company or any of its subsidiaries" in Appendix V to this prospectus, save in certain circumstances, any interested Director shall abstain from voting in accordance with our Articles of Association in the event of conflicts of interests.

Further, our own management team, with most members independent of our Controlling Shareholders, have served our Company and/or our subsidiaries for a substantial period of time and have substantial experience in the stainless steel industry. We also do not rely on our Controlling Shareholders to access customers, suppliers and production facilities.

In addition, there is no continuing connected transactions between our Controlling Shareholders and our Group which will be subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules upon Listing.

Financial Independence

We have our own accounting and finance department and independent financial system and make financial decisions according to our business needs. As at 30 June 2010, there were non-trade payables due to Daming Logistics amounted to RMB227.5 million, and we had total bank borrowings of approximately RMB343.2 million and notes payable of approximately RMB246 million, which were secured by guarantees given by Daming Logistics, a company controlled by our Controlling Shareholders, Mr. Zhou and Ms. Xu. The above non-trade balance and guarantees was settled or released before the Listing. We are not financially dependent on the Controlling Shareholders or any of their respective associates upon the Listing.

Deed of Non-competition

For the purpose of the Listing, the Controlling Shareholders have entered into the Deed of Non-competition, pursuant to which each of the Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/she/it would not, and would procure that his/her/its associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "Restricted Business").

Each of the Controlling Shareholders has also undertaken to our Company the following:

(a) to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and

(b) to make an annual declaration on compliance with his/her/its undertaking under the Deed of Non-competition in the annual reports of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

The Deed of Non-competition does not apply to:

(a) any interests in the shares of any member of our Group since the business of such member is not in competition with our Group. Moreover, none of the Controlling Shareholders currently has any intention to hold shares directly in any member of our Group; or

(b) interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that:

   (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

   (ii) the total number of the shares held by the relevant Controlling Shareholder and/or his/her/its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder and his/her/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder and his/her/its associates in aggregate.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) the relevant Controlling Shareholder and his/her/its associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholder and/or his/her/its associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company was no longer listed on the Stock Exchange or the relevant Controlling Shareholder came to hold less than 30% of the Shares then issue, the Deed of Non-competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and The Codes on Takeovers and Mergers for the concept of "control".

Corporate Governance Measures

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Controlling Shareholders and to safeguard the interests of the Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders;

(ii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition by the Controlling Shareholders in the annual reports of our Company;

(iii) our Directors operate in accordance with our Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and

(iv) pursuant to the Code of Corporate Governance Practices (the "Code") in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at the Company's cost.

Our Company is expected to comply with the Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the Corporate Governance Report which will be included in our annual report.

Under the Deed of Indemnity, Ally Good, Mr. Zhou and Ms. Xu (together the "Indemnifiers") have jointly and severally undertaken to and covenanted with our Company that they will indemnify and keep our Company indemnified against any and all tax liabilities falling on our Group which might be payable by our Group in respect of any incomes, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional, save in the following circumstances:

(a) to the extent that specific provision or reserve has been made for such liability in the audited accounts of our Group during the Track Record Period;

(b) would not have arisen but for any act or omission or transaction or delay by any member of our Group voluntarily effected after the date on which the Global Offering becomes unconditional which the relevant member of the Group ought reasonably to have known would give rise to such liability but excluding any act:

    (a) carried out pursuant to a legally binding obligation of any member of the Group entered into or incurred on or before the date on which the Global Offering becomes unconditional;

    (b) taking place with the written approval of the Indemnifiers (such approval not to be unreasonably withheld or delayed) or pursuant to the Global Offering or any document executed pursuant to the Global Offering; or

    (c) occurring in the ordinary course of business of the Group;

(c) to the extent that such liability only arises or is incurred as a result of a retrospective change in the law, rules or regulations or interpretation or practice thereof coming into force after the date on which the Global Offering becomes unconditional or to the extent that such taxation claim arises or is increased by a retrospective increase in rates of taxation coming into force after the date on which the Global Offering becomes unconditional;

(d) the liability arises in the ordinary course of business of the Group after 30 June 2010 up to and including the date on which the Global Offering becomes unconditional; or

(e) the liability arises, is incurred or is increased as a result of a change in accounting policies after the Global Offering becomes unconditional.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers also agreed to jointly and severally indemnify us from and against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines of whatever nature which any member of our Group may incur, suffer or accrue, directly or indirectly, arising from, as a result of or in connection with:

(a) any non-compliance with the applicable laws, rules and regulations by any member of our Group on or before the Listing Date including without limitation any non-compliance with the applicable laws, rules and regulations by any member of the Group on or before the the date on which the Global Offering becomes unconditional including without limitation any unpaid mandatory contributions to the social security fund and housing provident funds in accordance with the relevant laws and regulations of the PRC;

(b) the relocation of the office of Jiangsu Daming Qianzhou Branch as a result of any forced eviction due to the non-availability of the building ownership certificate of the building in which such office is located from the relevant governmental authorities in the PRC in accordance with the relevant laws of the PRC; and

(c) the cessation of operation of Wuhan Fortune and the relocation of the Company's processing centre in Wuhan to another location as a result of the failure to obtain the relevant land use rights certificate in relation to the land where the Company's processing centre in Wuhan is situated by Wuhan Feng Huo Group Co., Ltd, (武漢烽火集團有限公司) as lessor from the relevant governmental authorities in the PRC prior to leasing such land to our Group.

OUR SUBSTANTIAL SHAREHOLDERS

As far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme and which would affect disclosure in this section), the following persons will have an interest or a short position in Shares or underlying Shares which would be required 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 the Company:

Name of Shareholder	Nature of interest and capacity	Number of Shares	Approximate percentage of voting power
Ally Good *(Note 1)*	Beneficial owner	709,275,000	70.93%
Mr. Zhou *(Notes 1 and 2)*	Interests in controlled company	709,275,000	70.93%
Ms. Xu *(Notes 1 and 2)*	Interests in controlled company	709,275,000	70.93%

Notes:

(1) The issued share capital of Ally Good is owned as to approximately 77.2% by Mr. Zhou (a Director) and as to 22.8% by Ms. Xu (a Director).

(2) Mr. Zhou is the husband of Ms. Xu and therefore they are deemed under the SFO to be interested in each other's interests in the Shares held by Ally Good.

Further details of interests and short positions (if any) of the above persons in the Shares are set out in the paragraphs under "C. Disclosure of Interests" in Appendix VI to this prospectus.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares which may be issued or sold upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme and which would affect disclosure in this section), will have an interest or a short position in Shares or underlying Shares which would be required 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, who 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 our Group. We have compiled with the requirements pursuant to the relevant rules and regulations (including the Listing Rules and the SFO) in respect of the disclosure of interests in this prospectus.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering:

Authorised capital:		*HK$*
1,500,000,000	Shares	150,000,000

Assuming the Over-allotment Option is not exercised, the share capital of the Company immediately following the Global Offering will be as follows:

Shares issued and to be issued, fully-paid or credited as fully-paid:

300,000	Shares in issue	30,000
749,700,000	Shares to be issued pursuant to the Capitalisation Issue	74,970,000
250,000,000	New Shares to be issued pursuant to the Global Offering	25,000,000
Total:		
1,000,000,000	Shares	100,000,000

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately following the Global Offering will be as follows:

Shares issued and to be issued, fully-paid or credited as fully-paid:

300,000	Shares in issue	30,000
749,700,000	Shares to be issued pursuant to the Capitalisation Issue	74,970,000
287,500,000	New Shares to be issued pursuant to the Global Offering	28,750,000
Total:		
1,037,500,000	Shares	103,750,000

Assumptions

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. The above table takes no account of (a) Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme or (b) any Shares which may be repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate, respectively.

Ranking

The Offer Shares are ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus, and will rank in full for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set forth in the paragraphs under "Share Option Scheme" in Appendix VI to this prospectus.

ISSUING MANDATE

Our Directors have been granted the general unconditional Issuing Mandate authorising them to exercise all the powers of our Company to allot, issue and deal with our Shares with a total nominal value not exceeding 20% of the aggregate nominal value of our issued share capital in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme), and the number of Shares repurchased by us, if any, pursuant to the Repurchase Mandate described below.

This mandate does not apply to situations where our Directors allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of the options granted under any option which 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:

— at the conclusion of the next annual general meeting of our Company; or

— upon the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or the Companies Law; or

— the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate,

whichever is the earliest.

Further information on the Issuing Mandate is set forth in the paragraphs under "A. Further information about our Company — (3) Resolution of all the Shareholders passed on 9 November 2010" in Appendix VI to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted the general unconditional Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal amount of not more than 10% of the total nominal amount of our issued share capital immediately following completion of the Global Offering and Capitalisation issue (as set out in the table above but excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the paragraphs under "(7) Repurchase by our Company of our own securities" in Appendix VI to this prospectus.

The Repurchase Mandate will expire:

— at the conclusion of the next annual general meeting of our Company; or

— upon the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or the Companies Law; or

— the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate,

whichever is the earliest.

Further information on the Repurchase Mandate is set forth in the subsection under "A. Further information about our Company — (3) Resolution of all the Shareholders passed on 9 November 2010" in Appendix VI to this prospectus.

RULE 10.08 OF THE LISTING RULES

Our Directors confirm that, save for the Shares which may be issued pursuant to the exercise of the Over-allotment Option, we will comply with the requirements of Rule 10.08 of the Listing Rules upon the Listing. Rule 10.08 of the Listing Rules provides that we may not issue any further Shares or securities convertible into equity securities or enter into any agreement to make such an issue within six months from the Listing Date.

As part of the International Offering, we have entered into a cornerstone placing agreement (the “Cornerstone Investor Agreement”) with Brilliant Market Limited (the “Cornerstone Investor”), pursuant to which the Cornerstone Investor has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be subscribed for an aggregate amount of approximately HK$30 million. Assuming an Offer Price of HK$2.35 (being the mid-point of the estimated Offer Price range stated in this prospectus), the total number of Offer Shares that the Cornerstone Investor would subscribe for would be approximately 12,764,000, representing approximately 1.3% of the Offer Shares in issue and outstanding immediately following the completion of the Global Offering or 5.1% of the Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised).

The Cornerstone Investor and its ultimate beneficial owner are independent third parties and are not our connected person. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by the Company on or before Tuesday, 30 November 2010. The Cornerstone Investor and its associates will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Agreement. 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 and will be counted as part of the public float of the Company. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any representation on the Board, nor will it become our substantial shareholder.

The Offer Shares to be subscribed for the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the Hong Kong Public Offer and the International Offering described in the section headed “Structure of the Global Offering ” in this prospectus.

OUR CORNERSTONE INVESTOR

Brilliant Market Limited is an investment holding company incorporated in Hong Kong. It is an indirect wholly-owned subsidiary of Lee Kee Holdings Limited (stock code: 637), a company whose shares are listed on the main board of the Stock Exchange.

Lee Kee Holdings Limited is one of the leading international integrated supply chain companies in non-ferrous metals industry. Its principal activities are sourcing and distribution of non-ferrous metal, primarily zinc alloy and zinc, nickel and nickel-related products, aluminium alloy and aluminium, other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium), processing and distribution of stainless steel, manufacturing of aluminium alloy and metal testing laboratory. Lee Kee Holdings Limited provides a one-stop-shop facility that addresses various stages of metal processing, global sourcing, shipping and transportation, inventory management, customer services, market intelligence, testing and certification.

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investor to subscribe for the Offer Shares is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in those agreements; and

(b) the Listing Committee having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

Our Cornerstone Investor has agreed that, without the prior written consent of our Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Shares or any interest in any company or entity holding any of the Shares acquired by it pursuant to the Cornerstone Investor Agreement.

You should read the following discussion and analysis in conjunction with the audited combined financial information of our Group for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, including the accompanying notes thereto, set out in the Accountant's Report included as Appendix I to this prospectus. Our audited combined financial information has been prepared in conformity with HKFRSs and on the basis set out in Note 2 of Section I in the Accountant's Report.

The following discussion and analysis also contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results may differ materially from those anticipations in the forward-looking statements as a result of a number of factors, including, the factors set forth in the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus. Investors should note that certain figures stated in the following discussion and analysis are the result of rounding from those figures in, or from calculations based on the figures set out in, the Accountant's Report of our Group, and totals set forth in the tables may differ from the sum of individual items in such tables due to rounding.

OVERVIEW OF OUR OPERATIONS

We are a large-scale independent stainless steel processor in China. We purchase stainless steels coils and plates from our suppliers and process them to different shapes and sizes according to our customers' requirements. During the Track Record Period, we sold approximately 318,602 tonnes, 340,778 tonnes, 419,806 tonnes and 219,191 tonnes of stainless steel, respectively.

During the Track Record Period, we generated revenue of RMB9,034.6 million, RMB7,976.8 million, RMB6,447.4 million and RMB4,072.8 million, respectively. During the same period, we recorded gross profit of RMB135.3 million, RMB99.6 million, RMB379.5 million and RMB181.5 million, respectively, representing a gross profit margin of 1.5%, 1.2%, 5.9% and 4.5%, respectively. We recorded a profit attributable to equity holders of our Company of RMB30.2 million, RMB203.5 million and RMB86.5 million for the two years ended 31 December 2007 and 2009, and the six months ended 30 June 2010. We recorded a loss attributable to equity holders of our Company of RMB12.6 million for the year ended 31 December 2008.

BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 14 February 2007 as an exempted company with limited liability. Upon the completion of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Prior to the incorporation of the Company and the completion of the Reorganisation, the Group's business was carried out by the companies now comprising the Group, and some companies liquidated prior to the Listing (the "Other Operating Companies"). The business of the Other Operating Companies was later on assumed by a principal subsidiary of the Company, Jiangsu Daming, after their liquidation. For details, please refer to "History and Business Development" in this prospectus.

The Group's Reorganisation represents business combinations involving entities under common control of the Controlling Shareholders. For the purpose of our combined financial information contained in this prospectus, the Reorganisation is considered as a business combination under common control in a manner similar to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants. The financial information includes the combined financial position, results and cash flows of the companies now comprising the Group and the Other Operating Companies, as if the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation/establishment or acquisition, whichever period is shorter. The financial statements of the Other Operating Companies were included in the combined financial information of our Group during the Track Record Period as they formed an integral part of our business and they were under common control of the Controlling Shareholders. Minority interest represents the interest of entities other than equity holders of the Company in the operating results and net assets of the Group during the Track Record Period. All significant intra-group transactions and balances have been eliminated upon combination.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations are significantly affected by a number of factors, many of which are beyond our control. A discussion of the principal factors affecting our results of operations is set out below.

The Impact of Fluctuation in Stainless Steel Prices on Our Financial Results

During the Track Record Period, we purchased different grades of stainless steel raw materials at a fluctuating weighted average purchase price per tonne of approximately RMB28,278, RMB22,827, RMB14,798 and RMB17,895, respectively*. During the same period, our inventory turnover days were 32 days, 28 days and 33 days and 40 days, respectively.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our Adjusted Cost of Raw Materials amounted to approximately RMB8,856.1 million, RMB7,824.0 million, RMB5,989.7 million and RMB3,847.3 million, which accounted for approximately 99.5%, 99.3%, 98.7% and 98.9% of our cost of sales, respectively.

1. Sales from customer orders

When our customers make sales enquiries, we would provide price quotations with reference to the prevailing market price of stainless steel raw materials as at such date (which could be higher or lower than the cost of sales as described below), plus processing fee and costs of packaging and delivery. If the customers accept our price quotations and the timing for delivery, the customers

* We purchases different types of stainless steel raw materials according to our actual and expected customer demand. Stainless steel raw materials are classified into different grades depending on the percentage of different alloy metals contained therein. Please refer to the section headed "Our Business" in this prospectus for more details. The weighted average purchase price refers to the aggregate amount paid for the purchasing of all different types of stainless steel raw materials divided by the total tonnage of stainless steel raw materials purchased during the Track Record Period.

would generally be required to place their orders at such price (the "Order Price") and also pay a deposit within one to three days (i.e. the Order Price is only valid for one to three days). Once we receive the deposit payment, the Order Price is binding on the customers and us and cannot be amended. The time from order to delivery generally ranges from less than a week for simple processing services such as cutting and slitting, to more than 15 days for more advanced and/or additional processing services such as polishing, machining and forming.

According to our accounting policy, the sales will not be recognised until the significant risks and rewards of ownership are transferred, which generally coincides with the time when the actual delivery of goods to our customers and collectability of the related receivables is reasonably assured. The delivery of such goods to the customers could be in the same month or in the subsequent months after the order is placed with us.

2. Cost of sales

The cost of sales are determined at the end of the same month at which the revenue is recognised. The cost of sales consist of (i) Adjusted Cost of Raw Materials, which are affected by fluctuation in stainless steel prices and (ii) other items such as employee benefit expenses, depreciation and amortisation, and transportation costs, which are not affected by the fluctuation in stainless steel prices.

The Adjusted Cost of Raw Materials mainly consists of the cost of stainless steel raw materials that is determined using the monthly weighted average method. The monthly weighted average cost for each grade of stainless steel raw materials is calculated by (i) the stainless steel raw materials balance in terms of carrying amount at the end of previous month, plus the respective (ii) total additional purchases of each grade of stainless steel at different prices during the month, divided by the respective (iii) sum of the volume of each grade of stainless steel (as measured in tonnes) at the end of the previous month and the total volume of each grade of stainless steel (as measured in tonnes) purchased during the month.

3. Gross profit for goods sold

The gross profit for goods sold are mainly determined by (i) the Order Price, minus (ii) the monthly weighted average cost of stainless steel raw materials for such orders as determined at the end of the same month at which the revenue is recognised. Depending on the movement in stainless steel prices, the fluctuation in stainless steel prices could lead to a higher or lower monthly weighted average cost of stainless steel raw materials, leading to a higher or a lower gross profit for our sales.

During a financial reporting year, if stainless steel prices are in a downward trend, the Order Price might potentially be lower than the monthly weighted average cost of raw materials for such orders. This was the case in 2007 and 2008; when stainless steel prices were on a downward trend, we recorded a small gross profit margin of 1.5% and 1.2% only for the years ended 31 December 2007 and 2008, respectively. The small gross profit margin was mostly attributable to the processing fees that we charged our customers.

Our gross profit margins during the Track Record Period capture both the impact of (i) realised gains/losses in the sale of stainless steel products as caused by the fluctuation in the prevailing market prices of stainless steel and (ii) unrealised gains/losses arising from the reversal of/provision for the write-down of inventories at each balance sheet date. As a result of fluctuation in stainless steel prices during the Track Record Period, we recorded gross profit of RMB135.3 million, RMB99.6 million, RMB379.5 million and RMB181.5 million, respectively, representing a fluctuating gross profit margin of 1.5%, 1.2%, 5.9% and 4.5%, respectively. The fluctuation in stainless steel prices could therefore adversely impact on results of operations.

Fluctuation of Stainless Steel Market Prices Could Result in Write-down of Inventory at the End of Each Financial Reporting Period

We compare the carrying value of the inventory with their respective net realisable value at the end of each financing reporting period to ascertain whether any provision is required to be made as a result of a decrease in stainless steel market prices. For the year ended 31 December 2008 and the six months ended 30 June 2010, we recognised an inventory provision loss of RMB19.9 million and RMB23.8 million, respectively, for write-down of inventories because their net realisable value was lower than their respective carrying value, resulting from the decreasing market price of stainless steel at the end of 2008 and at the end of the six months ended 30 June 2010. This represents 0.25% and 0.61% of our cost of sales of RMB7,877.2 million and RMB3,891.3 million for the year ended 31 December 2008 and the six months ended 30 June 2010, respectively. For the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, we reversed the provision for inventory write-down of RMB6.8 million, RMB34.9 million and RMB27.7 million, respectively, as a result of subsequent sales of those inventories. This represents 0.08%, 0.58% and 1.00% of our cost of sales of RMB8,899.3 million, RMB6,067.8 million and RMB2,765.9 million for the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, respectively.

A decrease in stainless steel prices, whether such decrease is significant or not, could potentially require us to make a provision for write-down of inventories at the end of each financial reporting period. Depending on the magnitude of such decrease in stainless steel prices, we may be required to provide higher amount of write-down of inventory than those that were provided during the Track Record Period. This could materially and adversely affect our financial position and results of operations.

Our Dependence on Major Suppliers

We are dependent on several major suppliers of stainless steel raw materials. Purchases of raw materials from the five largest suppliers accounted for 81.4%, 84.5%, 88.0% and 85.5% of our purchases of raw materials for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. During the same periods, purchases of raw materials from our largest supplier accounted for 31.2%, 30.7%, 35.4% and 48.2% of our total purchases of raw materials, respectively.

We entered into an annual framework supply agreement with STSS in 2010 to stipulate the annual supply volume, purchase discounts for bulk purchases and types of raw materials to be supplied. Save for the five-year supply agreement we entered into with ZPSS on 9 February 2010 that states the minimum amount of stainless steel that ZPSS must supply to us, we do not have any other long-term contracts with our suppliers.

There is no assurance that we can continue to maintain stable relationships with our suppliers in the future. Failure of any of our major suppliers to meet our demands or the loss of any of these key suppliers would disrupt our supplies and have a material adverse impact on our business operations. Please refer to the section headed "Risk Factors — We are dependent on our major suppliers" in this prospectus for further details.

Our principal suppliers are mainly stainless steel producers in China. The table below sets out the background of our key suppliers during the Track Record Period and the length of our relationship with each of them:

			Stainless steel purchased (RMB '000)				% of total purchase of stainless steel			
			For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
	Background	Length of relationship	2007	2008	2009	2010	2007	2008	2009	2010
STSS Group and related entities	**a stainless steel producer**	**>8 years[(1)]**	**3,391,395**	**3,493,917**	**3,853,966**	**2,148,535**	**36.8**	**47.9**	**60.5**	**53.5**
- STSS			1,475,287	878,328	2,255,173	1,934,627	16.0	12.0	35.4	48.2
- Taigang Technology			1,244,026	2,042,928	1,134,038	—	13.5	28.0	17.8	—
- 無錫太鋼銷售有限公司 (Wuxi Taigang Trading Co., Ltd.)			490,424	450,093	311,653	24,774	5.3	6.2	4.9	0.6
- 天津太鋼天管不銹鋼有限公司 (Tianjin Taigang Tianguan Stainless Steel Co., Ltd.)			181,658	122,568	153,102	137,540	2.0	1.7	2.4	3.4
- 太原鋼鐵(集團)現貨銷售有限公司 (Taiyuan Iron & Steel (Group) Spot Trading Co., Ltd.)			—	—	—	51,594	—	—	—	1.3
ZPSS	**a company providing stainless steel production process from steel making, continuous casting, hot rolling, annealing and pickling to cold rolling**	**>8 years[(1)]**	**2,868,525**	**2,237,384**	**1,681,949**	**1,152,270**	**31.2**	**30.7**	**26.3**	**28.7**

	Background	Length of relationship	Stainless steel purchased (RMB '000)				% of total purchase of stainless steel			
			For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
			2007	2008	2009	2010	2007	2008	2009	2010
Baogang Group	**a stainless steel producer**	**>8 years[(1)]**	**1,903,339**	**909,518**	**234,233**	**48,282**	**20.7**	**12.4**	**3.6**	**1.2**
- Shanghai Baosteel Pudong International Trading Co., Ltd.			1,010,155	556,675	2,028	—	11.0	7.6	0.0	—
- Ningbo Baoxin Stainless Steel Co., Ltd.			893,184	352,843	232,205	48,282	9.7	4.8	3.6	1.2
昆山大庚不銹鋼有限公司 (Kunshan Daekyung Stainless Steel Co., Ltd.)	**a stainless steel producer**	**>8 years[(1)]**	**328,260**	**263,205**	**119,428**	**109,801**	**3.6**	**3.6**	**1.9**	**2.7**
無錫市酒鋼博創鋼業有限公司 (Wuxi JISCO Bochuang Steel Co., Ltd.)	**a stainless steel producer**	**>2 years[(1)]**	**—**	**10,215**	**69,248**	**97,080**	**—**	**0.1**	**1.1**	**2.5**
上海克虜伯不銹鋼有限公司 (Shanghai Krupp Stainless Co., Ltd.)	**a stainless steel producer**	**>5 years**	**52,985**	**57,396**	**21,232**	**1,055**	**0.6**	**0.8**	**0.3**	**0.0**

Note:

(1) Prior to the commencement of our first processing centre in Wuxi in March 2003, Daming Logistics, our predecessor, established relationship with the respective suppliers through Xin Daming. Accordingly, the length of relationship includes the length of relationship between our predecessor and the respective suppliers.

Our Raw Material Purchase Price Adjustment Arrangement with STSS Group

We have more than eight years of business relationship with STSS Group starting from 2002. As one of STSS Group's long-term customers, during the Track Record Period, subject to STSS Group's sole discretion in determining the actual purchase credit amount and the time in which such purchase credit would be given to us, we had the following price adjustment arrangement with STSS Group whereby STSS Group would, in the form of purchase credit, reimburse us with the difference between:

(i) the purchase price of the stainless steel raw materials that we purchased (which includes various different grades of stainless steel); and

(ii) the benchmark selling price as decided by STSS Group of different grades of stainless steel based on the actual selling price achieved by STSS Group's key customers including us, after adjusting for the bulk purchase discount available from STSS Group and the processing fee.

The aggregate purchase credits reimbursed by STSS Group to us during the Track Record Period were RMB76.1 million, RMB283.6 million, RMB63.7 million and RMB96.4 million, respectively. This represents 0.8%, 3.9%, 1.0% and 2.4% of our purchases of raw materials of RMB9,199.1 million, RMB7,297.6 million, RMB6,379.4 million and RMB4,013.2 million during the Track Record Period, respectively. These reimbursements were recognised when the purchase credit were granted by STSS Group and the amount could be reliably measured, that is when STSS Group issued to us purchase credits invoice or signed written confirmation. These reimbursement were fully used to reduce our stainless steel raw materials purchase payments to STSS Group and hence reduced our overall stainless steel raw materials purchase cost. Please refer to the section headed "Our Business — Raw Materials and Suppliers" in this prospectus for more details.

This stainless steel raw material purchase price adjustment arrangement was a one-on-one arrangement between our Company and STSS Group and was granted at the sole discretion of STSS Group. The provision of such price adjustment arrangement is not subject to any contractual arrangement between us and STSS Group and there is no assurance that STSS Group will continue to make available such adjustment arrangement to us, particularly if we fail to sustain our business relationship with STSS Group.

Currently, this price adjustment arrangement with STSS Group is our main method used to mitigate the risks associated with the fluctuation of stainless steel market prices. If STSS Group were to (i) terminate this non-contractual price adjustment arrangement with us; (ii) decide not to exercise its discretion to reimburse us with any purchase credit at all even though we fulfill the criteria under the arrangement; or (iii) exercise its discretion to reimburse us, but not necessarily in accordance with the arrangement set out above, thereby potentially causing us to receive less purchase credits than is expected, we will lose significant control over the fluctuation in the purchase price of stainless steel raw materials and our financial results may be materially and adversely affected. Please refer to the section headed "Risk Factors — The stainless steel raw material purchase price adjustment arrangement with STSS Group may not continue" in this prospectus.

In addition to this price adjustment arrangement, our strategy is to also maintain good long term business relationship with other stainless steel suppliers and to procure stainless steel raw materials from them at competitive prices by taking into account bulk volume purchase discounts offered by them. Other methods used by us to mitigate stainless steel raw materials price fluctuation include maintaining close dialogue with our customers to understand their expected demand and with our suppliers to understand their expected pricing policies.

Sales Volume and Market Demand

Our results of operations are directly affected by our sales volume, which in turn is largely determined by the market demand for our stainless steel products and our ability to meet that demand. The increase in our sales volume during the Track Record Period was primarily due to the increased customer demand for our products. We sold approximately 318,602 tonnes, 340,778 tonnes, 419,806 tonnes and 219,191 tonnes of stainless steel products during the Track Record Period, respectively. We derive substantially all of our revenue from sales in China. Stainless steel consumption in China had been growing continuously between 2001 and 2009. According to the Stainless Steel Council of China Special Steel Enterprises Association (CSSC), stainless steel consumption in China had increased from 2.28 million tonnes in 2001 to 8.22 million tonnes in 2009, achieving a CAGR of 17.4% from 2001 to 2009, which outpaced China's GDP CAGR of 15.0% during the same period. Stainless steel consumption in China dropped by 9.5% in 2008 compared to 2007 due to the impact of the global financial crisis, but rebounded rapidly in 2009, achieving an annual increase of 31.7% from 2008 to 2009. Economic growth in China has a direct impact on our operations, in particular, the level of demand for our products.

Working Capital Management

Our working capital is critical to our financial performance given the large turnover of raw materials and stainless steel products during the ordinary course of our business. Our average turnover days of inventory during the Track Record Period were 32 days, 28 days, 33 days and 40 days, respectively. We must maintain sufficient liquidity and financial flexibility to continue our daily operations. We also need to maintain sufficient inventories of a variety of stainless steel raw materials to satisfy the needs of different customers in a timely manner, which requires significant working capital. During the Track Record Period, we funded our working capital requirements primarily from cash generated from operations, bank loans, bank acceptance notes and shareholder contributions. We manage our working capital by closely monitoring our inventory levels and periodically assessing our trade receivables and prepayments and other receivables, trade payables and accruals and other payables.

Processing Capacity and Facility Expansion

We have been continuing to expand our processing capacity and the number of processing services we offer through constructing new production facilities during the Track Record Period. We increased the number of our processing equipment from 24 units as of 31 December 2007 to 57 units as of 30 June 2010. Our scope of services has also expanded from simpler coil cutting and slitting, to more advanced laser cutting and forming services. Our designed annual processing capacity increased from approximately 479,200 tonnes as at 31 December 2007 to approximately 736,100 tonnes as of 30 June 2010. We believe that the increase in our production capacity and scope of services during the Track Record Period have strengthened our market position and enhanced our competitiveness in the market since we are able to produce more diversified processed stainless steel products. However, if we encounter difficulties in increasing our sales volume relative to our existing capacity, our business and results of operations could be adversely affected.

Competition

The PRC stainless steel processing market in which we operate is becoming increasingly competitive. The PRC stainless steel processing industry is highly fragmented, consisting of numerous small and mid-sized companies, as well as subsidiaries of a few larger publicly listed stainless steel manufacturers. We have different competitors for each of the products we offer and within each geographic region we operate. Our core geographic market covers Yangtze River Delta and northern China. Within this geographic market, we compete with other regional and national steel service centres, single location service centres and, to a lesser degree, primary steel producers and intermediate steel processors on a regional basis. Sales of stainless steel in China are mainly conducted through three channels: (i) direct sales by stainless steel manufacturers, (ii) sales by re-sellers, and (iii) sales of stainless steel products by processing centres. According to the survey conducted by ChinaCCM*, sales by re-sellers as a percentage of total sales volume in China decreased from 91.2% in 2001 to 57.1% in 2006. By contrast, direct sales by stainless steel manufacturers and processing centres as a percentage of total sales volume in China in 2006 increased from 2.2% and 6.6% in 2001 to 22.7% and 20.2% in 2006, respectively. There are few or virtually no technological barriers to enter into our market. Similar to many of our competitors in the PRC, except for 18 trademarks and 32 domain names, we do not hold any other patent rights, copyrights or other intellectual property rights in relation to our business, nor do we use in our production proprietary technologies licensed from any third parties on an exclusive basis. As a result, our existing and future competitors, both foreign and domestic, are not required to possess any advanced technologies to enter or effectively compete in our market segment. Such low technological barrier may subject us to more competition in the future.

Taxation

Our operating results will be affected by changes in tax rates, particularly the applicable tax rates in the PRC where we carry out substantially all of our business and derive most of our revenue and profits from. During the Track Record Period, our effective tax rate calculated from the income tax charged to the combined statements of comprehensive income over the profit before income taxation was 6.2%, -5.7%, 22.7% and 21.8%, respectively. The negative 5.7% effective tax rate in 2008 was because we incurred a loss before income tax in the amount of RMB 12.1 million in 2008, while we still incurred current income tax expense of RMB3.6 million, partially offset by the deferred income tax credit of RMB2.9 million. We incurred current income tax expenses in 2008 primarily because one of our subsidiaries, Jiangsu Daming, generated taxable profits in 2008. For details, please refer to the sub-section headed "Income Tax Expense" below. Our effective tax rate turned to positive in 2009 as we regenerated profits and incurred income tax expenses.

* *ChinaCCM is a business information company which provides industry and market trade information and consulting services and is an independent third party of our Group. Neither the Directors nor the Joint Sponsors have commissioned ChinaCCM to prepare any research reports.*

The following table sets forth the applicable tax rates of our subsidiaries in the PRC for the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
Jiangsu Daming	12%	25%	25%	25%
Hangzhou Wanzhou	0%	0%	0%	12.5%
Wuhan Fortune	0%	0%	0%	12.5%
Tianjin Daming	0%	0%	0%	11%
Wuxi Daming(1)	33%	NA	NA	NA
Daming Shiye(1)	33%	NA	NA	NA
Daming Caigong(1)	33%	25%	NA	NA

Note:

(1) Wuxi Daming, Daming Shiye and Daming Caigong were dissolved in 2007, 2007 and 2008, respectively.

The PRC Enterprise Income Tax ("EIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income as expense items, which are not assessable or deductible for income tax purposes. The subsidiaries incorporated in China are subject to EIT at applicable rates ranging from nil to 33% for the year ended 31 December 2007. Effective from 1 January 2008, the subsidiaries incorporated in the PRC shall determine and pay the EIT in accordance with the New EIT Law and the Detailed Implementations Regulations of the Corporate Income Tax Law (the "DIR") as approved by the State Council on 6 December 2007. In accordance with the new EIT Law and DIR, the EIT rate applicable to the subsidiaries incorporated in the PRC will be 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% in a five-year period from 2008 to 2012 for those with original applicable EIT rates lower than 25%. The preferential policy of exemption or deduction shall be effective from 1 January 2008, even if the subsidiaries were still in a cumulative tax loss position.

Jiangsu Daming, Hangzhou Wanzhou, Wuhan Fortune and Tianjin Daming were incorporated as foreign investment enterprises in China, and have obtained approvals from the relevant tax authorities in China for their entitlement to exemption from EIT for the first two years, and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in China. The tax free period for Jiangsu Daming, Hangzhou Wanzhou, Wuhan Fortune and Tianjin Daming commenced in 2003, 2008, 2008 and 2008, respectively. Upon the expiration of the preferential tax treatments of the subsidiaries of our Group in the PRC, the effective income tax rates that applied to us may be higher than those during the Track Record Period. As a result, our financial performance may be adversely affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our operating results and financial condition are based on our financial information, which has been prepared on a combined basis in accordance with HKFRSs and on the basis set out in Note 2 of Section I in the accountant's report. Our operating results and financial condition are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our historical experience and various other factors, including management's expectations of future events which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial information. Our significant accounting policies are summarised in Note 3 to our combined financial information in the accountant's report included as Appendix I to this prospectus. We believe that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the combined financial information.

Consolidation and combination

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions that qualify as business combinations under common control, which are accounted for using merger accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Business combinations under common control

The financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

The combined comprehensive income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial information are presented as if the entities or businesses had been combined at the earliest date presented or when they first came under common control, whichever is the later.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property, plant and equipment

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Property, plant and equipment from capital contribution are recognised initially at fair value, and are subsequently carried at depreciated cost less accumulated impairment.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined comprehensive income statements during the relevant periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual value over its estimated useful life, as follows:

Buildings	20 years
Plant and machinery	10 years
Vehicles	4 to 5 years
Office equipment and others	3 to 5 years
Leasehold improvements	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other (losses)/gains - net, in the combined comprehensive income statements.

Investment properties

The property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property.

Investment property from capital contribution is recognised initially at fair value. After initial recognition, investment property is carried at depreciated cost less accumulated impairment.

Fair value is determined and disclosed based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors. Changes in fair values are not recognised in the combined comprehensive income statements.

Depreciation of investment properties is calculated using the straight-line method to allocate cost to their residual value over their estimated useful lives of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the combined comprehensive income statements during the relevant periods in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Rental income from investment property is recognised in the combined comprehensive income statements on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the

Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined comprehensive income statements within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the combined comprehensive income statements.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Revenue Recognition

(a) Sales

Sales comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Sales are shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sales of goods are recognised on the transfer of the significant risks and rewards of ownership, which generally coincides with the time when the Group has delivered goods to the customers and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Rental income

Rental income is recognised on a straight-line basis.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

All of our revenue is derived from the sales of stainless steel products. We process and sell our stainless steel products according to our customers' specifications. We provide coil cutting, surface polishing, plate cutting, molding and machining services and process stainless steel raw materials into various sizes and shapes and perform different polishing steps. We also conduct sourcing service for specific grades of stainless steel for our customers. We are able to aggregate end-users' demand and purchase stainless steel raw materials in large volumes from stainless steel producers to take advantage of bulk purchase discounts. During the Track Record Period, our revenue was RMB9,034.6 million, RMB7,976.8 million, RMB6,447.4 million and RMB4,072.8 million, respectively.

The overall decrease in our revenue from 2007 to 2009 was primarily due to a decrease in the selling price of our stainless steel products as a result of the decrease in the then prevailing stainless steel market prices, which was partially offset by an increase in our sales volume. The increase in our revenue in the first half of 2010 as compared to the same period in 2009 was primarily due to an increase in the selling price of our stainless steel products and our increased sales volume.

Our processed stainless steel products are sold mainly to domestic customers. The following table sets forth a breakdown of our revenue and sales volume by different regions for the periods indicated.

As demonstrated below, a majority of our sales during the Track Record Period is derived from the eastern region of China, which is in line with where the majority of stainless steel is consumed in China.

	For the year ended 31 December						For the six months ended 30 June	
Region	**2007**		**2008**		**2009**		**2010**	
		% of revenue/ volume		*% of revenue/ volume*		*% of revenue/ volume*		*% of revenue/ volume*
Eastern region, China								
RMB'000	7,243,271	80.2	6,314,623	79.2	5,101,982	79.1	3,086,592	75.8
Tonnes	261,918	82.2	275,837	81.0	336,055	80.0	168,602	76.9
Northern region, China								
RMB'000	360,970	4.0	416,289	5.2	460,498	7.1	408,738	10.0
Tonnes	11,525	3.6	16,013	4.7	28,393	6.7	21,243	9.7
Central region, China								
RMB'000	614,305	6.8	531,956	6.7	430,123	6.7	253,109	6.2
Tonnes	20,261	6.4	21,904	6.4	27,378	6.5	12,695	5.8
Southwestern region, China								
RMB'000	218,706	2.4	228,937	2.9	184,383	2.9	101,840	2.5
Tonnes	6,911	2.2	9,240	2.7	11,643	2.8	4,829	2.2
Northeastern region, China								
RMB'000	164,106	1.8	158,899	2.0	103,239	1.6	70,389	1.7
Tonnes	4,678	1.4	5,661	1.7	6,598	1.6	4,103	1.9
Northwestern region, China								
RMB'000	144,065	1.6	237,897	2.9	94,592	1.5	71,796	1.8
Tonnes	4,062	1.3	8,279	2.4	5,279	1.3	3,450	1.6
Southern region, China								
RMB'000	194,130	2.1	75,423	0.9	59,377	0.9	52,554	1.3
Tonnes	6,382	2.0	3,206	0.9	3,707	0.9	2,918	1.3
Overseas								
RMB'000	95,069	1.1	12,813	0.2	13,163	0.2	27,812	0.7
Tonnes	2,865	0.9	638	0.2	753	0.2	1,351	0.6
Total								
RMB'000	9,034,622	100.0	7,976,837	100.0	6,447,357	100.0	4,072,830	100.0
Tonnes	318,602	100.0	340,778	100.0	419,806	100.0	219,191	100.0

Cost of Sales

Our cost of sales mainly consists of our Adjusted Cost of Raw Materials, employee benefit expenses, depreciation and amortisation, transportation costs, operating lease rental for buildings and utilities.

The following table sets forth a breakdown of our cost of sales and each item as a percentage of our total cost of sales for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000* *(unaudited)*	*% of cost of sales*	*RMB'000*	*% of cost of sales*
Raw materials consumed	8,890,957	99.91	7,684,477	97.55	6,119,451	100.85	2,812,261	101.67	3,931,264	101.03
Changes in inventories of finished goods	(28,055)	-0.32	119,705	1.52	(94,814)	-1.56	(55,770)	-2.02	(107,711)	-2.77
Provision for/(reversal of) write-down of inventories	(6,806)	-0.08	19,854	0.25	(34,938)	-0.58	(27,692)	-1.00	23,776	0.61
Adjusted Cost of Raw Materials(1)	8,856,096	99.51	7,824,036	99.32	5,989,699	98.71	2,728,799	98.65	3,847,329	98.87
Employee benefit expenses	7,845	0.09	11,417	0.15	18,990	0.31	7,915	0.29	10,036	0.26
Depreciation and amortisation	11,197	0.13	19,998	0.25	34,390	0.57	15,940	0.58	21,904	0.56
Transportation costs	10,335	0.11	11,191	0.14	16,759	0.28	9,475	0.34	7,504	0.19
Operating lease rental for buildings	4,947	0.06	5,565	0.07	766	0.01	392	0.01	383	0.01
Utilities	2,905	0.03	3,900	0.05	5,076	0.08	2,231	0.09	3,086	0.08
Others	5,950	0.07	1,135	0.02	2,150	0.04	1,195	0.04	1,068	0.03
Total cost of sales:	**8,899,275**	**100**	**7,877,242**	**100**	**6,067,830**	**100**	**2,765,947**	**100**	**3,891,310**	**100**

Note:

(1) Changes in inventories of finished goods also contain labour cost, depreciation and other production overhead.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our cost of sales was RMB8,899.3 million, RMB7,877.2 million, RMB6,067.8 million and RMB3,891.3 million, respectively. During the same periods, our Adjusted Cost of Raw Materials accounted for 99.5%, 99.3%, 98.7% and 98.9%, respectively, of our total cost of sales. As the Adjusted Cost of Raw Materials constituted the largest component of our cost of sales, the changes in market price of stainless steel raw materials and the volume of raw materials we purchased and used for our products are the main factors that cause the fluctuation of our cost of sales during the Track Record Period.

During the Track Record Period, the weighted average purchase price per tonne of stainless steel raw materials was approximately RMB28,278, RMB22,827, RMB14,798 and RMB17,895, respectively. Our stainless steel products sales volume increased from approximately 318,602 tonnes in 2007 to approximately 340,778 tonnes in 2008, and further to approximately 419,806 tonnes in 2009. Our sales volume for the six months ended 30 June 2009 and 2010 was approximately 206,670 tonnes and 219,191 tonnes, respectively. The increase in our sales volume from 2007 to 2009 and in the first half of 2010 as compared to the first half of 2009 was primarily due to the increase in customer demand. Employee benefit expenses, transportation costs and utilities costs generally increased in line with our increased production and related capacity expansion.

Gross Profit

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our gross profit was RMB135.3 million, RMB99.6 million, RMB379.5 million and RMB181.5 million, respectively. Our gross profit margin was 1.5%, 1.2%, 5.9% and 4.5%, respectively, for the same periods. We set out below how our gross profit and gross profit margin are affected by fluctuation in stainless steel prices:

1. Sales from customer orders

When our customers make sales enquiries, we would provide price quotations with reference to the prevailing market price of stainless steel raw materials as at such date (which could be higher or lower than the cost of sales as described below), plus processing fee and costs of packaging and delivery. If the customers accept our price quotations and the timing for delivery, the customers would generally be required to place their orders at such price (the “Order Price”) and also pay a deposit within one to three days (i.e. the Order Price is only valid for one to three days). Once we receive the deposit payment, the Order Price is binding on the customers and us and cannot be changed. The time from order to delivery generally ranges from less than a week for simple processing services such as cutting and slitting, to more than 15 days for more advanced and/or additional processing services such as polishing, machining and forming.

According to our accounting policy, the sales will not be recognised until the significant risks and rewards of ownership is transferred, which generally coincides with the time when we actual deliver goods to our customers and collectability of the related receivables is reasonably assured. The delivery of such goods to the customers could be in the same month or in the subsequent months after the order is placed with us.

2. Cost of sales

The cost of sales are determined at the end of the same month at which the revenue is recognised. The cost of sales consist of (i) Adjusted Cost of Raw Materials, which are affected by fluctuation in stainless steel prices and (ii) other items such as employee benefit expenses, depreciation and amortisation, and transportation costs, which are not affected by the fluctuation in stainless steel prices.

The Adjusted Cost of Raw Materials mainly consist of the cost of stainless steel raw materials that is determined using the monthly weighted average method. The monthly weighted average cost for each grade of stainless steel raw materials is calculated by (i) the stainless steel raw materials balance in terms of carrying amount at the end of previous month, plus the respective (ii) total additional purchases of each grade of stainless steel at different prices during the month, divided by the respective (iii) sum of the volume of each grade of stainless steel (as measured in tonnes) at the end of the previous month and the total volume of each grade of stainless steel (as measured in tonnes) purchased during the month.

3. Gross profit for goods sold

The gross profit for goods sold are mainly determined by (i) the Order Price, minus (ii) the monthly weighted average cost of stainless steel raw materials for such orders as determined at the end of the same month at which the revenue is recognised. Depending on the movement in stainless steel prices, the fluctuation in stainless steel prices could therefore lead to a higher or lower monthly weighted average cost of stainless steel raw materials, leading to a higher or a lower gross profit for our sales.

During a financial reporting year, if stainless steel prices are in a downward trend, the Order Price might potentially be lower than the monthly weighted average cost of raw materials for such orders. This was the case in 2007 and 2008; when stainless steel prices were on a downward trend, we recorded a small gross profit margin of 1.5% and 1.2% only for the years ended 31 December 2007 and 2008, respectively. The small gross profit margin was mostly attributable to the processing fees that we charged our customers.

Our gross profit margins during the Track Record Period capture both the impact of (i) realised gains/losses in the sale of stainless steel products as caused by the fluctuation in the prevailing market prices of stainless steel and (ii) unrealised gains/losses arising from the reversal of/provision for the write-down of inventories at each balance sheet date. As a result of fluctuation in stainless steel prices during the Track Record Period, we recorded gross profit of RMB135.3 million, RMB99.6 million, RMB379.5 million and RMB181.5 million, respectively, representing a fluctuating gross profit margin of 1.5%, 1.2%, 5.9% and 4.5%, respectively. The fluctuation in stainless steel prices could therefore adversely impact our results of operations.

Other Income and Other Gains and Losses

Our other income primarily includes subsidies income, income from provision of loading service and the selling of wrapping materials from the stainless steel we used in our business. Subsidies income primarily consists of (i) income tax refund upon reinvestment by Fortune Express using the dividend from a PRC subsidiary according to applicable PRC tax laws and (ii) subsidies granted by the local governments for our business development. Subsidies granted by the local governments are made on a discretionary basis and are one-off and non-recurrent. There are no unfulfilled conditions or contingencies attached to the subsidies income as is currently reflected in our combined financial information. The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Subsidies income	20,257	9,368	152	152	106
Amortisation of deferred income	—	—	455	105	350
Sales of packaging materials	2,830	2,389	2,943	859	2,758
Income from provision of loading services	4,612	3,738	1,573	793	951
Waived interest by a related party	—	7,995	—	—	—
Rental income	—	—	500	250	250
Other income	27,699	23,490	5,623	2,159	4,415
Other expenses	(273)	(189)	(578)	(69)	(731)
Other income — net	**27,426**	**23,301**	**5,045**	**2,090**	**3,684**

Our other gains and losses primarily include foreign exchange losses or gains, and loss on disposal of property, plant and equipment. The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss on disposal of property, plant and equipment, net	(20)	(1)	(33)	(4)	(11)
Foreign exchange (losses)/gains	(2,700)	568	268	1,078	(44)
Others	807	(53)	228	(96)	114
	(1,913)	514	463	978	59

Distribution Costs

Our distribution costs consist primarily of transportation cost, salary expenses paid to, and entertainment and travelling expenses incurred by, our sales and marketing employees. Distribution costs represented 0.4%, 0.5%, 0.8% and 0.6% of our total revenue during the Track Record Period, respectively. The overall increase in our distribution costs was mainly due to the expansion of business and the increase in the sales volume of our stainless steel products. The following table sets forth a breakdown of distribution costs during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Transportation cost	21,223	25,294	26,799	12,094	15,185
Employee benefit expenses	6,080	9,799	17,736	7,669	5,548
Depreciation and amortisation	152	366	641	128	189
Operating lease rental for buildings	—	341	378	172	172
Entertainment and travelling expense	1,750	2,999	3,327	1,875	2,591
Others	3,981	2,094	1,531	610	1,307
Total:	**33,186**	**40,893**	**50,412**	**22,548**	**24,992**

Administrative Expenses

Our administrative expenses consist primarily of salary expenses paid to, and entertainment and travelling expenses incurred by, our management and administrative personnel, rental and utilities, depreciation and amortisation expenses, as well as auditors' remuneration and professional service fees.

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Stamp duty, property tax and other surcharges	4,732	4,149	4,633	2,167	2,954
Employee benefit expenses, including directors' emoluments	11,284	18,374	20,265	9,340	10,700
Depreciation and amortisation	3,556	3,975	7,606	4,249	4,673
Operating lease rental for buildings	3,416	1,498	1,689	791	309
Utilities charges	232	224	383	224	129
Auditors' remuneration	1,614	575	1,792	460	910
(Reversal of)/provision for impairment of trade receivables	67	140	(71)	(204)	322
Donation	300	1,151	—	—	—
Entertainment and travelling expense	6,169	4,981	9,396	3,862	5,029
Professional service expenses(1)	8,350	800	667	270	1,380
Others(2)	6,725	2,738	4,650	1,922	4,121
Total:	**46,445**	**38,605**	**51,010**	**23,081**	**30,527**

Notes:

(1) Professional service expenses consisted primarily of our payments to legal counsels and other professionals in connection with our prior capital raising in 2007.

(2) Others consisted primarily of fees paid for bank charges, office expenses and environmental cleaning services, internet service and advertisement.

Our administrative expenses decreased from RMB46.4 million in 2007 to RMB38.6 million in 2008, primarily due to a decease in professional service expenses, as we cancelled our prior capital raising in 2007 and wrote off relevant professional service expenses in 2007. Our administrative expenses increased from RMB38.6 million in 2008 to RMB51.0 million in 2009. For the six months ended 30 June 2009 and 2010, our administrative expenses amounted to RMB23.1 million and RMB30.5 million, respectively. The overall increase in our administrative expense since 2008 generally reflected our business expansion and our increased professional service expenses for the preparation of the Listing in the first half of 2010.

Finance Income

Our finance income mainly consists of bank interest income. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our finance income was RMB3.5 million, RMB7.1 million, RMB6.2 million and RMB6.5 million, respectively.

Finance Costs

Our finance costs mainly represent interest expenses on bank borrowings, interest expenses on borrowings from Daming Logistics, interest expenses on bank acceptance notes, and net foreign exchange losses or gains. To the extent we increase our reliance on bank loans to finance our working capital requirements and capital expenditure, our finance costs may increase. During the Track Record Period, our finance costs amounted to RMB52.7 million, RMB63.1 million, RMB26.6 million and RMB25.0 million, respectively. Our weighted average effective interest rate of our bank borrowings denominated in RMB decreased from 6.79% as of 31 December 2007 to 6.25% as of 31 December 2008, and further decreased to 4.97% and 4.85% as of 31 December 2009 and 30 June 2010, respectively. The overall decrease was primarily due to the decrease in bank interest rate in China for the same period. As at 31 December 2007, 2008, 2009 and 30 June 2010, our weighted average effective discount rate on our notes payable was 3.31%, 2.62%, 1.44% and 2.46% per annum, respectively.

Income Tax Expenses

Income tax expenses represent the current income tax and deferred income tax. The current income tax is based on taxable profit for the relevant period. Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in our combined financial information and the corresponding tax bases used in the computation of taxable profit.

The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax					
— EIT	5,157	3,634	53,302	9,907	32,878
Deferred income tax	(3,175)	(2,946)	6,543	6,461	(8,649)
	1,982	688	59,845	16,368	24,229

Our Company was incorporated in the Cayman Islands and is not subject to the income tax in the Cayman Islands. Our subsidiary, Allybest, incorporated in the British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is also exempted from payment of British Virgin Islands income tax. No provision for Hong Kong income tax was made as we did not have any tax-assessable profit arising in Hong Kong during the Track Record Period. Our income tax expenses primarily consist of income taxes of our subsidiaries in the PRC under relevant PRC income tax laws and regulations. For details of the effect of taxation on our results of operations, please refer to the sections headed "Principal Factors Affecting Our Results of Operations — Taxation" and "Risk Factors — Expiration of, or change to, certain preferential tax treatments applicable to us under PRC tax laws may have a material adverse effect on our operating results" in this prospectus.

Deferred income tax represents the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial information. During the Track Record Period, the fluctuation of our deferred income tax was mainly attributable to fluctuation of deferred tax assets. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our deferred tax assets were RMB6.8 million, RMB10.4 million, RMB3.8 million and RMB12.5 million, respectively. The change in our deferred tax assets during the Track Record Period was primarily due to timing differences in recognising provision for write-down of inventories, deferred income, and accrued expenses.

RESULTS OF OPERATIONS

Selected combined statements of comprehensive income

The following table is a summary of our combined statements of comprehensive income for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	9,034,622	7,976,837	6,447,357	2,894,031	4,072,830
Cost of sales	(8,899,275)	(7,877,242)	(6,067,830)	(2,765,947)	(3,891,310)
Gross profit	135,347	99,595	379,527	128,084	181,520
Other income, net	27,426	23,301	5,045	2,090	3,684
Other (losses)/gains, net	(1,913)	514	463	978	59
Distribution costs	(33,186)	(40,893)	(50,412)	(22,548)	(24,992)
Administrative expenses	(46,445)	(38,605)	(51,010)	(23,081)	(30,527)
Operating profit	81,229	43,912	283,613	85,523	129,744
Finance income	3,518	7,068	6,165	3,959	6,528
Finance costs	(52,724)	(63,118)	(26,556)	(12,109)	(24,961)
Finance costs, net	(49,206)	(56,050)	(20,391)	(8,150)	(18,433)
Profit/(loss) before income tax	32,023	(12,138)	263,222	77,373	111,311
Income tax expense	(1,982)	(688)	(59,845)	(16,368)	(24,229)
Profit/(loss) for the year/period	30,041	(12,826)	203,377	61,005	87,082
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	30,041	(12,826)	203,377	61,005	87,082
Profit/(loss)/total comprehensive income attributable to:					
Equity holders of the Company	30,238	(12,593)	203,498	60,970	86,460
Non-controlling interest	(197)	(233)	(121)	35	622
	30,041	(12,826)	203,377	61,005	87,082
Earnings per share for profit/(loss) attributable to equity holders of the Company - Basic and diluted(1)	N/A	N/A	N/A	N/A	N/A
Dividends	9,000	2,273	—	—	—

Note:

(1) No earnings per share information is presented as its inclusion, for the purpose of the accountant's report included as Appendix I to this prospectus, is not considered meaningful due to the preparation of the results for the relevant periods on a combined basis as disclosed in Note 2 of the aforesaid accountant's report.

Six Months Ended 30 June 2010 Compared with Six Months Ended 30 June 2009

Revenue

Our revenue increased by RMB1,178.8 million, or 40.7%, from RMB2,894.0 million for the six months ended 30 June 2009 to RMB4,072.8 million for the six months ended 30 June 2010. Such increase was primarily due to an increase in the selling prices of our stainless steel products and our increased sales volume.

The increase in our selling prices were primarily due to (i) an increase in the prevailing stainless steel market price, as we generally priced our stainless steel products with reference to the prevailing market price of stainless steel raw materials as of the date when our customers placed their orders, plus processing fees and costs of packaging and delivery; and (ii) the increase in the processing fee we charged to our customers. Our weighted average selling price was RMB14,003 per tonne for the six months ended 30 June 2009 as compared to RMB18,581 per tonne for the same period in 2010.

The increase in our sales volume was primarily due to our increased customer demand as the global economy started to recover in the second half of 2009. Our total sales volume increased from approximately 206,670 tonnes for the six months ended 30 June 2009 to approximately 219,191 tonnes for the same period in 2010.

Cost of Sales

Our cost of sales increased by RMB1,125.4 million, or 40.7%, from RMB2,765.9 million for the six months ended 30 June 2009 to RMB3,891.3 million for the six months ended 30 June 2010. The increase was primarily due to an increase in the prevailing market price of stainless steel raw materials, which led to an increase in the weighted average purchase price of stainless steel raw materials from RMB13,571 per tonne for the six months ended 30 June 2009 to RMB 17,895 per tonne for the same period in 2010.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB53.4 million, or 41.7%, from RMB128.1 million for the six months ended 30 June 2009 to RMB181.5 million for the six months ended 30 June 2010. Our gross profit margin remained relative stable at 4.4% for the six months ended 30 June 2009 and 4.5% for the six months ended 30 June 2010.

Other Income and Other Gains and Losses

Other income, net increased by RMB1.6 million, or 76.3%, from RMB2.1 million for the six months ended 30 June 2009 to RMB3.7 million for the same period in 2010. The increase was primarily due to us selling a larger volume of wrapping materials from the stainless steel we used in our business.

Our other gains, net decreased from RMB978,000 for the six months ended 30 June 2009 to RMB59,000 for the same period in 2010. The decrease in our other gains, net was primarily due to foreign exchange losses we incurred in the first half of 2010, while we had foreign exchange gains in the corresponding period in 2009.

Distribution Costs

Our distribution costs increased by RMB2.5 million, or 10.8%, from RMB22.5 million for the six months ended 30 June 2009 to RMB25.0 million for the same period in 2010. This increase was primarily due to an increase in transportation expenses and an increase in entertainment and travelling expense in line with our increased sales volume. The increase was partially offset by a decrease in employee benefit expenses, primarily due to the termination of our sales incentive plan, which was implemented from 2008 to 2009 to incentivise our sales force to try to secure more sale orders in response to the global economy downturn.

Administrative Expenses

Our administrative expenses increased by RMB7.4 million, or 32.3%, from RMB23.1 million for the six months ended 30 June 2009 to RMB30.5 million for the six months ended 30 June 2010. This increase was primarily due to an increase in entertainment and travelling expense and an increase in professional service expenses in connection with our preparation of the Listing.

Finance Income

Our finance income increased by RMB2.5 million, or 64.9%, from RMB4.0 million for the six months ended 30 June 2009 to RMB6.5 million for the six months ended 30 June 2010. The increase was primarily due to an increase in our average bank balance for the six months ended 30 June 2010.

Finance Costs

Our finance costs increased by RMB12.9 million, or 106.1%, from RMB12.1 million for the six months ended 30 June 2009 to RMB25.0 million for the six months ended 30 June 2010. The increase was primarily due to (i) an increase of RMB11.3 million in interest expenses for bank acceptance notes as we increased our use of bank acceptance notes for purchase of stainless steel raw materials; and (ii) an increase of RMB4.2 million in interest expenses for bank borrowings to support our working capital and business expansion. This increase was partially offset by an increase of RMB2.2 million in exchange gains mainly resulting from USD and EURO denominated borrowings.

Income Tax Expenses

Our income tax expenses increased by RMB7.8 million, or 48.0%, from RMB16.4 million for the six months ended 30 June 2009 to RMB24.2 million for the six months ended 30 June 2010. The increase was primarily due to an increase in profit before tax. We had a profit before income tax of RMB111.3 million for the six months ended 30 June 2010 as compared to a profit before income tax of RMB77.4 million for the same period in 2009.

Profit for the Period

As a result of the foregoing, our profit for the period increased by RMB26.1 million, or 42.7%, from RMB61.0 million for the six months ended 30 June 2009 to RMB87.1 million for the six months ended 30 June 2010. Our net profit margin remained the same at 2.1% for the six months ended 30 June 2010 and 30 June 2009.

Year Ended 31 December 2009 Compared with Year Ended 31 December 2008

Revenue

Our revenue decreased by RMB1,529.4 million, or 19.2%, from RMB7,976.8 million for the year ended 31 December 2008 to RMB6,447.4 million for the year ended 31 December 2009. Such decrease was primarily due to the decrease in the selling price of our stainless steel products.

The decrease in our selling price was primarily due to the decrease in the prevailing stainless steel market price, as we generally priced our stainless steel products with reference to the prevailing market price of stainless steel raw materials as of the date when our customers placed their orders, plus processing fees and costs of packaging and delivery. Such decrease in selling prices were partially offset by the increase in our sales volume in 2009. Our annual weighted average selling price decreased from RMB23,408 per tonne for the year ended 31 December 2008 to RMB15,358 per tonne for the year ended 31 December 2009, while our sales volume increased from approximately 340,778 tonnes to approximately 419,806 tonnes over the same period.

Cost of Sales

Our cost of sales decreased by RMB1,809.4 million, or 23.0%, from RMB7,877.2 million for the year ended 31 December 2008 to RMB6,067.8 million for the year ended 31 December 2009, primarily due to a decrease in the prevailing market price of stainless steel raw materials, which led to a decrease in the annual weighted average purchase price of our stainless steel raw materials. Such decrease was partially offset by an increase in our sales volume in 2009. The annual weighted average purchase price of our raw materials decreased from approximately RMB22,827 per tonne for the year ended 31 December 2008 to approximately RMB14,798 per tonne for the year ended 31 December 2009.

Gross Profit

As a result of the foregoing, our gross profit increased by RMB279.9 million, or 281.1%, from RMB99.6 million for the year ended 31 December 2008 to RMB379.5 million for the year ended 31 December 2009. Our gross profit margin therefore also increased from 1.2% for the year ended 31 December 2008 to 5.9% for the year ended 31 December 2009.

Other Income and Other Gains and Losses

Our other income, net decreased by RMB18.3 million, or 78.3% from RMB23.3 million for the year ended 31 December 2008 to RMB5.0 million for the year ended 31 December 2009. The decrease was primarily attributable to (i) a decrease in government subsidies from RMB9.4 million for the year ended 31 December 2008 to RMB152,000 for the year ended 31 December 2009, primarily due to financial subsidies of RMB9.4 million granted by the Wuxi local government to encourage the business growth of Jiangsu Daming as a major local enterprise in 2008. Such financial subsidies were granted on a discretionary basis by the local governments and did not recur in 2009; (ii) a waived interest payment of RMB8.0 million by Daming Logistics in 2008 in connection with its loans to Jiangsu Daming, which did not recur in 2009. This interest payment was waived by Daming Logistics to provide additional working capital for the Company's business development; and (iii) a decrease in fees generated from loading services we provided to our customers in 2009.

We had other gains, net of RMB514,000 and RMB463,000 for the years ended 31 December 2008 and 2009, respectively, primarily relating to foreign exchange gains.

Distribution Costs

Our distribution costs increased by RMB9.5 million, or 23.3%, from RMB40.9 million for the year ended 31 December 2008 to RMB50.4 million for the year ended 31 December 2009. This increase was primarily due to the increase in employee benefit expenses as the overall number of employees of our Group increased from 681 as of 31 December 2008 to 768 as of 31 December 2009.

Administrative Expenses

Administrative expenses increased by RMB12.4 million, or 32.1%, from RMB38.6 million for the year ended 31 December 2008 to RMB51.0 million for the year ended 31 December 2009. This increase was mainly because (i) we commenced our operation of Tianjin Taigang Daming, which led to an increase in employee benefits expenses, depreciation and amortisation, and entertainment and travelling expense; and (ii) an increase in our auditors' remuneration.

Finance Income

Our finance income decreased by RMB0.9 million, or 12.8%, from RMB7.1 million for the year ended 31 December 2008 to RMB6.2 million for the year ended 31 December 2009. The decrease was primarily due to a decrease in (i) our average bank balance and (ii) bank interest rates for the year ended 31 December 2009.

Finance Costs

Our finance costs decreased by RMB36.5 million, or 57.9%, from RMB63.1 million for the year ended 31 December 2008 to RMB26.6 million for the year ended 31 December 2009. The decrease was primarily due to (i) a decrease in our interest expenses on bank borrowings from RMB40.7 million for the year ended 31 December 2008 to RMB13.5 million for the year ended 31 December 2009, which was primarily due to the lower average bank borrowing balance we had, and the lower bank borrowing interest rates in 2009; (ii) a decrease in our interest expenses on borrowings from Daming Logistics from RMB6.0 million for the year ended 31 December 2008 to RMB797,000 for the year ended 31 December 2009 as we repaid an entrusted loan at the end of 2008; and (iii) a decrease in our interest expenses on bank acceptance notes from RMB18.9 million for the year ended 31 December 2008 to RMB12.2 million for the year ended 31 December 2009, which was primarily due to the decrease in weighted average effective discount rate from 2.62% per annum as of 31 December 2008 to 1.44% per annum as of 31 December 2009.

Income Tax Expenses

Our income tax expenses increased significantly by RMB59.2 million from RMB688,000 for the year ended 31 December 2008 to RMB59.9 million for the year ended 31 December 2009. The increase was primarily due to an increase in profit before income tax. We had profit before income tax of RMB263.2 million in 2009, while we incurred a loss before income tax of RMB12.1 million in 2008.

Profit/(Loss) for the Year

As a result of the foregoing, our profit for the year increased by RMB216.2 million, from a loss for the year of RMB12.8 million for the year ended 31 December 2008 to a profit for the year of RMB203.4 million for the year ended 31 December 2009, representing a net profit margin of 3.2% for the year ended 31 December 2009.

Year Ended 31 December 2008 Compared with Year Ended 31 December 2007

Revenue

Our revenue decreased by RMB1,057.8 million, or 11.7%, from RMB9,034.6 million for the year ended 31 December 2007 to RMB7,976.8 million for the year ended 31 December 2008.

The decrease in revenue was primarily due to the decrease in the prevailing stainless steel market price, as we generally priced our stainless steel products with reference to the prevailing market price of stainless steel raw materials as of the date when our customers placed their orders, plus processing fees and costs of packaging and delivery. Such decrease was partially offset by the increase in our sales volume. Our annual weighted average selling price decreased from RMB28,357 per tonne for the year ended 31 December 2007 to RMB23,408 per tonne for the year ended 31 December 2008, while our sales volume increased from approximately 318,602 tonnes to approximately 340,778 tonnes over the same period.

Cost of Sales

Our cost of sales decreased by RMB1,022.1 million, or 11.5%, from RMB8,899.3 million for the year ended 31 December 2007 to RMB7,877.2 million for the year ended 31 December 2008, primarily due to a decrease in the prevailing market price of stainless steel raw materials, which led to a decrease in the annual weighted average purchase price of our stainless steel raw materials, partially offset by an increase in our sales volume in 2008. The annual weighted average purchase price of our stainless steel raw materials decreased from RMB28,278 per tonne for the year ended 31 December 2007 to RMB22,827 per tonne for the year ended 31 December 2008.

Gross Profit

As a result of the foregoing, our gross profit decreased by RMB35.7 million, or 26.4%, from RMB135.3 million for the year ended 31 December 2007 to RMB99.6 million for the year ended 31 December 2008. Our gross profit margin therefore decreased from 1.5% for the year ended 31 December 2007 to 1.2% for the year ended 31 December 2008.

Other Income and Other Gains and Losses

Our other income, net decreased by RMB4.1 million, or 15.0%, from RMB27.4 million for the year ended 31 December 2007 to RMB23.3 million for the year ended 31 December 2008. The decrease was primarily due to a decrease in government subsidies from RMB20.3 million for the year ended 31 December 2007 to RMB9.4 million for the year ended 31 December 2008 resulting from a tax refund of RMB16.4 million we received in 2007 upon Fortune Express' reinvestment in China using the dividend it received from Jiangsu Daming. Such tax refund was one off and non-recurring, and was made based on the relevant PRC tax laws. Such decrease was partially offset by a waived interest payment of RMB8.0 million by Daming Logistics for the year ended 31 December 2008 to increase our working capital base.

We had other gains, net of RMB514,000 for the year ended 31 December 2008 as compared to other losses, net of RMB1.9 million for the year ended 31 December 2007. Our other losses, net for the year ended 31 December 2007 were primarily foreign exchange losses, which was mainly due to the decrease in the exchange rate of USD against RMB in 2007, as we received USD in connection with our export sales to overseas countries.

Distribution Costs

Our distribution costs increased by RMB7.7 million, or 23.2%, from RMB33.2 million for the year ended 31 December 2007 to RMB40.9 million for the year ended 31 December 2008. This increase was mainly due to an increase in sales volume leading to a corresponding increase in transportation cost, and an increase in employee benefit expenses as the overall number of employees of our Group increased from 605 as of 31 December 2007 to 681 as of 31 December 2008.

Administrative Expenses

Administrative expenses decreased by RMB7.8 million, or 16.9%, from RMB46.4 million for the year ended 31 December 2007 to RMB38.6 million for the year ended 31 December 2008. This decrease was mainly due to the decease in professional service fee from RMB8.4 million in 2007 to RMB800,000 in 2008, as we cancelled our prior capital raising and wrote off its related professional expenses in 2007. Such decrease was partially offset by the increase in employee benefit expenses from RMB11.3 million for the year ended 31 December 2007 to RMB18.4 million for the year ended 31 December 2008 as we started hiring administrative staff in 2008 for the operation of Tianjin Taigang Daming.

Finance Income

Our finance income increased by RMB3.6 million, or 100.9%, from RMB3.5 million for the year ended 31 December 2007 to RMB7.1 million for the year ended 31 December 2008. The increase was primarily due to an increase in our average bank balance for the year ended 31 December 2008.

Finance Costs

Our finance costs increased by RMB10.4 million, or 19.7%, from RMB52.7 million for the year ended 31 December 2007 to RMB63.1 million for the year ended 31 December 2008. The increase was primarily due to an increase in our interest expenses on bank acceptance notes from RMB11.3 million for the year ended 31 December 2007 to RMB18.9 million for the year ended 31 December 2008 as we increased our use of bank acceptance notes for purchase of stainless steel raw materials so as to take advantage of the prevailing lower interest rates as compared to the prevailing interest rates for short-term bank borrowings.

Income Tax Expenses

Our income tax expenses decreased by RMB1.3 million, or 65.3%, from RMB2.0 million for the year ended 31 December 2007 to RMB688,000 for the year ended 31 December 2008. The decrease was primarily because we had a loss before income tax of RMB12.1 million for the year ended 31 December 2008 as compared to a profit before income tax of RMB32.0 million for the year ended 31 December 2007.

Profit/(Loss) for the Year

As a result of the foregoing, our profit for the year decreased by RMB42.8 million, or 142.7%, from RMB30.0 million for the year ended 31 December 2007 to a loss for the year of RMB12.8 million for the year ended 31 December 2008.

ANALYSIS OF FINANCIAL POSITION

The following table sets forth a summary of our combined statements of financial position as of 31 December 2007, 2008 and 2009 and 30 June 2010.

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Land use rights	40,283	89,529	113,929	112,662
Property, plant and equipment	255,350	464,047	622,483	720,404
Investment property	—	10,033	9,578	9,351
Intangible assets	493	530	2,337	2,264
Deferred income tax assets	6,826	10,357	3,814	12,452
	302,952	574,496	752,141	857,133
Current assets				
Inventories	887,845	320,692	768,397	949,046
Trade receivables	85,184	97,400	107,911	145,379
Prepayments, deposits and other receivables	233,475	124,397	110,189	175,940
Restricted bank deposits	79,293	160,550	380,851	519,748
Cash and cash equivalents	60,431	153,903	79,168	107,024
	1,346,228	856,942	1,446,516	1,897,137
Total assets	**1,649,180**	**1,431,438**	**2,198,657**	**2,754,270**
EQUITY				
Equity attributable to equity holders of the Company	492,510	624,644	681,142	801,628
Non-controlling interest	7,530	7,297	7,176	23,385
Total equity	**500,040**	**631,941**	**688,318**	**825,013**

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	—	—	—	70,000
Deferred government grants	13,755	13,300	15,773	15,553
Deferred income tax liabilities	345	930	930	918
	14,100	14,230	16,703	86,471
Current liabilities				
Trade payables	141,339	303,280	742,739	856,295
Accruals, advances from customers and other current liabilities	130,798	99,787	131,436	121,270
Amounts due to related parties	3,489	49,745	179,008	227,493
Current income tax liabilities	—	—	46,399	23,392
Borrowings	859,414	332,000	393,187	613,269
Current portion of deferred government grants	—	455	867	1,067
	1,135,040	785,267	1,493,636	1,842,786
Total liabilities	**1,149,140**	**799,497**	**1,510,339**	**1,929,257**
Total equity and liabilities	**1,649,180**	**1,431,438**	**2,198,657**	**2,754,270**
Net current assets/(liabilities)	**211,188**	**71,675**	**(47,120)**	**54,351**
Total assets less current liabilities	**514,140**	**646,171**	**705,021**	**911,484**

Land Use Rights

Our interest in land use rights represents our prepaid operating lease payment for the land we are using, all of which are located in China. As of 31 December 2007, 2008 and 2009 and 30 June 2010, the net book value of our land use rights amounted to RMB40.3 million, RMB89.5 million, RMB113.9 million and RMB112.7 million, respectively.

The increase in net book value of our land use rights from 2007 to 2009 was primarily because (i) we acquired land use rights to build new processing centres in Tianjin for our local operations, as part of our expansion plans; (ii) Daming Logistic injected certain land use rights into the Group in 2008; and (iii) we acquired certain land use rights in Wuxi in 2009. The net book value of land use rights decreased from RMB113.9 million as of 31 December 2009 to RMB112.7 million as of 30 June 2010 primarily due to amortisation of our prepaid operating lease payment.

Property, Plant and Equipment

Property, plant and equipment consist of buildings, plants and machinery, equipment and other facilities, vehicles, leasehold improvements and construction-in-progress. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our property, plant and equipment amounted to RMB255.4 million, RMB464.0 million, RMB622.5 million and RMB720.4 million, respectively. The overall increase was primarily due to (i) our purchase of additional production facilities, machineries and equipment for constructions of new processing centres and upgrading of our existing processing platform; (ii) construction of new buildings in Tianjin, Hangzhou and Wuxi for our local operations; and (iii) certain buildings injected to us by Daming Logistics in 2008.

Deferred Income Tax Assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The following table sets forth the movement in deferred income tax assets during the Track Record Period:

	Provision for write-down of inventories	Deferred income	Accrued expenses	Provision for impairment of trade receivables	Unrealised profit on inventories	Pre-operating expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	3,002	—	127	58	—	119	3,306
Recognised in the combined comprehensive income statements	1,175	—	1,998	69	—	278	3,520
At 31 December 2007	4,177	—	2,125	127	—	397	6,826
Recognised in the combined comprehensive income statements	4,815	—	(1,774)	37	—	453	3,531
At 31 December 2008	8,992	—	351	164	—	850	10,357
Recognised in the combined comprehensive income statements	(8,266)	835	248	(21)	315	346	(6,543)
At 31 December 2009	726	835	599	143	315	1,196	3,814
Recognised in the combined comprehensive income statements	5,052	3,093	822	74	(151)	(252)	8,638
At 30 June 2010	5,778	3,928	1,421	217	164	944	12,452

Inventories

Our inventories consist of raw materials and finished goods. The following table sets forth a summary of our inventory balances at the end of each reporting period indicated.

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	575,262	142,840	475,537	563,546
Finished goods	312,583	177,852	292,860	385,500
Total:	**887,845**	**320,692**	**768,397**	**949,046**

Our inventory balance decreased by RMB567.1 million, or 63.9%, from RMB887.8 million as of 31 December 2007 to RMB320.7 million as of 31 December 2008, primarily because (i) we purchased less stainless steel during the global financial crisis in 2008, and (ii) as the prevailing stainless steel market price decreased in 2008, the average unit cost of our inventory was lower at the end of 2008 than that at the end of 2007. Our inventory balance increased by RMB447.7 million, or 139.6%, from RMB320.7 million as of 31 December 2008 to RMB768.4 million as of 31 December 2009 as we purchased more stainless steel in response to stronger customer demand due to the global economic recovery in the second half of 2009. Our inventory balance increased by RMB180.6 million, or 23.5%, from RMB768.4 million as of 31 December 2009 to RMB949.0 million as of 30 June 2010, primarily due to us having purchased more stainless steel in anticipation of increasing demand from our customers for the second half of 2010.

Our average inventory turnover days during the Track Record Period were in line with our inventory policy of keeping inventory balance equivalent to 30 to 45 days of expected sales. The following table sets forth the turnover days of our average inventory for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	**2008**	**2009**	**2010**
Average inventory turnover days[(1)]	32	28	33	40

Note:

(1) Average inventory equals inventory at the beginning of the period plus inventory at the end of the period, divided by two. Turnover of average inventory (in days) equals average inventory divided by cost of sales and then multiplied by the number of days in the relevant period, which was 365 for the years ended 31 December 2007 and 2009, 366 for the year ended 31 December 2008, and 182 for the six months ended 30 June 2010.

We compare the carrying value of inventory with their respective net realisable value at the end of each financial reporting period to ascertain whether any provision is required to be made as a result of decrease in stainless steel market prices. For the year ended 31 December 2008 and the six months ended 30 June 2010, we recognised an inventory provision of RMB19.9 million and RMB23.8 million, respectively, for write-down of inventories because their net realisable value was lower than their respective carrying value, as a result of the decreasing market price of stainless steel at the end of 2008 and the end of first half of 2010. This represents 0.25% and 0.61% of our cost of sales of RMB7,877.2 million and RMB3,891.3 million for the year ended 31 December 2008 and the six months ended 30 June 2010, respectively. For the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, we reversed the provision for inventory write-down of RMB6.8 million, RMB34.9 million and RMB27.7 million, respectively, as a result of subsequent sales of those inventories. This represents 0.08%, 0.58% and 1.00% of our cost of sales of RMB8,899.3 million, RMB6,067.8 million and RMB2,765.9 million for the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, respectively.

As of 31 August 2010, we sold/used RMB838.0 million, or 85.9% of our inventories as of 30 June 2010.

Deferred government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and that we have complied with all the attached conditions (if any).

We have government grants related to our construction of factory building in Tianjin amounting to RMB13.8 million for the year ended 31 December 2007 and purchase of machineries in Wuxi amounting to RMB3.3 million for the year ended 31 December 2009. Such amounts have been deferred to match with depreciation of the related assets and amortised over the expected useful life of ten to 20 years. As of 31 December 2007, 2008, 2009 and 30 June 2010, our deferred government grants were RMB13.8 million, RMB13.8 million, RMB16.6 million and RMB16.6 million, respectively.

Trade Receivables

Our trade receivables represent receivables from the sales of our processed stainless steel products.

We generally give our key customers up to 90 days credit periods, and the actual credit terms are determined on a case-by-case basis taking into account our historical relationship with, and assessment of creditworthiness of, each customer. We continuously monitor the status of the outstanding accounts receivables due to us from our customers.

The following table sets forth a breakdown of our trade receivables as of the period indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable	62,682	67,121	80,249	112,235
Notes receivable				
- bank acceptance notes (1)	14,532	24,947	21,251	28,055
- commercial acceptance notes (2)	8,500	6,000	7,000	6,000
	85,714	98,068	108,500	146,290
Less: provision for impairment	(530)	(668)	(589)	(911)
Trade receivables-net	85,184	97,400	107,911	145,379

Notes:

(1) Bank acceptance notes are issued by our customers and we can tender these notes to the banks when they fall due and receive cash.

(2) Commercial acceptance notes are issued by our customers and we can tender these notes to our customers when they fall due and receive cash.

The following table sets forth the ageing analysis of our trade receivables (before deducting allowances for doubtful debts) as at the end of each reporting period indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable				
- within 30 days	48,882	64,509	68,580	98,169
- 30 days to three months	13,145	108	8,382	12,902
- three months to six months	205	1,525	1,516	22
- six months to one year	450	518	731	324
- one year to two years	—	461	693	27
- two years to three years	—	—	347	791
	62,682	67,121	80,249	112,235
Notes receivable				
- within six months	23,032	30,947	28,251	34,055
	85,714	98,068	108,500	146,290

Our accounts receivable increased from RMB62.7 million as of 31 December 2007 to RMB67.1 million as of 31 December 2008, and further increased to RMB80.2 million as of 31 December 2009 and RMB112.2 million as of 30 June 2010. The overall increase in accounts receivable was primarily attributable to the increase in accounts receivable within 30 days resulting from our increased sales and our extension of further credits to customers who met our credit assessment requirements.

A significant majority of our accounts receivable at the end of the relevant reporting periods were due within 30 days. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our accounts receivable within 30 days represented 78.0%, 96.1%, 85.5% and 87.5% of our total accounts receivable, respectively.

Our accounts receivable for 30 days to three months decreased from RMB13.1 million as of 31 December 2007 to RMB108,000 as of 31 December 2008, primarily because we tightened our credit assessment requirement, leading to less credits being extended to customers who fulfilled our credit assessment requirement during the global financial crisis in 2008.

Our accounts receivable outstanding for 30 days to three months increased from RMB108,000 as of 31 December 2008 to RMB8.4 million as of 31 December 2009, which was primarily due to us relaxing our credit assessment requirement to some of our customers as the global economy started to recover in the second half of 2009, leading to more credits being extended to customers who fulfilled our credit assessment requirement. Our accounts receivable outstanding for 30 days to three months increased from RMB8.4 million as of 31 December 2009 to RMB12.9 million as of 30 June 2010 mainly due to increase in our revenue.

The increase in notes receivable from RMB23.0 million as of 31 December 2007 to RMB30.9 million as of 31 December 2008 was primarily because we accepted more bank acceptance notes and commercial acceptance notes from our customers for settlement. The slight decrease in notes receivable from RMB30.9 million as of 31 December 2008 to RMB28.3 million as of 31 December 2009 was primarily due to us accepting slightly less notes receivable for payment by our customers in 2009 as compared to 2008. Our notes receivable increased from RMB28.3 million as of 31 December 2009 to RMB34.1 million as of 30 June 2010 primarily due to an increased number of customers using bank acceptance notes.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, accounts receivable of RMB56.1 million, RMB43.3 million, RMB49.2 million and RMB70.9 million, respectively, were past due but not impaired. These accounts receivable relate to a number of independent customers who have no recent history of default and our management believes that such accounts receivable is still fully recoverable. The ageing analysis of these account receivables was as follows:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable				
- within 30 days	42,546	41,572	39,044	57,518
- 30 days to three months	13,145	108	7,438	12,552
- three months to six months	205	1,525	1,516	22
- six months to one year	248	64	731	324
- one year to two years	—	—	516	—
- two years to three years	—	—	—	516
	56,144	43,269	49,245	70,932

The following table sets forth the turnover days of our average trade receivables for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	**2008**	**2009**	**2010**
Average trade receivables turnover days[(1)]	5	4	6	6

Note:

(1) Average trade receivables equals trade receivables at the beginning of the period plus trade receivables at the end of the period, divided by two. Turnover of average trade receivables (in days) equals average trade receivables divided by revenue and then multiplied by the number of days in the relevant period, which was 365 for the years ended 31 December 2007 and 2009, 366 for the year ended 31 December 2008, and 182 for the six months ended 30 June 2010.

Average trade receivables turnover days were 5 days, 4 days, 6 days and 6 days for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

As of 31 August 2010, approximately RMB138.4 million, or 94.6% of our trade receivables as of 30 June 2010 was settled.

Prepayment, Deposits and Other Receivables

The following table sets forth a breakdown of our prepayment, deposits and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for purchase of raw materials	182,121	90,419	59,688	120,381
Income tax recoverable(1)	902	9,688	—	—
Value added tax recoverable(2)	31,221	16,117	45,152	46,899
Deposits for custom duties(3)	—	4,875	—	—
Tax credit from reinvestment(4)	16,357	—	—	—
Amount due from a related party	—	—	500	750
Deposits and other receivables	2,874	3,298	4,849	7,910
	233,475	124,397	110,189	175,940

Notes:

(1) During a financial year, we generally pay income tax on a quarterly basis based on our taxable income of the relevant quarter. If the amount of income tax paid calculated based on a quarterly basis exceeds the amount that is required to be paid to be calculated based on an annual basis, we will record income tax recoverable as of the relevant year end. Income tax recoverable is refundable by the relevant tax authorities after our annual tax filing.

(2) We may generate input value added tax (value added tax that is paid by such company to other businesses on the supplies that it receives) and output value added tax (value added tax that is charged by such company and paid by its customers) in purchase and sales of goods respectively. When there is an excess for accumulated input value added tax over accumulated output value added tax as of the year/period end, the value added tax recoverable occurs.

(3) Deposit for custom duties represents the amount we paid to custom as a guarantee for the payment of our value added tax and custom duties in respect of machineries we purchased/imported.

(4) Our tax credit from reinvestment represents the tax refund we expect to receive from the local government upon Fortune Express' reinvestment in China using the dividend it received from Jiangsu Daming.

Our prepayment for purchase of stainless steel raw materials decreased from RMB182.1 million as at 31 December 2007 to RMB90.4 million as at 31 December 2008. The decrease was primarily due to the lower prevailing market price at 2008 year end as compared to the prevailing market price at 2007 year end.

Our prepayment for purchase of stainless steel raw materials further decreased from RMB90.4 million as of 31 December 2008 to RMB59.7 million as of 31 December 2009. The decrease was primarily due to us beginning to take delivery of stainless steel raw materials from STSS Group's Wuxi warehouse in early 2009. As STSS Group's warehouse in Wuxi is close to our Wuxi processing centre, the duration between our prepayment and the actual time when we take delivery of our stainless steel raw materials (the "Duration") has been shortened as compared to our Duration in 2008.

Our prepayment for purchase of stainless steel raw materials increase from RMB59.7 million as of 31 December 2009 to RMB120.4 million as of 30 June 2010. The increase was primarily due to an increase in our procurement volume in June 2010. As of 31 August 2010, approximately RMB117.8 million, or 97.8% of our prepayment for purchase of raw materials as of 30 June 2010 has been recognised as stainless steel raw materials costs.

As of 31 August 2010, approximately RMB2.4 million, or 30.9% of our deposits and other receivables as of 30 June 2010 has been settled.

Trade Payables

Our trade payables represent amounts payable for purchases of raw materials, which consist of accounts payable and notes payable. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our notes payable represented bank acceptance notes issued by the Group due within six months.

The table below sets forth a breakdown of our trade payables as of the dates indicated.

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts payable	10,339	7,280	18,739	10,295
Notes payable	131,000	296,000	724,000	846,000
	141,339	303,280	742,739	856,295

Our trade payables increased from RMB141.3 million as of 31 December 2007 to RMB303.3 million as of 31 December 2008, and further increased to RMB742.7 million as of 31 December 2009 and RMB856.3 million as of 30 June 2010. The overall increase of our trade payables was primarily due to us increasing the use of notes payable for purchase of stainless steel raw materials to take advantage of the relatively lower discount rates as compared to the interest rates for short-term bank borrowings. The weighted average effective discount rate of our notes payable was 3.31%, 2.62%, 1.44% and 2.46% per annum as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The following table sets forth the ageing analysis of our accounts payable as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	10,175	6,883	17,660	10,185
6 months to 1 year	129	40	1,043	74
1 year to 2 years	35	357	36	—
2 years to 3 years	—	—	—	36
Total:	10,339	7,280	18,739	10,295

The following table sets forth the ageing analysis of our notes payable as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	131,000	296,000	724,000	846,000
Total:	131,000	296,000	724,000	846,000

The following table set forth the turnover days of our notes payable for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
Average notes payable turnover days[(1)]	5	10	31	37

Note:

(1) Average notes payable equals notes payable at the beginning of the period plus notes payable at the end of the period, divided by two. Turnover of average notes payable (in days) equals average notes payable divided by cost of sales and then multiplied by the number of days in the relevant period, which was 365 for the years ended 31 December 2007 and 2009, 366 for the year ended 31 December 2008 and 182 for the six months ended 30 June 2010.

The overall increase in the turnover days of the notes payable during the Track Record Period was primarily due to our increased use of bank acceptance notes for purchase of stainless steel raw materials so as to take advantage of the prevailing lower interest rates as compared to the prevailing interest rates for short-term bank borrowings.

As of 31 August 2010, approximately RMB9.6 million, or 93.6% of our accounts payables as of 30 June 2010 and RMB320.0 million, or 37.8% of our notes payable as of 30 June 2010 had been settled.

Accruals, Advances from Customers and Other Current Liabilities

The following table sets forth the accruals, advances from customers and other current liabilities as of the dates indicated:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	5,890	1,493	549	2,208
Advances from customers	94,555	44,830	78,596	70,329
Value-added tax payable	373	190	350	165
Other taxes payables	1,077	772	1,136	1,231
Other payables	28,903	52,502	50,805	47,337
	130,798	99,787	131,436	121,270

Accruals, advances from customers and other current liabilities decreased from RMB130.8 million as of 31 December 2007 to RMB99.8 million as of 31 December 2008, primarily due to a decrease in advances from customers, partially offset by an increase in other payables. The decrease in advances from customers is primarily due to the downward trend in the prevailing market price of stainless steel raw materials in 2008, which discouraged our customers to pay in advance to lock in the purchase price for our products.

Our accruals, advances from customers and other current liabilities increased from RMB99.8 million as of 31 December 2008 to RMB131.4 million as of 31 December 2009, mainly due to an increase in advances from customers reflecting the upward trend in the prevailing market price of stainless steel raw materials, which in turn encouraged customers to pay in advance to lock in a comparatively lower purchase price for our products.

The decrease in accruals, advances from customers and other current liabilities from RMB131.4 million as of 31 December 2009 to RMB121.3 million as of 30 June 2010 was primarily due to a decrease in advances from customers from RMB78.6 million as of 31 December 2009 to RMB70.3 million as of 30 June 2010.

The following table sets forth a breakdown of our other payables as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pension and other social welfare payables	4,086	3,167	5,021	5,936
Payables for purchase of property, plant and equipment	18,038	25,823	26,275	31,596
Salary payables	2,036	8,193	15,625	5,586
Purchase guarantee deposits*	2,900	13,200	—	—
Others	1,843	2,119	3,884	4,219
	28,903	52,502	50,805	47,337

* We generally require our customers to pay certain amount of deposits when orders are made and settle full purchase price before delivery. Unlike advances from customers which are paid directly by such customers, purchase guarantee deposits in the above table represent deposits paid by an affiliate of one customer, Wuxi Huasheng Precision Material Co., Ltd, an independent party. As of 31 December 2009, all the prior purchase guarantee deposits have been fully settled.

Our other payables increased from RMB28.9 million as of 31 December 2007 to RMB52.5 million as of 31 December 2008, primarily due to an increase in our purchase guarantee deposits, salary payables and payables for purchase of property, plant and equipment. The increase in salary payables is primarily due to (i) an increase in the number of our employees; and (ii) an increase in the salary and bonus paid to our employees. The increase in payables for purchase of property, plant and equipment was in line with our increase in processing capacity as we continued to expand to meet our customers' demand. Our other payables decreased slightly from RMB52.5 million as of 31 December 2008 to RMB50.8 million as of 31 December 2009, primarily due to the decrease in purchase guarantee deposits, which was partially offset by the increase in salary payables. The decrease in our other payables from RMB50.8 million as of 31 December 2009 to RMB47.3 million as of 30 June 2010 was primarily due to the decrease in salary payables, resulting from the termination of the sales incentive plan we implemented in 2008 and 2009 to incentivise our sales force to try to secure more sales orders in view of the global economic downturn. We terminated such plan towards the end of 2009 as the global economy started to recover.

As of 31 August 2010, approximately (i) RMB14.3 million, or 39.9% of our other payable as of 30 June 2010 had been settled, (ii) RMB1.2 million, or 52.4% of our accruals as of 30 June 2010 had been settled and (iii) RMB60.8 million, or 86.5% of our advances from customers as of 30 June 2010 had been recognised as revenue.

Amount Due from/to Related Parties

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from a related party				
Non-trade:				
- Daming Logistics	—	—	500	750
Due to related parties				
Non-trade:				
- Ms. Xu Xia	1	—	—	—
- Daming Logistics				
- Loan from a related party	2,907	49,745	100,290	227,493
- Payable for acquisition of equity interest in Jiangsu Daming	—	—	78,718	—
- Others	581	—	—	—
	3,489	49,745	179,008	227,493
Entrusted loan from a related party				
- Daming Logistics	130,000	—	—	—

As of 31 December 2009 and 30 June 2010, we had amounts due from a related party, Daming Logistics, in the amount of RMB500,000 and RMB750,000, respectively. These amounts represent the rental receivable from Daming Logistics.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, we had amounts due to related parties totaling RMB3.5 million, RMB49.7 million, RMB179.0 million and RMB227.5 million, respectively. The increase in our amounts due to related parties from RMB3.5 million as of 31 December 2007 to RMB49.7 million as of 31 December 2008, was primarily due to our increased demand for working capital. Our amounts due to related parties increased from RMB49.7 million as of 31 December 2008 to RMB179.0 million as of 31 December 2009, primarily due to the payment for our acquisition of 25% equity interest in Jiangsu Daming through Fortune Express. Our amounts due to related parties increased from RMB179.0 million as of 31 December 2009 to RMB227.5 million as of 30 June 2010, primarily due to our business expansion of which required more capital to finance our purchase of additional facilities and machineries for our operations. In terms of loans and entrusted loans from related parties, (i) RMB130 million entrusted loan from a related party as of 31 December 2007 with an interest rate of 6.7% per year was repaid in 2008; (ii) as of 31 December 2009, loan from a related party of RMB15.0 million with an interest rate of 5.3% per year were repaid in May 2010; and (iii) other loans from a related party as of 31 December 2007, 2008 and 2009 and 30 June 2010, which were unsecured, non-interest bearing and had no fixed repayment terms. All amounts due to the related parties have been fully settled prior to the Listing.

Related Party Transaction

During the Track Record Period, we entered into various transactions with our related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Directors are of the view that the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of our business. For details of the related party transaction, please refer to Note 35 of the accountant's report included as Appendix I to this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

Based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that our proceeds from the Global Offering, our cash and bank deposits, cash flow from operations, our banking relationships and future financings will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future. However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which in turn are subject to the prevailing economic conditions, the level of demands of our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all.

In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs and the continuing expansion of our business. We may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced in the past and do not expect, for the foreseeable future, to experience any significant difficulties in meeting our payment obligations as they become due. We will use part of the proceeds from the Global Offering to fulfill our capital commitments for future operations and expansions.

Our cash and cash equivalents as of 31 December 2007, 2008 and 2009 and 30 June 2010 were RMB60.4 million, RMB153.9 million, RMB79.2 million and RMB107.0 million, respectively.

Cash Flow

We conduct substantially all of our operations through our operating subsidiaries in China. Cash flows generated by our operating subsidiaries on a stand-alone basis may differ significantly from that presented in our combined cash flow statements.

The following table sets forth certain information regarding our combined statements of cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash (used in)/generated from operating activities	(313,090)	709,296	178,856	(31,370)	(138,005)
Net cash used in investing activities	(152,726)	(165,106)	(225,172)	(81,162)	(117,480)
Net cash generated from/(used in) financing activities	345,639	(449,932)	(28,446)	15,262	283,942
Cash and cash equivalents at beginning of the year/period	183,526	60,431	153,903	153,903	79,168
Exchange (Losses)/gains on cash and cash equivalents	(2,918)	(786)	27	(7)	(601)
Cash and cash equivalents at end of the year/period	60,431	153,903	79,168	56,626	107,024

Operating Activities

We derive our net cash inflow from operating activities primarily through the receipt of payments for the sale of our stainless steel products. Our cash outflow from operating activities is used primarily for raw materials purchases, payment of utilities, selling and distribution costs, and staff salaries.

For the six months ended 30 June 2010, our net cash used in operating activities was RMB138.0 million, consisting of cash used in operations of RMB59.0 million, income tax paid of RMB55.9 million, as well as interest received and paid. Our cash used in operations primarily reflected our profit before income tax of RMB111.3 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital consisted primarily of (i) an increase of RMB204.4 million in inventories as compared to our inventory balance as of 31 December 2009 as we purchased more stainless steel raw materials to meet the increase in customer demand and (ii) an increase of RMB99.9 million in trade receivables, prepayments, deposits and other receivables primarily due to the increase in business activities in the first half of 2010. The effect of these changes on cash outflows was partially offset by an increase of RMB97.4 million in trade payables, current income tax liabilities, and accruals and other payables, reflecting the increase in business activities in the first half of 2010.

For the year ended 31 December 2009, our net cash generated from operating activities was RMB178.9 million, consisting of cash generated from operations of RMB195.6 million, income tax refund of RMB2.8 million, as well as interest received and paid. Our cash generated from operations primarily reflected our profit before income tax of RMB263.2 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital consisted primarily of (i) an increase of RMB412.8 million in inventories as compared to our inventory balance as at 31 December 2008 as we purchased more stainless steel raw materials to meet the increase in customer demand in 2009; and (ii) an increase of RMB149.3 million in pledged bank deposits due primarily to the increased note payables that need to be secured by pledged bank deposits. The effect of these changes on cash inflows was partially offset by an increase of RMB470.4 million in trade payables, current income tax liabilities, accruals and other payables as we increased our use of bank acceptance notes to take advantage of their lower discount rate compared to the short-term bank borrowings.

For the year ended 31 December 2008, our net cash generated from operating activities was RMB709.3 million, consisting of cash generated from operations of RMB776.0 million, income tax paid of RMB12.4 million, as well as interest received and paid. Our cash generated from operations primarily reflected our loss before income tax of RMB12.1 million, as adjusted for income statement items with no operating cash effect and the decrease in working capital. The decrease in working capital consisted primarily of (i) a decrease of RMB547.3 million in inventories as compared to our inventory balance as of 31 December 2007 as we reduced our purchases of stainless steel raw materials in response to weaker customer demand in 2008; (ii) an increase of RMB123.0 million in trade payables, current income tax liabilities, accruals and other payables as we increased our use of notes payable to take advantage of their prevailing lower discount rates as compared to the prevailing interest rates for short-term borrowings; and (iii) a decrease of RMB106.7 million in trade receivables, prepayments, deposits and other receivables, which was primarily due to the downward trend in the prevailing market price of stainless steel raw materials in 2008 and which discouraged our customers to pay us in advance to fix a price for our products. The effect of these changes on cash inflows was partially offset by an increase of RMB81.3 million in pledged bank deposits due primarily to increased note payables that need to be secured by pledged bank deposits.

For the year ended 31 December 2007, our net cash used in operating activities was RMB313.1 million, consisting of cash used in operations of RMB223.3 million, income tax paid of RMB43.2 million, as well as interest received and paid. Our cash used in operations primarily reflected our profit before income tax of RMB32.0 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase of working capital consisted primarily of an increase of RMB216.7 million in inventories as compared to our inventory balance as of 31 December 2006 as we purchased more stainless steel raw materials to meet the increase in customers' demand and an increase of RMB148.2 million in trade receivables, prepayments, deposits and other receivables, due primarily to the increase in business activities in 2007. The effect of these changes on cash outflows was partially offset by an increase of RMB64.5 million in trade payables, current income tax liabilities, and accruals and other payables, reflecting the increase in business activities in 2007.

Investing Activities

For the six months ended 30 June 2010, our net cash used in investing activities was RMB117.5 million. Our cash outflows primarily reflected payment of RMB117.9 million for the purchase of property, plant and equipment, which was in line with our business plan to expand our processing facilities during the same period.

For the year ended 31 December 2009, our net cash used in investing activities was RMB225.2 million. Our cash outflows primarily reflected payment of RMB200.1 million for the purchase of property, plant and equipment, and payment of RMB26.5 million for the purchase of land use rights, which was in line with our business plans to expand our processing facilities during the same year.

For the year ended 31 December 2008, our net cash used in investing activities was RMB165.1 million. Our cash outflows primarily reflected payment for the purchase of property, plant and equipment of RMB164.7 million, which was in line with our business plans to expand our processing facilities during the same year.

For the year ended 31 December 2007, our net cash used in investing activities was RMB152.7 million. Our cash outflows primarily reflected payment of RMB124.4 million for the purchase of property, plant and equipment and payment of RMB30.3 million for the purchase of land use rights, which was in line with our business plans to expand our processing facilities during the same year.

Financing Activities

For the six months ended 30 June 2010, our net cash generated from financing activities was RMB283.9 million. The cash inflows primarily reflected the proceeds from bank borrowings of RMB736.0 million in the six months ended 30 June 2010, and was partially offset by (i) the repayments of bank borrowings of RMB443.6 million; (ii) the increase of restricted bank balances pledged as security for current bank borrowings of RMB106.5 million; and (iii) payment for acquisition of equity interest in Jiangsu Daming of RMB78.7 million.

For the year ended 31 December 2009, our net cash used in financing activities was RMB28.4 million. Our cash outflows primarily reflected (i) the repayments of bank borrowings of RMB685.6 million; (ii) the increase of restricted bank balances pledged as security for current bank borrowings of RMB71.0 million; and (iii) payment for acquisition of equity interest in Jiangsu Daming of RMB68.3 million. These cash outflows were partially offset by the proceeds from bank borrowings of RMB746.7 million in 2009.

For the year ended 31 December 2008, our net cash used in financing activities was RMB449.9 million. Our cash outflows primarily reflected the repayments of bank borrowings of RMB1,498.4 million. These cash outflows were partially offset by the proceeds from bank borrowings of RMB971.0 million in 2008.

For the year ended 31 December 2007, our net cash generated from financing activities was RMB345.6 million. Our cash inflows primarily reflected the proceeds from bank borrowings of RMB 1,204.4 million, and the decrease in restricted bank balances pledged as security for current bank borrowings of RMB86.4 million. These cash inflows were partially offset by the repayments of bank borrowings of RMB932.9 million in 2007.

Net Current Assets/Liabilities

Our net current assets as of 31 December 2007 and 2008 and 30 June 2010 were RMB211.2 million, RMB71.7 million and RMB54.4 million, respectively. As of 31 December 2009, we had net current liabilities of RMB47.1 million, mainly due to the current liabilities of RMB147.0 million we incurred in connection with the Reorganisation.

In 2008, our related party, Daming Logistics, injected certain land use rights and properties into the Company to consolidate the Company's assets for the purpose of reducing connected party transactions, as the Company used to rent properties from Daming Logistics. In return for such asset injection, our major operating subsidiary, Jiangsu Daming, issued 25% of its equity interest to Daming Logistics. In preparation for the Listing, on 28 October 2009, we entered into an agreement with Daming Logistics where Fortune Express agreed to repurchase Daming Logistics' 25% equity interest in Jiangsu Daming in consideration of RMB147.0 million. To finance this purchase, we borrowed a US dollar short-term loan which was more easily available and bore a lower interest rate than RMB loans, and paid to Daming Logistics RMB68.3 million in December 2009. This loan was reflected as a short-term borrowing under current liability as of 31 December 2009. The remaining consideration of RMB78.7 million was recorded as an amount due to a related party under current liability as of 31 December 2009, which was subsequently paid to Daming Logistics in January 2010. Excluding the loan amount and amount due to a related party resulted from the Reorganisation, we would have been in a net current asset position of RMB99.9 million as of 31 December 2009.

The following table sets out our current assets, current liabilities and net current assets as of 30 September 2010.

	As of 30 September 2010
	(unaudited)
	RMB'000
Current assets	
Inventories	963,912
Trade receivables	160,038
Prepayments, deposits and other receivables	244,955
Restricted bank deposits	410,706
Cash and cash equivalents	70,462
	1,850,073
Current liabilities	
Trade payables	1,060,038
Accruals, advances from customers and other current liabilities	160,936
Current income tax liabilities	30,434
Borrowings	544,927
Current portion of deferred government grants	1,067
	1,797,402
Net current assets	52,671

Working Capital

We have historically financed our operations through cash from operating activities, bank borrowings and shareholder contributions. In the future, we expect to use funds from a combination of sources to fund our operation and expansion plan, including bank loans, internally generated cash flow and proceeds from the Global Offering.

As of 30 June 2010, we had undrawn bank facilities of approximately RMB403.2 million, with the maturity dates for such facilities ranging from 2 December 2010 to 28 July 2012. With respect to our existing bank facilities of RMB1,125 million, the banks from which we have these bank facilities have consented to roll over these existing banking facilities upon their maturity to the end of 2011.

Taking into account our cash flow from operating activities, our available bank facilities and the estimated net proceeds from the Global Offering, the Directors are of the opinion that we have sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

Financial Ratios

The following table sets forth our current ratio, quick ratio, gearing ratio, return on equity and return on assets as of the dates indicated:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
current ratio[1]	1.2	1.1	1.0	1.0
quick ratio[2]	0.4	0.7	0.5	0.5
gearing ratio[3]	52.1%	23.2%	17.9%	24.8%
return on equity[4]	6.0%	-2.0%	29.5%	N/A
return on assets[5]	1.8%	-0.9%	9.3%	N/A

Notes:

(1) Current ratio is calculated based on current assets divided by current liabilities.

(2) Quick ratio is calculated based on current assets less inventories and then divided by current liabilities.

(3) Gearing ratio is calculated based on total borrowings divided by total assets.

(4) Return on equity is calculated based on profit/(loss) for the year divided by total equity as at the end of a full year financial period.

(5) Return on assets is calculated based on profit/(loss) for the year divided by total assets as at the end of a full year financial period.

Current ratio

Our current ratio decreased from 1.2 as of 31 December 2007 to 1.1 as of 31 December 2008, primarily due to a decrease in current assets mainly as a result of decrease in inventories as (i) we purchased less stainless steel raw materials which led to a decrease in our stainless steel inventory during the global financial crisis in 2008, and (ii) the average unit cost of our inventory was lower at the end of 2008 as compared to the end of 2007 because of a decrease in the prevailing market price of stainless steel in 2008, partially offset by a decrease in current liabilities mainly as a result of a decrease in our bank borrowings.

Our current ratio decreased slightly from 1.1 as of 31 December 2008 to 1.0 as of 31 December 2009, primarily due to an increase in trade payable as a result of our increased use of notes payable to take advantage of their lower discount rates than those applied to the short-term bank borrowings, partially offset by an increase in our inventories resulting from increased customer demand in 2009 and an increase in our restricted bank deposits primarily due to the increased notes payable that need to be secured by pledged bank deposits.

Our current ratio remained the same as of 31 December 2009 and 30 June 2010.

Quick ratio

Our quick ratio increased from 0.4 as of 31 December 2007 to 0.7 as of 31 December 2008, primarily due to a decrease in (i) short-term bank borrowings resulting from our increased use of bank acceptance notes in taking advantage of their lower interest rates than those applied to short-term bank borrowings and (ii) decrease in inventories as a result of the decrease in the purchase price of raw materials in 2008. Our quick ratio decreased from 0.7 as of 31 December 2008 to 0.5 as of 31 December 2009, primarily due to increase in trade payable as we used more notes payable and an increase in accruals, advances from customers and other current liabilities reflecting the increase in price of stainless steel raw materials, which in turn encouraged our customers to pay advances in order to fix a comparatively lower purchase price for our products. Our quick ratio remains the same as of 31 December 2009 and 30 June 2010.

Gearing ratio

Our gearing ratio decreased from 52.1% as of 31 December 2007 to 23.2% as of 31 December 2008, primarily due to a decrease in our total bank borrowings, partially offset by a decrease in our total assets as the carrying amount of our inventories decreased from RMB887.8 million as of 31 December 2007 to RMB320.7 million as of 31 December 2008. The decrease in our total bank borrowings was primarily because we increased our use of bank acceptance notes to take advantage of their lower interest rates as compared to the prevailing interest rates in short-term bank borrowing. Our gearing ratio decreased from 23.2% as of 31 December 2008 to 17.9% as of 31 December 2009, primarily due to an increase in our current assets and non-current assets, partially offset by an increase in our bank borrowings. The increase in our non-current assets as of 31 December 2009 was primarily due to our purchases of additional property, plant and equipment as a result of our business expansion. The increase in our current assets as of 31 December 2009 was primarily due to increase in our inventories as we purchased more stainless steel raw materials to meet customers' demand.

Our gearing ratio increased from 17.9% as of 31 December 2009 to 24.8% as of 30 June 2010, primarily due to an increase in our short-term bank borrowings to fund the further expansion of our business operations and for the restructuring of Daming Logistics, partially offset by an increase in our total assets resulting mainly from an increase in our inventories as we purchased more stainless steel raw materials to meet customers' demand as well as an increase in our restricted bank deposits.

Return on equity

Our return on equity was a negative 2.0% as of 31 December 2008 compared to 6.0% as of 31 December 2007, primarily due to a net loss we incurred in 2008. Our return on equity was 29.5% as of 31 December 2009 compared to a negative 2.0% as of 31 December 2008, primarily due to an increase in our net profit.

Return on assets

Our return on assets was a negative 0.9% as of 31 December 2008 compared to 1.8% as of 31 December 2007, primarily due to a net loss we incurred in 2008. Our return on assets was 9.3% as of 31 December 2009 compared to a negative 0.9% as of 31 December 2008, primarily due to an increase in our net profit, partially offset by an increase in our total assets.

INDEBTEDNESS

We have financed our operations primarily through cash flows from operations, loans from banks and related parties.

The following table sets forth our bank borrowings and loan as of the dates indicated:

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Non-current					
Bank borrowings	—	—	—	70,000	70,000
Current					
Bank borrowings	729,414	332,000	393,187	613,269	544,927
Entrusted loan	130,000	—	—	—	—
	859,414	332,000	393,187	613,269	544,927
Total borrowings	859,414	332,000	393,187	683,269	614,927
Representing:					
Unsecured	415,000	55,000	—	143,068	470,468
Secured -					
Pledged (i)	—	12,000	81,074	196,991	144,459
Guaranteed (ii)	444,414	265,000	312,113	343,210	—
	859,414	332,000	393,187	683,269	614,927
Loan from a related party					
Daming Logistics	2,907	49,745	100,290	227,493	—

Our bank borrowings decreased from RMB859.4 million as of 31 December 2007 to RMB 332.0 million as of 31 December 2008. This was primarily due to a decrease in the prevailing market price of stainless steel raw materials, leading to us borrowing less to finance our working capital requirements. Our bank borrowings increased from RMB332.0 million as of 31 December 2008 to RMB393.2 million as of 31 December 2009 and further increased to RMB683.3 million as of 30 June 2010 primarily due to our business expansion and which required us to purchase new plants, instal new production facilities and purchase additional equipment.

Most of our borrowings are denominated in RMB. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our RMB borrowings amounted to RMB840.0 million, RMB332.0 million, RMB312.0 million and RMB475.0 million, respectively, while our foreign currency borrowings, all denominated in USD or EURO, amounted to RMB19.4 million, nil, RMB81.2 million and RMB208.3 million, respectively. We incurred USD bank borrowings primarily to finance our repurchase of Daming Logistics' 25% equity interest in Jiangsu Daming through our Hong Kong subsidiary, Fortune Express. We incurred EURO bank borrowings primarily for payment of production facilities that were imported from the European Union. As of 31 December 2007, 2008 and 2009 and 30 June 2010, the weighted average effective interest rate on our RMB denominated bank borrowings was 6.79%, 6.25%, 4.97% and 4.85%, respectively. Such decrease was consistent with the trend of the decreasing benchmark interest rate in China during the same periods.

As of 31 December 2009, loan from a related party of RMB15.0 million bore an interest rate of 5.3% per annum, which was repaid on 12 May 2010.

The remaining balances of loan from a related party as of 31 December 2007, 2008 and 2009 and 30 June 2010 were unsecured, non-interest bearing and had no fixed repayment terms. The loan from a related party has been fully settled prior to the Listing.

As of 30 September 2010, we have available banking facilities of approximately RMB1,679.1 million, of which approximately RMB496.3 million have not been utilised. Save as described above, and apart from intra-group liabilities and normal trade payables, as of 30 September 2010, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

To manage our indebtedness position and cash requirement, we have adopted a cash management policy to control our capital expenditure. Going forward, we will undertake an annual business plan and budget review. We will also conduct regular follow-up internal management meetings after Listing to determine our capital requirements, capital structure and indebtedness at the relevant times based on, among other things, the following factors before we makes any significant business or investment decision in order to ensure that we are able to repay our debt obligations on time and to meet other known and reasonably foreseeable cash requirements:

(i) the then current and future cash requirement, both for capital expenditure and for general working capital requirement;

(ii) the appropriate contingency capital required to be maintained;

(iii) the expected return on potential investments; and

(iv) our assessment on our ability to raise additional equity or debt capital in view of the then current and future market conditions.

Our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 September 2010.

NOTES PAYABLE

In addition to the short-term bank borrowings, we also use notes payable to fund our trade payments in the ordinary course of our business. During the Track Record Period, our notes payable represented bank acceptance notes which were issued by us to our suppliers as payments for our purchases of stainless steel raw materials. The bank acceptance note is a negotiable instrument drawn on and accepted by a bank. It is typically due within six months. In order to secure such bank acceptance notes to be issued by us, bank deposits in the amount of at least 30% of the amount of the bank acceptance notes are required to be made as pledges with the banks. In some occasions, guarantees are also required to be provided to the banks for our issuance of the bank acceptance notes. During the Track Record Period, we have gradually increased the use of notes payable to take advantage of their lower discount rate as compared to the prevailing interest rates for short-term bank borrowings. As of 31 December 2007, 2008 and 2009 and 30 June 2010, the weighted average effective discount rate on our notes payable were 3.31%, 2.62%, 1.44% and 2.46% per annum, respectively.

The following table sets forth our notes payable as of the dates indicated:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes payable	131,000	296,000	724,000	846,000

As of 30 June 2010, notes payable of RMB600,000,000 was secured by pledged bank deposits of approximately RMB216,000,000. Notes payable of RMB 246,000,000 was secured by (i) pledged bank deposits of approximately RMB122,400,000 and (ii) guaranteed by Daming Logistics and Mr. Zhou collectively.

As of 31 December 2009, our notes payable of RMB314.0 million was secured by pledged bank deposits of RMB106.2 million. Our notes payable of RMB410.0 million was secured by (i) pledged bank deposits of RMB194.0 million, and (ii) guaranteed by Daming Logistics and Mr. Zhou collectively.

As of 31 December 2008, our notes payable of RMB220.0 million was secured by pledged bank deposits of RMB102.0 million. Our notes payable of RMB76.0 million was secured by (i) pledged bank deposits of RMB36.4 million, and (ii) guaranteed by Daming Logistics and Mr. Zhou collectively.

As of 31 December 2007, our notes payable of RMB91.0 million was secured by pledged bank deposits of RMB50.4 million. Our notes payable of RMB40.0 million was secured by (i) pledged bank deposits of RMB20.0 million, and (ii) guaranteed by Daming Logistics.

All guarantees provided by the related parties have been fully released prior to the Listing.

OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by us for our plants, office premises and equipments. The leases are generally negotiated for terms ranging from one to ten years.

At the end of each reporting period, we were committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	8,554	989	1,129	980
Later than one year and not later than five years	58,335	2,800	3,196	2,799
Over five years	2,100	1,400	700	350
Total:	**68,989**	**5,189**	**5,025**	**4,129**

CAPITAL COMMITMENTS

The following table presents our capital commitments to make future payments under contracts and commitments as of the dates indicated:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Acquisition of property, plant and equipment	133,717	41,876	167,667	186,823

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were primarily related to the acquisitions of properties, plants and equipments as well as land use rights. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our capital expenditure for the purchase of properties, plants and equipments as well as land use rights was RMB167.0 million, RMB175.3 million, RMB226.8 million and RMB123.3 million, respectively.

Following the Global Offering, we will continue to incur capital expenditure to expand our business. We expect our current plans with respect to future major capital expenditures to continue to primarily relate to the acquisition of land use rights, construction of production and other facilities and purchase of equipment and machineries as we expand our business operations in line with the strategies as disclosed in the section headed "Our Business — Our Business Strategies" in the prospectus. Based on our current business plan that is subject to change depending on various factors, including but not limited to, the actual steps to be taken by the Company in implementing its business plans, overall economic environment, the outlook for the global stainless steel product industry and other business strategies that may be adopted by the Company, the current planned total capital expenditure from 30 June 2010 to the year ending 31 December 2011 is RMB343 million, of which RMB187 million is committed capital expenditure. As we continue to expand, we may incur additional capital expenditures.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, as well as economic, political and other conditions in the PRC and other jurisdiction(s) in which we operate.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

FINANCIAL RISKS

We are exposed to various types of financial risks in the normal course of our business, including cash flow and fair value interest rate risk, credit risk, liquidity risk and foreign exchange risk.

Our overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Risk Management is carried out by various departments in our Group, such as the treasury and sales departments, in accordance with policies approved by the Board. The summaries of management information will be reported to and reviewed by our Directors periodically and our Directors will take actions to manage the risks accordingly. We did not use derivative financial instruments to hedge certain risk exposures on changes in interest rates and foreign currency exchange rates during the Track Record Period.

Interest Rate Risk

We are exposed to cash flow and fair value interest rate through the impact of rate changes on interest bearing financial assets and liabilities, mainly restricted bank balances, cash and cash equivalents, borrowings and amount due to related parties.

During the Track Record Period, we have not used any financial instrument to hedge our exposure to interest rate risk.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, our profit before income tax for the years and period would have been RMB2.5 million, RMB1.4 million, RMB0.9 million and RMB1.2 million lower/higher, respectively, mainly as a result of higher/lower interest expense on bank borrowings.

Credit Risk

We have no significant concentrations of credit risk. The carrying amounts of restricted bank balances, cash and cash equivalents, trade receivables and other receivables, amounts due from related parties represent our maximum exposure to credit risk in relation to financial assets.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, all cash and cash equivalents were deposited in major financial institutions and the amounts of credit exposure to any financial institution were limited. The Directors do not expect any losses from non-performance by these state-owned banks and reputable financial institutions. Our customers are generally required to pay deposit when placing orders and make the full payment before delivery of our products which will be typically settled by telegraph transfer and bank acceptance notes with maturity within six months. We also have polices in place for granting or extension of any credit term to our long-term relationship key customer with an appropriate credit history.

Liquidity Risk

It is our policy to manage our liquidity risks by maintaining sufficient reserves of cash and cash equivalents generated from operating activities and bank loan facilities. As of 30 June 2010, we have available unutilised bank loan facilities of approximately RMB403.2 million.

Foreign Exchange Risk

We mainly operate in China with most of the transactions denominated and settled in RMB. However, we have certain trade receivables, restricted bank balance, cash and cash equivalents, trade payables and borrowings denominated in foreign currencies, mainly USD and EURO, which are exposed to foreign currency translation risk. During the Track Record Period, we have not used any financial instrument to hedge our exposure to foreign exchange risk.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, if RMB had strengthened/ weakened by 5% against the USD with all other variables held constant, profit before income tax for the same periods would have been approximately RMB445,000 lower/higher, RMB414,000 lower/higher, RMB2,905,000 higher/lower and RMB7,430,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables, cash and cash equivalents, trade payables and borrowings.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, if RMB had strengthened/ weakened by 10% against the EURO with all other variables held constant, profit before income tax for the same periods would have been approximately RMB3,000,000 higher/lower, RMB415,000 lower/higher, RMB496,000 higher/lower and RMB1,140,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of EURO-denominated restricted bank balances, cash and cash equivalents, trade payables and borrowings.

PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix IV to this prospectus. Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has valued the properties owned and leased by us as of 31 August 2010. The text of their letters, summaries of values and valuation certificates are set out in Appendix IV to this prospectus.

A reconciliation of the net book value of the relevant land use rights, investment properties and buildings as of 30 June 2010 to their fair value as of 31 August 2010 as stated in Appendix IV to this prospectus is as follows:

	Land use rights, investment properties and buildings
	RMB'000 *(unaudited)*
Net carrying value as of 30 June 2010	311,769
Movements for the period ended from 1 July 2010 to 31 August 2010	
- Additions	3,420
- Depreciation	(2,131)
Net carrying value of 31 August 2010	313,058
Valuation as of 31 August 2010 as per Appendix IV to this prospectus	359,236
Surplus	46,178

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2010. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial positions of our Company had the Global Offering been completed as of 30 June 2010 or at any future dates.

	Audited combined net tangible assets attributable to equity holders of our Company as of 30 June 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the Offer Price of HK$2.00 for each Offer Share	799,364	384,241	1,183,605	1.18	1.38
Based on the Offer Price of HK$2.70 for each Offer Share	799,364	528,249	1,327,613	1.33	1.55

Notes:

(1) The audited combined net tangible assets attributable to equity holders of our Company as of 30 June 2010 has been extracted from the accountant's report set out in Appendix I to this prospectus which is based on the audited combined net assets of our Group attributable to equity holders of our Company of RMB 801.6 million with an adjustment for the intangible assets of RMB 2.3 million.

(2) The estimated net proceeds from the Global Offering are based on the Indicative Offer Price range of HK$2.00 per Share and HK$2.70 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2010 but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

(4) By comparing the valuation of our Company's property interests of RMB359.2 million as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as of 31 August 2010 the net valuation surplus is approximately RMB46.2 million, which has not been included in the above net tangible assets attributable to equity holders of our Company as of 30 June 2010. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately RMB1.5 million per annum related to land use right, investment properties and buildings would be recorded.

(5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2010.

(6) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK$1.00 to RMB0.85719 prevailing on 10 November 2010.

Our business performance for the nine months ended 30 September 2010

Based on the unaudited management accounts of the Group, we recorded a revenue of RMB 2,451 million for the three months ended 30 September 2010. We sold approximately 44,100 tonnes, 45,900 tonnes and 44,900 tonnes of stainless steel for July, August and September 2010, respectively. This represents a Monthly Weighted Average Sales Price of approximately RMB 17,900 per tonne, RMB 17,800 per tonne and RMB 18,700 per tonne for July, August and September 2010, respectively.

Our turnover is normally difficult to predict due to fluctuations in stainless steel raw material price. Whilst the above three months revenue figures may not be indicative of the full year result for 2010, our financial performance for the remaining periods of 2010 may be affected by the risk factors as set out in the section headed “Risk factors” in this prospectus. In particular, our business and financial performance may be affected by the risk headed “Prices of our raw materials may be subject to cyclical fluctuations in the PRC and world market and as a result, our profit margins and results of operations may be affected” in the section headed “Risk Factor” in this prospectus.

PROFIT FORECAST

Our Directors forecast that, in the absence of unforeseeable circumstances and on the bases and assumptions set out in Appendix III to this prospectus, the forecast of our consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 is expected to be not less than RMB190 million.

DIVIDEND AND DIVIDEND POLICY

We currently do not have a fixed dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the discretion of the Directors.

Dividends can only be paid out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Our Company has not paid or declared any dividend since the date of our incorporation.

DISTRIBUTABLE RESERVES

As of 30 June 2010, our Company did not have any distributable reserves.

DISCLOSURE UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position, mortgage, guarantees or prospects of our Group since 30 June 2010, the date to which the latest audited financial statements of our Group were made up.

FUTURE PLANS AND PROSPECTS

We have been successfully growing our business in the past. We aim to continue this momentum and strive to become one of the world's leading metal service centres of stainless steel industry through expanding our services to processing of other types of metal; expanding our processing capacities, range of processing services and our processing centre network; strengthening our inventory control, working capital and financing cost management; expanding our customer base in targeted industries; and increasing information flow across processing centres to increase overall efficiency.

Please refer to the section headed "Our Business — Our Business Strategies" in this prospectus for further details on our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.35 per Share, being the mid-point of the proposed Offer Price range from HK$2.00 to HK$2.70 per Share) are estimated to be approximately HK$532 million (approximately RMB457 million). We currently intend to apply the net proceeds from the Global Offering as follows:

- approximately 35% of the net proceeds or HK$186 million (approximately RMB160 million) will be used for the purchase of processing equipment, in particular, processing facilities for the machining platform, including CNC plane milling machine, floor-type milling machine, lathe-milling cutting centre and CNC porous drilling device, for the fifth phase and sixth phase of our processing centre in Wuxi, Jiangsu, such that the range of services offered by our machining platform will be broadened and our designed annual processing capacity is expected to increase by 120,000 tonnes after the commencement and full operation of the fifth phase and sixth phase processing centre in Wuxi;

- approximately 15% of the net proceeds or HK$80 million (approximately RMB68 million) will be used for the development of a new processing centre in Changsha, Hunan, with an aggregate site area of 80,000 sq.m., the construction of which is expected to commence in 2011. The total construction cost is estimated to be approximately RMB206 million, including the construction of the property and purchase of various types of processing facilities such as CNC bending machine for the machining platform and laser cutting machine for the plate cutting platform, such that our designed annual processing capacity is expected to increase by 108,000 tonnes;

- approximately 30% of the net proceeds or HK$160 million (approximately RMB137 million)will be used for the construction and development of a new processing and logistics complex in Jingjiang, Jiangsu, with an aggregate site area of 530,000 sq.m., the construction of which is expected to commence in 2012. The total construction cost is estimated to be approximately RMB500 million, including the construction of the property and purchase of various types of processing facilities mainly for the processing of non-stainless steel, such that our designed annual processing capacity is expected to increase by 200,000 tonnes;

- approximately 10% of the net proceeds or HK$53 million (approximately RMB46 million) will be used for the construction and development of the second phase processing centre in Hangzhou. The total construction cost is estimated to be approximately RMB91 million, including the construction of the property with an aggregate site area of 170,000 sq.m. and the purchase of various types of processing facilities, mainly for the plate cutting platform, such that our designed annual processing capacity is expected to increase by 110,000 tonnes after the commencement and full operation of the second phase processing centre in Hangzhou; and

- approximately 10% of the net proceeds or HK$53 million (approximately RMB46 million) will be used for general working capital and general corporate purposes.

The table below sets out the additional designed annual processing capacities of our Group upon completion of the respective plants stated above:

	As of 30 June 2010	Upon completion of the fifth and sixth phase processing centre in Wuxi	Upon completion of the processing centre in Changsha	Upon completion of the processing and logistics complex in Jingjiang	Upon completion of the second phase processing centre in Hangzhou
Designed annual processing capacity ('000 tonnes)	736.1	856.1	964.1	1,164.1	1,274.1

Although we have plans to construct new processing plants in Shenyang, Xi'an, Guangzhou and Chengdu in 2012, 2013, 2014 and 2015 respectively, we do not intend to apply the proceeds of the Global Offering to the construction of these new processing plants.

If the Offer Price is determined at the highest point of the stated range, the proceeds would be increased by approximately HK$84 million (approximately RMB72 million). If the Offer Price is determined at the lowest point of the stated range, the net proceed will be reduced by HK$84 million (approximately RMB72 million). To the extent our net proceeds are more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

In the event that the Over-allotment Option is exercised in full, assuming an Offer Price of HK$2.35 (being the mid-point of the proposed Offer Price range), the additional net proceeds of approximately HK$85 million (approximately RMB73 million) will be allocated for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC.

HONG KONG UNDERWRITERS

Joint Lead Managers
CCBI
Deutsche Bank

Co-Lead Managers
ABCI Securities Company Limited
First Shanghai Securities Limited
Shenyin Wanguo Capital (H.K.) Limited

Co-Manager
Haitong International Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 16 November, 2010. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe for, or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms. One of the conditions is that the Offer Price must be agreed between the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters). For applicants applying under the Hong Kong Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offer. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares will be subject to termination by notice in writing from the Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, by giving notice in writing, if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date:

(i) any breach of the representations, warranties, agreements and undertakings to be given by the Company and the Controlling Shareholders (the "**Warranties**"), or any matter, circumstance or event showing any of the representations, Warranties and undertakings given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or in the International Underwriting Agreement to be untrue, incorrect, inaccurate or misleading when given or repeated;

(ii) any breach on the part of the Company or the Controlling Shareholders of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement or any of the obligations imposed upon the Company and the Controlling Shareholders;

(iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission from this prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto);

(iv) any statement contained in this prospectus and the Application Forms, the formal notice to be published in connection with the Hong Kong Public Offer (the "**Formal Notice**") and any announcements, advertisements, communications or other documents in the agreed form issued by the Company in connection with the Hong Kong Public Offer, was or has become or been discovered to be untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation contained in this prospectus and the Application Forms, the Formal Notice and any announcements, advertisements, communications or other documents issued by or used by or on behalf of the Company in connection with the Hong Kong Public Offer is not fair and honest and based on reasonable assumptions;

(v) there shall have occurred any event, act or omission which gives or is likely to give rise to any material liability of the Company or any Controlling Shareholder pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement;

(vi) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any of its subsidiaries or in respect of which the Company or any of its subsidiaries is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on the Company or the Company and its subsidiaries taken as a whole;

(vii) an order is made or a petition is presented for the winding-up or liquidation of the Company or any of its subsidiaries, or the Company or any of its subsidiaries makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its subsidiaries or anything analogous thereto occurs in respect of the Company or any of its subsidiaries;

(viii) any adverse change or development or involving an adverse change or prospective adverse change in the condition, business, financial or otherwise in the assets, liabilities, earnings, business affairs, management, business prospects or trading prospects, losses, shareholders' equity, results of operation of the Group, including any litigation, claim or arbitral proceedings of material importance being threatened or instigated against any member of the Group;

(ix) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under 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;

(x) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering or any of the reporting accountants, the property valuer, any of the counsel of the Company, or any other person has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its names included in the form and context in which it respectively appears;

(xi) there shall have developed, occurred, happened or come into effect any event or series of events, matters or circumstances concerning or relating to:

(a) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the United States, the PRC, the Cayman Islands, the European Union, the United Kingdom, Japan or any other jurisdictions considered by the Joint Global Coordinators to be relevant (collectively, the "**Relevant Jurisdictions**");

(b) any change or development, or any event or series of events likely to result in any change or development, or prospective change or development, in local, regional, national or international financial, political, legal, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States or a re-valuation of the Renminbi against any foreign currencies) in or affecting any of the Relevant Jurisdictions;

(c) any suspension or limitation in trading of any of the securities of the Company or any of its subsidiaries on any exchange or over-the-counter market or any major disruption or general moratorium in commercial banking or securities settlement, payment or clearing services or procedures in any of the Relevant Jurisdictions;

(d) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the London Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority;

(e) a change, or development occurs involving a prospective change, in taxation, exchange control (or the implementation of any exchange control) or currency exchange rates in any of the Relevant Jurisdictions;

(f) any event or a series of events, in the nature of force majeure, including but not limited to any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, earthquake, explosion, epidemic, outbreak of an infectious disease including but not limited to SARS and H5N1 and such related/mutated forms, terrorism (whether or not responsibility has been claimed), labour dispute, strike or lock-out and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis (whether or not covered by insurance) or political or social crisis involving or affecting any of the Relevant Jurisdictions;

(g) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus;

(h) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the Relevant Jurisdictions;

(i) 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;

(j) the chairman or chief executive officer of the Company vacating his or her office;

(k) any public, regulatory, tax, administrative or governmental, agency or authority or any securities exchange authority (including, without limitation, the Stock Exchange, the SFC and the United States Securities and Exchange Commission), other authority and any court at the national, provincial, municipal or local level or a political body or organisation in any Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;

(l) a contravention by any member of the Group of the Listing Rules or any applicable Laws;

(m) a prohibition on the Company for whatever reason from allotting the Shares (including the Over-allotment Shares) pursuant to the terms of the Global Offering;

(n) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(o) other than with the prior approval of the Joint Global Co-ordinators, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

which, individually or in the aggregate, in the sole and absolute opinion of Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) is, will or may be, materially adverse to or materially or prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of the Company or the Group or, in the case of sub-paragraph (e) above, to any present or prospective shareholder of the Company in his/its capacity as such;

(b) has or will have or may have a material adverse effect on the success of the Hong Kong Public Offer or the Global Offering or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in the Shares in the secondary market; or

(c) makes or will make it inadvisable, impracticable or inexpedient, to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus, or for any part of this Agreement or the Global Offering to be performed or implemented as envisaged, then the Joint Global Coordinators, in their absolute discretion, may, for themselves and on behalf of the Hong Kong Underwriters on or prior to 8:00 a.m. on the Listing Date terminate this Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering or any issue of shares or securities in compliance with Rules 10.08 (1) to (4) of the Listing Rules, our Company will not, at any time within six months from the Listing Date (the "**First Six-month Period**"), allot or issue any Shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to issue such Shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date) or grant or agree to grant any options or rights over any Shares or other securities of the Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce the intention to do so, except pursuant to the Capitalisation Issue, the Global Offering (including the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he or she or it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(i) during the period commencing on the date of this prospectus up to the expiry of the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Locked-up Shares**"); or

(ii) during the six months immediate following the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Locked-up Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, at any time after the date of this prospectus and until the end of the Second Six-month Period, he or she or it will immediately inform us and the Stock Exchange of:

(i) any pledges or charges of any Shares or other securities of the Company beneficially owned by him or her or it 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, together with the number of securities so pledged or charged and the purpose for which such pledge or charge is to be created; and

(ii) any indication received by he or she or it, either verbal or written, from the pledgee or chargee that any Shares or other securities of the Company pledged or charged that such Shares or other securities of the Company so pledged or charged will be disposed of.

Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Global Coordinators and the Hong Kong Underwriters, and the Controlling Shareholders have agreed to procure that, except pursuant to the Capitalisation Issue and the Global Offering (including pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules.

(i) at any time after the date of the Hong Kong Underwriting Agreement up to the expiry date of the First Six-month Period:

  (a) offer, pledge, charge, allot, issue, sell, accept subscription for, offer or contract or agree to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to sell or grant any option, right or warrant to purchase or subscribe for, lend, mortgage, charge, pledge, hypothecate, hedge or otherwise transfer or dispose of or create any encumbrance or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or other securities of our Company or its subsidiaries or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such capital or securities or any interest therein); or

(b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any such share capital or securities or any interest therein; or

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

(d) publicly disclose that our Company will or may enter into any such transaction described in paragraphs (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event of the Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), the Company shall take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

(ii) enter into any of the foregoing transactions in paragraphs (a), (b) and (c) above, or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company during the Second Six-Month Period.

Undertakings by Our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us, the Joint Global Coordinators and the Hong Kong Underwriters that, except pursuant to the stock borrowing arrangement that may be entered into with the stabilizing manager or any of its affiliates or any person acting for it, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(i) during the First Six-Month Period:

(a) he, she or it will not offer, pledge, charge, sell, offer or contract or agree to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to sell or grant any option, right or warrant to purchase or subscribe for, mortgage, charge, pledge, hypothecate, hedge, lend 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 of our share capital or other securities of our Company or its subsidiaries or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by the Controlling Shareholders (including holding as a custodian) or with respect to which any of the Controlling Shareholders has beneficial ownership; or

(b) he, she or it will not enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any such capital or securities or any interest therein; or

(c) he, she or it will not enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) he, she or it will not publicly disclose that he, she or it will or may enter into any transaction described in (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such capital or securities, in cash or otherwise and whether or not the issue of capital or such other securities will be completed within the aforesaid period; and

(ii) during the Second Six-Month Period, he, she or it will not enter into any of the foregoing transactions in paragraphs (i)(a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, any Controlling Shareholder will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and

(iii) until the expiry of the Second Six-Month Period, in the event that he, she or it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he, she or it will take all reasonable steps to ensure that he, she or it will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Joint Global Coordinators that, if at any time after the date of the Hong Kong Underwriting Agreement and until the end of the Second Six-month Period, he, she or it shall:

(a) if and when he, she or it pledges or charges any securities or interests in our Company beneficially owned by either of them, immediately inform us and the Joint Global Coordinators in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) if and when he, she or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in our securities will be disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indications.

Our Company agrees and undertakes that upon receiving such information in writing from any of the Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of announcement in accordance with the Listing Rules.

International Offering

In connection with the International Offering, it is expected that we and the Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offering Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

Our Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 22 December 2010, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer, to require our Company to allot and issue, up to an aggregate of 37,500,000 additional Shares, together representing 15% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other purposes, cover over-allocations in the International Offering, if any.

Underwriting commission and expenses

Under the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive a gross underwriting commission of 3% on the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer, out of which they will pay any sub-underwriting commission. In addition, the Company may, at its sole discretion, pay the Joint Global Coordinators an additional aggregate incentive fee of up to 1% of the aggregate Offer Price for all the Offer Shares under the Global Offering, including any Offer Shares issued pursuant to the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$2.35 per Share (being the mid-point of the indicative Offer Price range of HK$2.00 to HK$2.70 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by our Company are estimated to amount to approximately HK$62 million in aggregate.

Indemnity

We have agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, and, if applicable, the stock borrowing arrangement that may be entered into between the stabilising manager or any of its affiliates or any person acting for it with Ally Good, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

In December 2009, a revolving loan facility up to an amount equivalent to approximately RMB157 million was granted by China Construction Bank Group with interest rate of 1.2% plus LIBOR. The final maturity date of the loan facility is 15 December 2010. Assuming a full drawn down of the loan facility, the aggregate amount due to China Construction Bank from the Group amounted to approximately 7.14% of the consolidated total assets of the Group as at 31 December 2009. The aggregate amount due to China Construction Bank from the Group constitutes a minimal percentage of the consolidated total assets of China Construction Bank, CCBI's ultimate holding company, as at 31 December 2009. In the circumstances, the materiality thresholds under Rules 3A.07(5) and 3A.07(6) of the Listing Rules have not been exceeded. Accordingly, CCBI has confirmed that it satisfies the independence criteria as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer which forms part of the Global Offering. CCBI and Deutsche Bank are appointed as the Joint Global Coordinators and Joint Bookrunners of the Global Offering.

The Global Offering initially consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offer of 25,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "Hong Kong Public Offer" below; and

(ii) the International Offering of 225,000,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) (a) in the United States with QIBs in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act; and (b) outside the United States in reliance on Regulation S.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption under the U.S. Securities Act, as well as to professional, institutional, corporate and other investors (excluding retail investors) anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdiction outside the United States 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. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional, corporate and other investors will be required to specify the number of Offer Shares under the International Offering 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 number of Offer Shares to be offered under the Hong Kong Public Offer and the International Offering respectively may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as set out in the paragraph headed "International Offering — Over-allotment Option" below.

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, on behalf of the Underwriters, agreeing on the Offer Price. Our Company, our Controlling Shareholders, the Joint Global Coordinators and the International Underwriters, among others, expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

HONG KONG PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Offering and (ii) the Hong Kong Public Offer as mentioned below and assuming no exercise of the Over-allotment Option, the number of the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the section below headed "Conditions of the Hong Kong Public Offer."

Conditions of the Hong Kong Public Offer

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offer will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements (unless and to the extent such conditions are validly waived on or before such dates and times by the Joint Global Coordinators for and on behalf of the Underwriters) and in any event not later than 8:00 a.m. on the Listing Date, which is currently expected to be Wednesday, 1 December 2010.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company by Monday, 29 November 2010, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Offering is conditional upon, among other things, the other offering 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 lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website at http://www.dmssc.net on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 30 November 2010 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 1 December 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer — Grounds for termination" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offer (after taking into account of any reallocation referred to below) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong 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 price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong 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 price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee 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 Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for 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 and may only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Offering is subject to adjustment. If the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offer 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 the Hong Kong Offer Shares initially available under the Hong Kong Public Offer, then the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 75,000,000 Offer Shares (in the case of (i)), 100,000,000 Offer Shares (in the case of (ii)) and 125,000,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate. In addition, in certain prescribed circumstances, the Joint Global Coordinators may, at its sole and absolute discretion, reallocate such number of International Offering Shares as it deems appropriate from the International Offering to the Hong Kong Public Offer to satisfy in whole or in part the excess demand in the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportion as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Shares under Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK$2.70 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price Determination of the Global Offering" below, is less than the maximum price of HK$2.70 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Offering will be 225,000,000 Offer Shares (subject to reallocation and the Over-allotment Option), representing approximately 90% of the total number of the Offer Shares initially available under the Global Offering. The International Offering is subject to, among other things, the Hong Kong Public Offer being unconditional. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offer, before taking into account any exercise of the Over-allotment Option, the International Offer Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, as well as to professional, institutional, corporate and other investors (excluding retail investors) anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States 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 Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in the paragraph headed "Price Determination of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters that is exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the Listing Date up to and including the date which is the 30th day after the last date for lodging of Application Forms under the Hong Kong Public Offer, to require our Company to issue up to 37,500,000 Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 23 November 2010, and in any event on or before Monday, 29 November 2010, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK$2.70 per Share and is expected to be not less than HK$2.00 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with the consent of our

Company, reduce the number of the Offer Shares offered in 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 Offer. 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 day which is the last day for lodging applications under the Hong Kong Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at http://www.dmssc.net notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offer, are expected to be announced on Tuesday, 30 November 2010 in the manner set out in the section headed "How to apply for Hong Kong Offer Shares — Publication of Results" in this prospectus.

OVER-ALLOCATION AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

Deutsche Bank, its affiliates or any person acting for it, has been appointed by our Company as the stabilising manager ("Stabilising Manager") for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager may, to the extent permitted by applicable laws of Hong Kong or elsewhere over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on Wednesday, 22 December 2010, being the 30th day after the last day for lodging of applications under the Hong Kong Public Offer. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its respective affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offer. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be issued by our Company under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;

- liquidation of any such long position by the Stabilising Manager, its affiliates, or any person acting for it which may also take place during the stabilization period, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Wednesday, 22 December 2010, being the 30th day after the last date for lodging applications under the Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, Deutsche Bank, its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators at their discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, Deutsche Bank may borrow up to 37,500,000 Shares from Ally Good, equivalent to the maximum number of Shares to be issued by our Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 1 December 2010, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:30 a.m. on Wednesday, 1 December 2010.

1. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any 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;
- are not a United States Person (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of rule 902 of Regulation S; and
- are not a legal or natural person of the People's Republic of China (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with the company chop and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Joint Bookrunners (or their agents or nominees) may accept it at our or their discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Bookrunners or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents and nominees have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing legal and beneficial owners of Shares, our Directors or chief executive officer, the directors or chief executive officer of any of our subsidiaries, or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for International Offer Shares under the International Offering, but may not do both.

2. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three channels to make an application for Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the "**White Form eIPO**" service; or (iii) **electronically instruct** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **WHITE FORM eIPO** service or by giving **electronic application instructions** to HKSCC.

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** if you want the Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Your attention is also drawn to the section headed "Further Terms and Conditions of Hong Kong Public Offer" of this prospectus.

3. WHERE TO COLLECT THE PROSPECTUS AND THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during the following times from:

Wednesday, 17 November 2010 — 9:00 a.m. to 5:00 p.m.
Thursday, 18 November 2010 — 9:00 a.m. to 5:00 p.m.
Friday, 19 November 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 20 November 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 22 November 2010 — 9:00 a.m. to 12:00 noon

(1) Any of the following addresses of the Hong Kong Underwriters

CCBI	34/F Two Pacific Place, 88 Queensway, Admiralty, Hong Kong
Deutsche Bank	48/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
ABCI Securities Company Limited	13th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong
First Shanghai Securities Limited	19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Shenyin Wanguo Capital (H.K.) Limited	28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong
Haitong International Securities Company Limited	25/F New World Tower, 16-18 Queen's Road Central, Hong Kong

(2) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

Hong Kong Island	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay

	Aberdeen Branch	Shop 4A, G/F, Aberdeen Centre Site 5, No.6 Nam Ning Street, Aberdeen
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Mei Foo Manhattan	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
New Territories	Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

(3) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch

Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	King's Road Sub-Branch	67-71 King's Road
	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road
	Kennedy Town Sub-Branch	G/F., 113-119 Belcher's Street

Kowloon	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road
	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road
New Territories	Kwai Chung Sub-Branch	G/F., 93-99 Tai Loong Street
	Shatin Sub-Branch	Shop No.193, Level 3, Lucky Plaza
	Tiu Keng Leng Sub-branch	Unit L2-064 & 065, Metro Town Shopping Mall, 8 King Ling Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 17 November 2010 until 12:00 noon on Monday, 22 November 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

4. HOW TO APPLY BY USING THE WHITE OR YELLOW APPLICATION FORM

Obtain an Application Form as described in the section headed "Where to Collect the Prospectus and the Application Forms" above.

Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form. Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order and made payable to "Horsford Nominees Limited — Da Ming International Public Offer". You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in the section headed "Members of the Public — Time for Applying for Hong Kong Offer Shares" below.

In order for the **YELLOW** Application Forms to be valid, you, as an applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form.

Only written signatures will be accepted:

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. Failure to provide the account number(s) or other identification code(s) for the beneficial owner(s) will result in the application being deemed to be submitted for the benefit of the nominee(s) in question.

If your application is made through a duly authorised attorney, we and the Joint Bookrunners, (or their agents or nominees) may accept it at our or their discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of your attorney. We and the Joint Bookrunners (or its agents or nominees) will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

5. HOW TO APPLY THROUGH WHITE FORM eIPO

General

If you are an individual and meet the criteria set out in paragraph above entitled "1. Who can apply for Hong Kong Offer Shares", you may apply through **White Form eIPO** service by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** service, the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorised the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

You should give **electronic application instructions** through the **White Form eIPO** service at the times set out in "9. Members of the Public — Time for Applying for Hong Kong Offer Share" below.

You should make payment for your application made by the **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 22 November 2010, or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" below, the **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

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 "DA MING INTERNATIONAL HOLDINGS LIMITED" **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your application through the **White Form eIPO** service (www.eipo.com.hk), you are advised not to wait until the last day for lodging applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the White Form eIPO service (www.eipo.com.hk), you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph entitled "How Many Applications You May Make" by means of **White Form eIPO** under this section.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with 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 **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).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above 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, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

Minimum Subscription 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** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** 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.

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 each such instruction is given will be treated as an applicant.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance).

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by us and our Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 22 November 2010, or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" below.

7. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares if, and only if:

You are a nominee, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

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 such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications or suspected multiple applications are liable to be rejected.

All of your applications under the Hong Kong Public Offering (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicants together or any of your joint applicants:

- make more than one application whether individually or jointly with others on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service;

- apply both (whether individual or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** service provider via the **White Form eIPO** service (www.eipo.com.hk);

- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service to apply for more than 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Offer Shares under the International Offering.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider 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** more than once and obtaining different application 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 by giving **electronic application instructions** to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you are suspected of having made multiple applications or if more than one applications is made for your benefit, the number of Hong Kong Offer Shares applied for the by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of 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.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through White Form eIPO service (www.eipo.com.hk) 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; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK$2.70 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Shares you will pay HK$5,454.43. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Shares up to 12,500,000 Shares. Your application must be for a minimum of 2,000 Shares. Applications must be in one of the numbers set forth in the tables in the Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form) or this prospectus. If the Offer Price as finally determined is less than the maximum Offer Price, appropriate refund payments (including brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest.

Details of the procedure for refund are set out below in "13. Refund of Application Monies".

If your application is successful, brokerage is paid to participants of the Stock Exchange, 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).

9. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, together with a cheque attached and marked payable to "Horsford Nominees Limited — Da Ming International Public Offer" for the payment, must be lodged by 12:00 noon on Monday, 22 November 2010, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed Application Form, together with a cheque attached and marked payable to "Horsford Nominees Limited — Da Ming International Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch listed under the section headed "3. Where to Collect the Prospectus and the Application Forms" above at the following times:

Wednesday, 17 November 2010 — 9:00 a.m. to 5:00 p.m.
Thursday, 18 November 2010 — 9:00 a.m. to 5:00 p.m.
Friday, 19 November 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 20 November 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 22 November 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 22 November 2010, or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" below. No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Wednesday, 17 November 2010 until 11:30 a.m. on Monday, 22 November 2010 or such later time as described under the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" under this section below

(24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 22 November 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "10. Effect of Bad Weather on the Opening of the Applications Lists" below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the 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 lodging applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 22 November 2010, or such later time as described under the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" below, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

Time for Inputting Electronic application instructions

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing/Custodian Participants to give **electronic application instructions** to HKSCC via CCASS terminals to apply for Hong Kong Offer Shares on their behalf.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 17 November 2010 — 9:00 a.m. to 8:30 p.m.(1)
Thursday, 18 November 2010 — 8:00 a.m. to 8:30 p.m.(1)
Friday, 19 November 2010 — 8:00 a.m. to 8:30 p.m.(1)
Saturday, 20 November 2010 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 22 November 2010 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 17 November 2010 until 12:00 noon on Monday, 22 November 2010 (24 hours daily, except the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 22 November 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" below.

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 anytime between 9:00 a.m. and 12:00 noon on Monday, 22 November 2010. Instead the last application day will be postponed and the application lists 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.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

11. PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indication of interest in the International Offering, the level of indication of interest in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 30 November 2010 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our Company's website at www.dmssc.net and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offer can be found in our announcement to be posted on our Company's website at http://www.dmssc.net and the website of the Stock Exchange at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, 30 November 2010.

- Results of allocations for the Hong Kong Public Offer will be available from our designated results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Tuesday, 30 November 2010 to 12:00 midnight on Monday, 6 December 2010. Search by ID function will be available on our Hong Kong Public Offer results of allocations website at www.iporesults.com.hk, or via a hyperlink from our website at http://www.dmssc.net to our Hong Kong Public Offer results of allocations website at www.iporesults.com.hk. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 30 November 2010 to Friday, 3 December 2010;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, 30 November 2010 to Thursday, 2 December 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "3. Where to Collect the Prospectus and the Application Forms" above.

12. DESPATCH/COLLECTION OF SHARE CERTIFICATES

If your application for Hong Kong Offer Shares is successful in whole or in part, only, or if the Offer Price as finally determined is less than the offer price of HK$2.70 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, 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. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving **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.

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 1 December 2010 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination" in this prospectus has not been exercised.

Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

For further information on arrangements for the despatch/collection of share certificates, see "Further Terms and Conditions of Hong Kong Public Offer — 7. If Your Application for Hong Kong Offer Shares is Successful (in whole or in part)".

13. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of e-Refund payment instructions/refund cheques will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$2.70 per Offer Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% attributable to the surplus application monies will be made to successful applicants, without interest.

All such interest accrued prior to the date of despatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Joint Bookrunners, cheques for applications for certain small denominations of Hong Kong Offer Shares on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be on Tuesday, 30 November 2010.

For further information on arrangements for the refund of application monies, see "Further Terms and Conditions of Hong Kong Public Offer — 8. Refund of Application Monies".

14. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Wednesday, 1 December 2010. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1090.

15. 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 Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor 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.

1. GENERAL

(a) If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offer, you will be agreeing with our Company, the Joint Sponsors and the Joint Bookrunners (for themselves and on behalf of the Underwriters) as set out below.

(b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorised the **White Form eIPO** Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In this section, references to "you," "applicants," "joint applicants" and other like references shall, if the context so permits, include references to making applications electronically by submitting an application to the **White Form eIPO** Service Provider through the designated website for the **White Form eIPO** service and both nominees and principals on whose behalf HKSCC Nominees is applying for the Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC prior to making any application for the Hong Kong Offer Shares.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

(a) You offer to purchase from our Company at the Offer Price the number of the Hong Kong Offer Shares indicated in your application (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable thereto), is expected to be sent to you by ordinary post at your own risk to the address stated on your Application Form on or before Tuesday, 30 November 2010. Details of the procedure for refunds relating to the Hong Kong Public Offer methods are contained below in "7. If Your Application for Hong Kong Offer Shares is Successful (in Whole or in Part)", "8. Refund of Application Monies" and "9. Additional Information for Applicants Applying by Giving Electronic Application Instructions to HKSCC or White Form eIPO Service Provider."

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance)) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

3. ACCEPTANCE OF YOUR OFFER

(a) The Hong Kong Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offer and the basis of allocations of the Hong Kong Offer Shares on Tuesday, 30 November 2010. See “How to Apply for Hong Kong Offer Shares — 11. Publication of Results”.

(b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of the Hong Kong Offer Shares successfully applied for, will be made available on Tuesday, 30 November 2010, in the manner described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results”.

(c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” of this prospectus.

(e) 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.

4. EFFECT OF MAKING ANY APPLICATION

(a) By completing and submitting any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

i. instruct and authorise our Company and the Joint Bookrunners (as an agent of our Company) or their respective agents or nominees, to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name(s) or HKSCC Nominees, as the case may be, as required by our Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

ii. undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;

iii. represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);

iv. confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information and representations concerning our Company save as set out in any supplement to this prospectus;

v. agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;

vi. (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider under the **White Form eIPO** service;

vii. (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

viii. (if you are an agent for another person) warrant reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent;

ix. agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by our Company;

x. undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, taken up or indicated an interest in or received or been allotted or allocated (including conditionally and/or provisionally), and will not apply for, take up or indicate an interest for any Offer Shares under the International Offering nor otherwise participate in the International Offering;

xi. warrant the truth and accuracy of the information contained in your application;

xii. represent and warrant that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph h(3) of Rule 902 of Regulation S;

xiii. agree to disclose to our Company, and/or the Joint Global Coordinators, the Joint Sponsors, the Underwriters, the Hong Kong Share Registrar, receiving banks, the Joint Bookrunners, the Joint Lead Managers and/or their respective advisors and agents any information which they require about you or the person(s) for whose benefit you have made the application;

xiv. agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

xv. undertake and agree to accept the Shares applied for, or any lesser number allocated to you under the application;

xvi. authorise our Company to place your name(s) or HKSCC Nominees, as the case may be, on the Company's register of members as the holder(s) in Hong Kong of any Hong Kong Offer Shares allocated to you, and our Company and/or the Company's agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post to the address stated on your Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form that your wish to collect your refund cheque and share certificates (where applicable) in person);

xvii. agree that the processing of your application, may be done by any of our Company's receiving bankers and is not restricted to the bank at which your Application Form is lodged;

xviii. confirm that you have read the terms and conditions and application procedures set out in the prospectus and the Application Form and agree to be bound by them;

xix. understand that these declarations and representations will be relied upon by our Company, the Joint Sponsors and the Joint Bookrunners in deciding whether or not to allocate any Offer Shares in response to your application;

xx. (if the laws of any place outside Hong Kong are applicable to your application) agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

xxi. agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each Shareholder) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Islands Companies Law and the Articles of Association;

xxii. agree with our Company and each Shareholder of, and our Company agrees with each of the Shareholders, to observe and comply with the Companies Law, the Companies Ordinance and the Articles of Association;

xxiii. agree with the Company and each Shareholder that the Shares in our Company are freely transferable by the holders thereof;

xxiv. agree that our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, other parties involved in the Global Offering or any of their respective directors, officers, employees, partners, agents or advisors are or will be liable only for the information and representations contained in this prospectus and any supplement thereto; and

xxv. agree to disclose to our Company, the Company's Hong Kong Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Bookrunners and their respective advisors and agents any personal data and any other information which they require about you or the person(s) for whose benefit you have made the application.

(b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee agree that:

i. the Hong Kong Offer Shares to be allocated to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant;

ii. each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your (or, if you are a joint applicant, to the first-named applicants) name and in such a case, to post the certificate(s) for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

iii. each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;

iv. neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

v. neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

i. 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;

ii. instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the Offer Price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

iii. (where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares) HKSCC Nominees is only acting as nominee for the applicants and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus. In addition to the confirmations and agreements set out in paragraph (a) above, you have instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** Application Form, and the following:

a. agree that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on your behalf or for your CCASS Investor Participant stock account;

b. undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

c. (if the electronic application instructions are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

d. (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the benefit of that other person and that you are duly authorised to give those instructions as that other person's agent;

e. understand that the above declaration will be relied upon by our Company, the Directors, the Joint Sponsors and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

f. authorise our Company to place the name of HKSCC Nominees on the Hong Kong register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of your **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

g. confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them; and are aware of the restrictions on the Hong Kong Public Offer described in this prospectus;

h. confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your broker or custodian to give **electronic application instructions** on your behalf;

i. agree (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

j. agree that any application made by HKSCC Nominees on behalf of you pursuant to the **electronic application instructions** given by you is irrevocable before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

k. agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;

l. agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and

m. agree with our Company, for itself and for the benefit of each of the Shareholders of our Company (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders of the Company, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and our Memorandum and Articles of Association.

(d) Our Company, the Joint Sponsors, the Joint Bookrunners, the Underwriters and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.

(e) In the event of this application being made by joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

5. MULTIPLE APPLICATIONS

(a) It will be a term and condition of all applications that by completing and delivering an Application Form, you:

i. (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider under the **White Form eIPO** service;

ii. (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application; and

iii. (if you are an agent for another person) warrant reasonable enquires have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent.

(b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together:

i. make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk);

ii. both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk);

iii. apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk) for more than 12,500,000 Shares, being the maximum number of Hong Kong Offer Shares initially comprised in pool B in the Hong Kong Public Offer; or

iv. have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Shares under the International Offering.

(c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions** or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk)). If an application is made by an unlisted company and

i. the principal business of that company is dealing in securities; and

ii. you exercise statutory control over that company,

then the application will be treated as being made 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; or
- control more than half of the voting power of that company; or

- hold more than half of the issued share capital of that 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).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you or your application is liable to be rejected:

(a) If your application is revoked

By completing and submitting an Application Form or **electronic application instruction** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, 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 opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly or to the **White Form eIPO** Service Provider via the **White Form eIPO** service. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus.

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 Saturday, Sunday or public holiday in Hong Kong)), if a person responsible for this prospectus under section 40 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

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 publication 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.

(b) If our Company, the Joint Global Coordinators or the **White Form eIPO** Service Provider (where applicable) or their respective agents exercise their discretion to reject your application.

Our Company, the Joint Global Coordinators and the **White Form eIPO** Service Provider or their respective agents have full discretion to reject or accept any application, or to accept only part of any application without having to give any reasons for any rejection or acceptance.

(c) If the allotment of Hong Kong Offer Shares is void.

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

i. within three weeks from the closing of the application lists; or

ii. within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If you make applications under the Hong Kong Public Offer as well as the International Offering:

By filing in any of the Application Forms or giving application instructions to HKSCC electronically or to the **White Form eIPO** Service Provider under the **White Form eIPO** service, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offer from Investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer.

(e) In the following circumstances

i. you make multiple applications or suspected multiple applications;

ii. the application for Shares in not one of the numbers set out in the table in the Application Form;

iii. your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

iv. your payment is not made correctly;

v. you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;

vi. 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 allotted (including conditionally and/or provisionally) Hong Kong Offer Shares and/or Offer Shares in the International Offering. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider under the **White Form eIPO** service, you agree not to apply for Hong Kong Offer Shares as well as the Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;

vii. our Company and the Joint Bookrunners believe that by accepting your application they would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and signed;

viii. your application is for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription;

ix. the Underwriting Agreements do not become unconditional; or

x. the Underwriting Agreements are terminated in accordance with their respective terms.

7. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

The Company will not issue temporary documents of title. No receipt will be issued for sums paid on application.

You will receive one share certificate for all of the Hong Kong Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS, in which case share certificates will be deposited directly into CCASS).

Share certificates will only become valid certificates of title at around 8:00 a.m. on Tuesday, 30 November 2010, provided that the Hong Kong Public Offer has become

unconditional in all respects and the right of termination described in the paragraph headed "Hong Kong Public Offer — Grounds for termination" under the section in the prospectus entitled "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(a) If you apply using a WHITE Application Form

If you have applied for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your share certificate(s) from Computershare Hong Kong Investor Services Limited (where applicable) and have provided all information required by your Application Form, you may collect them in person from 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, 30 November 2010 or such other place and date as notified by our Company in the newspapers as the place and date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. You must produce evidence of identity (which must be acceptable to Computershare Hong Kong Investor Services Limited) to collect each share certificate. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Such authorised representatives must produce at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your share certificate(s) (where applicable) personally within the time specified for collection, they will be despatched promptly to you by ordinary post to the address as specified in the Application Form at your own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or if you have applied for 1,000,000 or more Hong Kong Offer Shares but have not indicated on your Application Form that you wish to collect your share certificate(s) in person, then your share certificate(s) will be sent to the address on the Application Form on or around Tuesday, 30 November 2010, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for Hong Kong Offer Shares 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 directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in the Application Form on Tuesday, 30 November 2010 or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form, for the Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Company expects to announce the results of the CCASS Investor Participants applications, together with the results of the Hong Kong Public Offer in the manner described in "How to Apply for Hong Kong Offer Shares — 11. Publication of results". You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 30 November 2010 or and other date as shall be determined by HKSCC or HKSCC Nominees.

Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance 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). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (if any) in person, you should follow the same procedure as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or more and have not indicated on the Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be despatched promptly to you by ordinary post to the address as specified in the Application Form at your own risk.

(c) If you apply through White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an **White Form eIPO** instruction to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) (where relevant) in person from 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, 30 November 2010, or such other dates as notified by our Company in the newspapers as the date of despatch/collection of share certificate(s)/e-Refund payment instructions/refund cheque(s).

If you do not collect your share certificate(s) in person within the time specified for collection, it/they will be despatched promptly to you by ordinary post to the address as specified in the application instructions to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where relevant) will be despatched promptly to you by ordinary post to the address as specified in the application instructions to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the Final Offer Price being less than the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be despatched to the application payment account on or around Refund Date.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the Final Offer Price being less than the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Refund Date, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application monies underpaid or applications rejected by the **White Form eIPO** Service Provider set out below in "— 9. Additional Information for Applicants Applying by Giving Electronic Application Instructions to HKSCC or White Form eIPO Service Provider."

8. REFUND OF APPLICATION MONIES

If your application is unsuccessful (in whole), or if you do not receive any Hong Kong Offer Shares for any of the reasons set out under the paragraph headed "— 6. Circumstances in which You Will Not be Allotted Hong Kong Offer Shares" of this section of this prospectus, the Company will refund to you your application monies, including the related brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, the Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% without interest.

If the Offer Price as finally determined is less than the initial Offer Price per Share (excluding brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% thereon) paid on application, the Company will refund to you the surplus application monies, together with the related brokerage of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% without interest. All such interest accrued on such monies prior to the date of despatch of refund cheques will be retained for the benefit of the Company. In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Joint Bookrunners, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund cheques will be crossed "Account Payee Only" and made out to you, or, if you are joint applicants, to the first named applicant on your Application Form. Part of your Hong Kong identity card number/passport number (or, in the case of joint applicants part of the Hong Kong identity card number/passport number of the first-named applicant) provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verifications for your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment or may invalidate, your refund cheque.

If you have applied for 1,000,000 Hong Kong Offer Shares under **WHITE** or **YELLOW** Application Form or above and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect if from:

Computershare Hong Kong Investor Services Limited
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, 30 November 2010 or any other place and date notified by the Company in the newspaper as the place and date of despatch of e-Refund payment instruction/refund cheque(s).

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. You must produce evidence of identity (which must be acceptable to Computershare Hong Kong Investor Services Limited) for collection of your refund cheque. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from such corporation stamped with your corporation's chop. Such authorised representatives must produce at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your refund cheque(s) (where applicable) in person within the time specified for its collection, it will be despatched promptly to you by ordinary post to the address on this Application Form at your own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or you have applied for 1,000,000 Hong Kong Offer Shares or above but have not indicated on your **WHITE** or **YELLOW** Application Form that you will collect your refund cheque(s) (where applicable) personally, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or around Tuesday, 30 November 2010, by ordinary post and at your own risk.

It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC OR WHITE FORM eIPO SERVICE PROVIDER

(a) Allocation of 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 each such instructions is given will be treated as an applicant.

(b) Deposit of share certificates into CCASS and refund of application monies

i. No temporary document of title will be issued. No receipt will be issued for paid sums on application.

ii. If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or to your CCASS Investor Participant stock account on Tuesday, 30 November 2010, or, on such other date as shall be determined by HKSCC or HKSCC Nominees.

iii. Our Company expects to announce the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" on Tuesday, 30 November 2010.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 30 November 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

i. 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.

ii. 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, 30 November 2010. Immediately following the credit of public Offer Shares allotted to you and the amount 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.

iii. Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or a difference between the Offer Price and the Offer Price per Share initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 30 November 2010. No interest will be paid thereon.

(c) Additional information for applicants applying through White Form eIPO service

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in "8. Refund of Application Monies" shall be made pursuant to the arrangements described above in "7. If your application for Hong Kong Offer Shares is successful (in whole or in part) — (c) If you apply through White Form eIPO service."

10. PERSONAL DATA

This Personal Information Collection Statement informs the applicant for and holder of Hong Kong Offer Shares of the policies and practices of our Company and the Company's Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected, delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of the share certificate(s), and/or the despatch of e-Refund payment instructions/ refund cheque(s) to which you are entitled.

It is important that holders of securities inform us and the Company's Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purpose

The personal data of the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

i. processing of your application and e-Refund payment instructions/refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;

ii. enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;

iii. registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;

iv. maintaining or updating the registers of holders of securities of our Company;

v. conducting or assisting to conduct signature verifications, any other verification or exchange of information;

vi. establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;

vii. distributing communications from our Company and our subsidiaries;

viii. compiling statistical information and shareholder profiles;

ix. making disclosures as required by laws, rules or regulations;

x. disclosing identities of successful applicants by way of press announcement(s) or otherwise;

xi. disclosing relevant information to facilitate claims on entitlements; and

xii. any other incidental or associated purposes relating to the above and/ or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Company's Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

i. our Company or our appointed agents such as financial advisors and receiving bankers and overseas principal registrars;

ii. where applicants for securities request deposit into CCASS, to HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

iii. any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with the operation of their respective businesses;

iv. any regulatory or governmental bodies (including the Stock Exchange and the SFC); and

v. any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

(d) Access to and correction of personal data

The Personal Data (Privacy) Ordinance provides the holders of securities with rights to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Personal Data (Privacy) Ordinance, our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to us, at our registered address disclosed in the "Corporate Information" section in this prospectus or as notified from time to time in accordance with applicable law, for the attention of our joint company secretaries, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, you agree to all of the above.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

17 November 2010
The Directors
Da Ming International Holdings Limited

CCB International Capital Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We report on the financial information of Da Ming International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010, the balance sheets of the Company as at 31 December 2007, 2008 and 2009 and 30 June 2010, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of the Company and is set out in Sections I to II below for inclusion in Appendix I to the prospectus of the Company dated 17 November 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 14 February 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section I headed "Reorganisation" below, which was completed on 5 November 2010, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out in Note 1(b) of Section I below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

All companies comprising the Group during the Relevant Periods have adopted 31 December as their financial year end date.

No audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation other than the Reorganisation. The financial statements of other companies comprising the Group during the Relevant Periods for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section I.

The directors of the Company have prepared combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section I below.

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with the basis of presentation set out in Note 2 of Section I below and in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of the Prospectus and presented on the basis set out in Note 2 of Section I below, a true and fair view of the state of affairs of the Company as at 31 December 2007, 2008 and 2009 and 30 June 2010, and of the combined state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010, and of the Group's combined results and cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the "Stub Period Comparative Financial Information").

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2 of Section I below and the accounting policies set out in Note 3 of Section I below which are in conformity with HKFRSs.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the Prospectus and presented on the basis set out in Note 2 of Section I below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section I below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2007, 2008 and 2009 and 30 June 2010, and for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, presented on the basis set out in Note 2 below:

(a) Combined balance sheets

	Section I	As at 31 December			As at 30 June
	Note	2007	2008	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Land use rights	6	40,283	89,529	113,929	112,662
Property, plant and equipment	7	255,350	464,047	622,483	720,404
Investment property	8	—	10,033	9,578	9,351
Intangible assets	9	493	530	2,337	2,264
Deferred income tax assets	10	6,826	10,357	3,814	12,452
		302,952	574,496	752,141	857,133
Current assets					
Inventories	11	887,845	320,692	768,397	949,046
Trade receivables	12	85,184	97,400	107,911	145,379
Prepayments, deposits and other receivables	13	233,475	124,397	110,189	175,940
Restricted bank deposits	14	79,293	160,550	380,851	519,748
Cash and cash equivalents	15	60,431	153,903	79,168	107,024
		1,346,228	856,942	1,446,516	1,897,137
Total assets		1,649,180	1,431,438	2,198,657	2,754,270
EQUITY					
Equity attributable to equity holders of the Company	17	492,510	624,644	681,142	801,628
Non-controlling interest		7,530	7,297	7,176	23,385
Total equity		500,040	631,941	688,318	825,013

(a) Combined balance sheets (continued)

	Section I Note	As at 31 December 2007	2008	2009	As at 30 June 2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	20	—	—	—	70,000
Deferred government grants	21	13,755	13,300	15,773	15,553
Deferred income tax liabilities	10	345	930	930	918
		14,100	14,230	16,703	86,471
Current liabilities					
Trade payables	18	141,339	303,280	742,739	856,295
Accruals, advances from customers and other current liabilities	19	130,798	99,787	131,436	121,270
Amounts due to related parties	35(c)	3,489	49,745	179,008	227,493
Current income tax liabilities		—	—	46,399	23,392
Borrowings	20	859,414	332,000	393,187	613,269
Current portion of deferred government grants	21	—	455	867	1,067
		1,135,040	785,267	1,493,636	1,842,786
Total liabilities		1,149,140	799,497	1,510,339	1,929,257
Total equity and liabilities		1,649,180	1,431,438	2,198,657	2,754,270
Net current assets/(liabilities)		211,188	71,675	(47,120)	54,351
Total assets less current liabilities		514,140	646,171	705,021	911,484

(b) The Company's balance sheets

	Section I	As at 31 December			As at 30 June
	Note	2007	2008	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Current assets					
Amounts due from related parties		1	—	—	—
Total assets		1	—	—	—
EQUITY					
Share capital	16	1	1	1	1
Accumulated losses	17	(5,062)	(5,105)	(5,796)	(5,971)
Total equity		(5,061)	(5,104)	(5,795)	(5,970)
LIABILITIES					
Current liabilities					
Amounts due to other companies now comprising the Group		5,062	5,104	5,795	5,970
Total liabilities		5,062	5,104	5,795	5,970
Total equity and liabilities		1	—	—	—
Net current liabilities		(5,061)	(5,104)	(5,795)	(5,970)
Total assets less current liabilities		(5,061)	(5,104)	(5,795)	(5,970)

(c) Combined statements of comprehensive income

	Section I Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	22	9,034,622	7,976,837	6,447,357	2,894,031	4,072,830
Cost of sales	25	(8,899,275)	(7,877,242)	(6,067,830)	(2,765,947)	(3,891,310)
Gross profit		135,347	99,595	379,527	128,084	181,520
Other income, net	23	27,426	23,301	5,045	2,090	3,684
Other (losses)/gains, net	24	(1,913)	514	463	978	59
Distribution costs	25	(33,186)	(40,893)	(50,412)	(22,548)	(24,992)
Administrative expenses	25	(46,445)	(38,605)	(51,010)	(23,081)	(30,527)
Operating profit		81,229	43,912	283,613	85,523	129,744
Finance income		3,518	7,068	6,165	3,959	6,528
Finance costs		(52,724)	(63,118)	(26,556)	(12,109)	(24,961)
Finance costs, net	28	(49,206)	(56,050)	(20,391)	(8,150)	(18,433)
Profit/(loss) before income tax		32,023	(12,138)	263,222	77,373	111,311
Income tax expense	29	(1,982)	(688)	(59,845)	(16,368)	(24,229)
Profit/(loss) for the year/ period		30,041	(12,826)	203,377	61,005	87,082
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year/period		30,041	(12,826)	203,377	61,005	87,082
Profit/(loss)/total comprehensive income attributable to:						
Equity holders of the Company		30,238	(12,593)	203,498	60,970	86,460
Non-controlling interest		(197)	(233)	(121)	35	622
		30,041	(12,826)	203,377	61,005	87,082
Earnings per share for profit/(loss) attributable to equity holders of the Company — basic and diluted	31	N/A	N/A	N/A	N/A	N/A
Dividends	32	9,000	2,273	—	—	—

(d) Combined statements of changes in equity

	Section I Note	Equity attributable to the Company's equity holders (Note 17)	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2007		482,974	539	483,513
Comprehensive income				
Profit/(loss) for the year		30,238	(197)	30,041
Total comprehensive income		30,238	(197)	30,041
Transaction with owners				
Capital injection by equity holders of the Company	16	1	—	1
Capital injection by non-controlling shareholder		—	7,653	7,653
Liquidation of Other Operating Companies	17, 33(c)	(11,703)	(465)	(12,168)
Dividends	17, 32	(9,000)	—	(9,000)
Total transaction with owners		(20,702)	7,188	(13,514)
Balance at 31 December 2007		492,510	7,530	500,040
Comprehensive income				
Loss for the year		(12,593)	(233)	(12,826)
Total comprehensive income		(12,593)	(233)	(12,826)
Transaction with owners				
Capital injection by equity holders of the Company	17(a)	147,000	—	147,000
Dividends	17, 32	(2,273)	—	(2,273)
Total transaction with owners		144,727	—	144,727
Balance at 31 December 2008		624,644	7,297	631,941
Comprehensive income				
Profit for the year		203,498	(121)	203,377
Total comprehensive income		203,498	(121)	203,377
Transaction with owners				
Acquisition of equity interest in Jiangsu Daming by Fortune Express	17(a)	(147,000)	—	(147,000)
Total transaction with owners		(147,000)	—	(147,000)
Balance at 31 December 2009		681,142	7,176	688,318

	Section I Note	Equity attributable to the Company's equity holders (Note 17)	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*
Balance at 31 December 2009		681,142	7,176	688,318
Comprehensive income				
Profit for the period		86,460	622	87,082
Total comprehensive income		86,460	622	87,082
Transaction with owners				
Capital injection by equity holders of the Company	17(a)	34,026	—	34,026
Capital injection by non-controlling shareholder		—	15,587	15,587
Total transaction with owners		34,026	15,587	49,613
Balance at 30 June 2010		801,628	23,385	825,013
For the six months ended 30 June 2009 (unaudited)				
Balance at 31 December 2008		624,644	7,297	631,941
Comprehensive income				
Profit for the period		60,970	35	61,005
Total comprehensive income		60,970	35	61,005
Balance at 30 June 2009 (unaudited)		685,614	7,332	692,946

(e) Combined cash flow statements

	Section I Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating activities:						
Cash (used in)/generated from operations	33(a)	(223,332)	776,047	195,586	(21,851)	(58,989)
Interest received		3,518	7,068	6,165	2,704	3,422
Interest paid		(50,075)	(61,400)	(25,680)	(12,223)	(26,553)
Income tax (paid)/refund		(43,201)	(12,419)	2,785	—	(55,885)
Net cash (used in)/generated from operating activities		(313,090)	709,296	178,856	(31,370)	(138,005)
Investing activities:						
Purchase of land use rights	6	(30,282)	(270)	(26,455)	(326)	—
Purchase of property, plant and equipment		(124,351)	(164,748)	(200,122)	(81,986)	(117,929)
Cash received in relation to asset-based government grants	21	13,755	—	3,340	1,150	330
Proceeds from disposal of property, plant and equipment	33(b)	693	12	144	—	185
Purchases of intangible assets	9	(373)	(100)	(2,079)	—	(66)
Liquidation of Other Operating Companies	33(c)	(12,168)	—	—	—	—
Net cash used in investing activities		(152,726)	(165,106)	(225,172)	(81,162)	(117,480)
Financing activities:						
Cash injections from equity holders of the Company	16, 17	1	30,000	—	—	34,026
Payment for acquisition of equity interest in Jiangsu Daming		—	—	(68,282)	—	(78,718)
Proceeds from bank borrowings		1,204,439	970,990	746,703	325,062	735,989
Repayments of bank borrowings		(932,870)	(1,498,394)	(685,585)	(344,889)	(443,625)

	Section I Note	Year ended 31 December 2007	2008	2009	Six months ended 30 June 2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
(Repayment to)/proceeds from related parties, net		(10,970)	49,745	49,748	35,089	127,203
Capital injection by non-controlling shareholder		7,653	—	—	—	15,587
Decrease/(increase) in restricted bank balances pledged as security for current bank borrowings		86,386	—	(71,030)	—	(106,520)
Dividends paid	32	(9,000)	(2,273)	—	—	—
Net cash generated from/(used in) financing activities		345,639	(449,932)	(28,446)	15,262	283,942
(Decrease)/increase in cash and cash equivalents		(120,177)	94,258	(74,762)	(97,270)	28,457
Cash and cash equivalents at beginning of the year/period		183,526	60,431	153,903	153,903	79,168
Exchange (losses)/gains on cash and cash equivalents		(2,918)	(786)	27	(7)	(601)
Cash and cash equivalents at end of the year/period		60,431	153,903	79,168	56,626	107,024

NOTES TO THE FINANCIAL INFORMATION

1 General information of the Group and group reorganisation

(a) General information of the Group

The Company was incorporated in the Cayman Islands on 14 February 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KYI-1111, Cayman Islands. The Group is principally engaged in the processing, distribution and sale of stainless steel products (the "Listing Business").

Prior to the incorporation of the Company and the completion of the reorganisation as described in Note 1(b) below (the "Reorganisation"), the Listing Business were carried out by companies now comprising the Group and certain companies liquidated prior to the Listing (collectively the "Operating Companies"). The Operating Companies were collectively controlled by certain individuals (the "Controlling Shareholders") before the Reorganisation.

(b) Reorganisation

In preparing for the Listing, the following reorganisation activities were carried out:

(i) In July 2006, Allybest Investments Limited ("Allybest") was incorporated in the British Virgin Island, which was indirectly wholly owned by the Controlling Shareholders.

(ii) In November 2006, Fortune Express Industrial Limited ("Fortune Express"), a company wholly owned by the Controlling Shareholders, acquired 60% equity interests in Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming"), from Wuxi Daming Logistics Co., Ltd. ("Daming Logistics"), a company wholly owned by the Controlling Shareholders which engaged in business dissimilar to the Listing Business, at a cash consideration of approximately RMB70,972,000. The other 40% equity interests in Jiangsu Daming are held by Fortune Express before and after this transaction.

(iii) In December 2006, Jiangsu Daming acquired 60% equity interests in Wuhan Fortune Express Metal Products Co., Ltd. ("Wuhan Fortune") and Hangzhou Wanzhou Metal Products Co., Ltd. ("Hangzhou Wanzhou") at cash considerations of approximately RMB9,118,000 and RMB30,000,000, respectively, from Daming Logistics. The other 40% interests in Wuhan Fortune and Hangzhou Wanzhou are held by Fortune Express before and after these transactions.

(iv) In January 2007, Allybest acquired the entire equity interests in Fortune Express from the Controlling Shareholders at par. Thereafter, Fortune Express became a wholly owned subsidiary of Allybest.

(v) In October 2008, Daming Logistics injected cash, land use rights, property and investment property with amount of RMB30,000,0000, RMB50,000,000, RMB56,891,000 and RMB10,109,000, respectively, into Jiangsu Daming to acquire 25% of Jiangsu Daming's equity interests.

(vi) In November 2009, Fortune Express acquired 25% equity interests in Jiangsu Daming from Daming Logistics at cash consideration of RMB147,000,000. Thereafter, Jiangsu Daming become a wholly owned subsidiary of Fortune Express.

(vii) In June 2010, Mitsui Ventures Global Fund ("Mitsui") subscribed 2% equity interests in Allybest at a total consideration of USD5,000,000 (approximately RMB34,000,000).

(viii) Pursuant to an agreement dated 5 November 2010, the Company acquired the entire equity interests in Allybest by the allotment and issue of an aggregate of 100,000 shares of Hong Kong Dollars ("HKD") 0.10 each, all credited as fully paid as to 94,570 shares to Ally Good Group Limited ("Ally Good"), 980 shares to Mr. Yu, 980 shares to Ms. Li, 980 shares to Mr. Qian, 490 shares to Ms. Zhou and 2,000 shares to Mitsui and became the holding company of the companies now comprising the Group.

As at the date of this report, the Company has direct or indirect interests in following subsidiaries:

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Allybest (i)	British Virgin Island 10 July 2006	Limited liability company	USD20,000	100%	—	Investment holding, in BVI
Fortune Express (ii)	Hong Kong 14 July 2003	Limited liability company	HKD10,000	—	100%	Investment holding, in Hong Kong
Jiangsu Daming (iii)	Mainland China 21 June 2002	Limited liability company	USD40,000,000	—	100%	Processing, distribution and sales of stainless steel products, in the PRC
Hangzhou Wanzhou (iv)	Mainland China 8 December 2005	Limited liability company	USD16,000,000	—	100%	Processing, distribution and sales of stainless steel products, in the PRC

Company name	Country/ Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Wuhan Fortune (v)	Mainland China 28 September 2005	Limited liability company	USD3,000,000	—	100%	Processing, distribution and sales of stainless steel products, in the PRC
Tianjin Taigang Daming Metal Products Co., Ltd. ("Tianjin Taigang Daming") (vi)	Mainland China 15 February 2007	Limited liability company	USD36,500,000	—	91%	Processing, distribution and sales of stainless steel products, in the PRC
Daming Metals (Hong Kong) Company Limited ("Hong Kong Daming")(vii)	Hong Kong 30 November 2009	Limited liability company	USD2,000,000	—	100%	Purchase and sales of metal materials, in Hong Kong

(i) Allybest was not subject to statutory audit for the years ended 31 December 2007, 2008 and 2009 as there is no statutory requirements to issue audited financial statements.

(ii) The statutory financial statements of Fortune Express for the years ended 31 December 2007, 2008 and 2009 were audited by So & Ho Certified Public Accountants (Practising) Hong Kong.

(iii) The statutory financial statements of Jiangsu Daming for the years ended 31 December 2007 and 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The statutory financial statements for the year ended 31 December 2008 was audited by Jiangsu GongZheng CPAs Co., Ltd..

(iv) The statutory financial statements of Hangzhou Wanzhou for the years ended 31 December 2007 and 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The statutory financial statements for the year ended 31 December 2008 was audited by Jiangsu GongZheng CPAs Co., Ltd..

(v) The statutory financial statements of Wuhan Fortune for the years ended 31 December 2007 and 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The statutory financial statements for the year ended 31 December 2008 was audited by Jiangsu GongZheng CPAs Co., Ltd..

(vi) The statutory financial statements of Tianjin Taigang Daming for the period from 15 February 2007 (the date of incorporation) to 31 December 2007 and for the year ended 31 December 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The statutory financial statements for the year ended 31 December 2008 was audited by Jiangsu GongZheng CPAs Co., Ltd..

(vii) Hong Kong Daming was not required to prepare the audited financial statements for the year ended 31 December 2009 as it was newly incorporated on 30 November 2009.

During the Relevant Periods, the Group's business were carried out by the Operating Companies consist of companies now comprising the Group and certain companies which were liquidated prior to the Listing (the "Other Operating Companies"). The Other Operating Companies were principally engaged in the trading of stainless steel products by sourcing raw materials from third parties to companies now comprising the Group and selling of finished products to third party customers purchased from Jiangsu Daming. Their activities collectively formed an integral part of the Listing Business prior to their liquidation. The trading business of the Other Operating Companies was assumed by Jiangsu Daming after their liquidation.

As disclosed in Note 2 below, the financial information includes the financial statements of the Other Operating Companies as they formed an integral part of the Listing Business and were under common control of the Controlling Shareholders. Details of the Other Operating Companies were as follows:

Company name	Country/ Place and date of incorporation	Type of legal entity	Attributable equity interest to the Controlling Shareholders	Paid-up capital	Liquidation date	Principal activities and place of operation
Wuxi Daming Stainless Steel Co., Ltd. ("Wuxi Daming")	Mainland China 12 November 1998	Limited liability company	100%	RMB6,800,000	30 May 2007	Trading of stainless steel products, in the PRC
Hangzhou Daming Industrial Co., Ltd. ("Daming Shiye")	Mainland China 21 June 2005	Limited liability company	90%	RMB5,000,000	5 April 2007	Trading of stainless steel products, in the PRC
Jiangsu Daming Caigong Co., Ltd. ("Daming Caigong")	Mainland China 19 November 2007	Limited liability company	100%	RMB10,000,000	25 November 2008	Purchase and supply metal materials, in the PRC

For the year ended 31 December 2007, Wuxi Daming and Daming Shiye were not required to prepare the audited financial statements as they were liquidated on 30 May 2007 and 5 April 2007, respectively. For the year ended 31 December 2008, Daming Caigong was not required to prepare the audited financial statements as it was liquidated on 25 November 2008.

For the year ended 31 December 2007, the statutory financial statements of Daming Caigong was audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.

2 Basis of presentation

The Reorganisation represents business combinations involving entities under common control of the Controlling Shareholders. For the purpose of this report, the Reorganisation is considered as a business combination under common control in a manner similar to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. The financial information includes the combined financial position, results and cash flows of the companies now comprising the Group and the Other Operating Companies as if the existing group structure had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment or acquisition, whichever is the shorter period. The financial statements of the Other Operating Companies were included in the financial information throughout the Relevant Periods as they formed an integral part of the Listing Business and they were under common control of the Controlling Shareholders.

All significant intra-group transactions and balances have been eliminated upon combination.

Non-controlling interest represents the interest of entities other than equity holders of the Company in the operating results and net assets of the Group during the Relevant Periods.

3 Principal accounting policies

The principal accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied during the Relevant Periods. The Group has adopted HKFRSs that are effective for the accounting periods beginning on 1 January 2010 consistently throughout the Relevant Periods.

(a) Basis of preparation

The financial information has been prepared in accordance with HKFRSs issued by HKICPA and under the historical cost convention. The financial information is presented in thousands of units of Chinese Renminbi (RMB'000), unless otherwise stated.

The preparation of the financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5 of this section.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards and interpretations have been published but are not effective for the financial year beginning after 1 January 2010, and have not been early adopted. Below amendments and interpretations are not expected to have a material effect on the Group's operating results and financial position.

		Effective date — 'periods beginning on or after'
HKFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
HKAS 24 Revised	Related Party Disclosures	1 January 2011
HKAS 32 Amendment	Classification of Rights Issues	1 February 2010
HK (IFRIC) 14 Amendment	Prepayments of a Minimum Funding Requirement	1 January 2011
HK (IFRIC) 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1 July 2010

HKICPA's improvement to HKFRS published in May 2010

- ➢ HKFRS 3 (Revised), 'Business Combination'
- ➢ HKFRS 1, 'First-time Adoption of Hong Kong Financial Reporting Standards'
- ➢ HKFRS 7, 'Financial Instruments: Disclosures'

- HKAS 1, 'Presentation of Financial Statements'
- HKAS 27, 'Consolidated and Separate Financial Statements'
- HKAS 34, 'Interim Financial Reporting'
- HK(IFRIC) - Int 13, 'Customer Loyalty Programmes'

3.1 Consolidation and combination

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions that qualify as business combinations under common control, which are accounted for using merger accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined comprehensive income statements.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Business combinations under common control

The financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

The combined comprehensive income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial information are presented as if the entities or businesses had been combined at the earliest date presented or when they first came under common control, whichever is the later.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as expenses in the periods in which they are incurred.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management that makes strategic decisions.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The combined financial information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined comprehensive income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined comprehensive income statements within 'finance income or costs'. All other foreign exchange gains and losses are presented in the combined comprehensive income statements within 'other (losses)/gains - net'.

3.4 Land use rights

All land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods using the straight-line method.

The land use rights from capital contribution are recognised initially at fair value and amortised on a straight-line basis over the remaining periods of the lease.

3.5 Property, plant and equipment

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Property, plant and equipment from capital contribution are recognised initially at fair value, and are subsequently carried at depreciated cost less accumulated impairment.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined comprehensive income statements during the Relevant Periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual value over its estimated useful life, as follows:

Buildings	20 years
Plant and machinery	10 years
Vehicles	4 to 5 years
Office equipment and others	3 to 5 years
Leasehold improvements	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other (losses)/gains — net, in the combined comprehensive income statements.

3.6 Investment properties

The property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property from capital contribution is recognised initially at fair value. After initial recognition, investment property is carried at depreciated cost less accumulated impairment.

Fair value is determined and disclosed based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors. Changes in fair values are not recognised in the combined comprehensive income statements.

Depreciation of investment properties is calculated using the straight-line method to allocate cost to their residual value over their estimated useful lives of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the combined comprehensive income statements during the Relevant Periods in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Rental income from investment property is recognised in the combined comprehensive income statements on a straight-line basis over the term of the lease.

3.7 Intangible assets

Intangible assets mainly comprised computer software purchased, which are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised over their estimated useful lives (10 years).

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets — loan and receivables

The Group's financial assets are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'prepayments, deposits and other receivables', 'restricted bank deposits' and 'cash and cash equivalents' in the combined balance sheets.

Purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

3.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined comprehensive income statements within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the combined comprehensive income statements.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined comprehensive income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the combined comprehensive income statements in the period in which they are incurred.

3.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.18 Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of Hong Kong dollar 1,000 per person per month and any excess contributions are voluntary.

In accordance with the rules and regulations in the Mainland China, the Group has arranged for its employees from Mainland China to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 26(a) of this section. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's contributions to the defined contribution retirement benefit plans are expensed in the combined comprehensive income statements as incurred. The Group has no further payment obligations once the contributions have been paid.

3.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the combined comprehensive income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in liabilities as deferred government grants and are credited to the combined comprehensive income statements on a straight-line basis over the expected lives of the related assets.

3.21 Revenue recognition

(a) Sales

Sales comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Sales are shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sales of goods are recognised on the transfer of the significant risks and rewards of ownership, which generally coincides with the time when the Group has delivered goods to the customers and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Rental income

Rental income is recognised on a straight-line basis.

3.22 Operating leases (as a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined comprehensive income statements on a straight-line basis over the period of the lease.

3.23 Dividend distribution

Dividend distribution to equity holders of the Company is recognised as a liability in the Group's financial information in the period in which the dividends are approved by equity holders of the Company.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by various department within the Group like treasury and sales department, under policies approved by the board of directors. Periodic management information is summarised and report to the directors of the Group who will review the information and take action accordingly. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(i) Cash flow and fair value interest rate risk

Except for restricted bank balances and cash and cash equivalents, the Group has no interest-bearing assets.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. During the Relevant Periods, the Group has not used any financial instrument to hedge its exposure to interest rate risk.

Details of the Group's restricted bank balances, cash and cash equivalents, borrowings and amounts due to related parties have been disclosed in Notes 14, 15, 20 and 35 of this section, respectively.

As at 31 December 2007, 2008, 2009 and 30 June 2010, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, profit before income tax for the years/period would have been RMB2,509,000, RMB1,359,000, RMB898,000 and RMB1,196,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on bank borrowings.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted bank balances, cash and cash equivalents, trade receivables and other receivables, amounts due from a related party represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has policies to place its cash and cash equivalents only with major financial institutions, and limits the amount of credit exposure to any financial institution. As at 31 December 2007, 2008, 2009 and 30 June 2010, most of the restricted bank balances and cash and cash equivalents are placed with major financial institutions in Mainland China. Management does not expect any losses from non-performance by these counterparties.

The Group generally requires customers to pay a certain amount of deposit when orders are made and settle full purchase price before delivery of goods. Majority of the sales transactions are settled by T/T. The Group also accepts bank acceptance notes with maturity within 6 months, which are accepted and settled by bank.

For those key customers with long term relationship, on some occasions the Group offered credit terms up to 90 days. The granting or extension of any credit period must be appropriately approved. There is no recent history of default in relation to those customers.

(iii) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and adequate banking facilities.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances, as the impact of discounting is not significant.

As at 31 December 2007	**Within 1 year**	**Between 1 and 2 years**
	RMB'000	*RMB'000*
Borrowings	859,414	—
Amounts due to related parties	3,489	—
Interests payments on borrowings (a)	24,108	—
Trade and other payables (b)	176,132	—
	1,063,143	—

As at 31 December 2008	**Within 1 year**	**Between 1 and 2 years**
	RMB'000	*RMB'000*
Borrowings	332,000	—
Amounts due to a related party	49,745	—
Interests payments on borrowings (a)	8,947	—
Trade and other payables (b)	357,275	—
	747,967	—

As at 31 December 2009	Within 1 year	Between 1 and 2 years
	RMB'000	*RMB'000*
Borrowings	393,187	—
Amounts due to a related party	179,008	—
Interests payments on borrowings (a)	4,943	—
Trade and other payables (b)	794,093	—
	1,371,231	—

As at 30 June 2010	Within 1 year	Between 1 and 2 years
	RMB'000	*RMB'000*
Borrowings	613,269	70,000
Amounts due to a related party	227,493	—
Interests payments on borrowings (a)	11,631	1,160
Trade and other payables (b)	905,840	—
	1,758,233	71,160

(a) The interests on borrowings are calculated based on borrowings held as at 31 December 2007, 2008 and 2009 and 30 June 2010 without taking into account any subsequent changes in the amount of borrowings. Floating-rate interest is estimated using current interest rate as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

(b) Other payables include accruals and other payables as stated in Note 19.

(iv) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, restricted bank balances, cash and cash equivalents, trade payables and borrowings denominated in foreign currencies, mainly USD and EURO, which are exposed to foreign currency translation risk. Details of the Group's trade receivables, restricted bank balances, cash and cash equivalents, trade payables and borrowings are disclosed in Notes 12, 14, 15, 18 and 20 of this section respectively.

During the Relevant Periods, the Group has not hedged its foreign exchange risk because the exposure, after netting off the assets and liabilities subject to foreign exchange risk is not significant.

As at 31 December 2007, 2008, 2009 and 30 June 2010, if RMB had strengthened/ weakened by 5% against the USD with all other variables held constant, profit before income tax for the years/period would have been approximately RMB445,000 lower/higher, RMB414,000 lower/higher, RMB2,905,000 higher/lower and RMB7,430,000 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade receivables, cash and cash equivalents, trade payables and borrowings.

As at 31 December 2007, 2008, 2009 and 30 June 2010, if RMB had strengthened/ weakened by 10% against the EURO with all other variables held constant, profit before income tax for the years/period would have been approximately RMB3,000,000 higher/lower, RMB415,000 lower/higher, RMB496,000 higher/lower and RMB1,140,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of EURO-denominated restricted bank balances, cash and cash equivalents, trade payables and borrowings.

4.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank balances, trade and other receivables; and financial liabilities including trade and other payables, and borrowings, approximate their fair values due to their short maturities. The carrying values less any estimated credit adjustments for financial assets with a maturity of less than one year are a reasonable approximation of their fair values.

4.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

The Group monitors capital on the basis of the total liabilities-to-total assets ratio, and the acceptable ratio to the Group is equal to or below 0.70.The total liabilities-to-total assets ratios as at 31 December 2007, 2008, 2009 and 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	1,149,140	799,497	1,510,339	1,929,257
Total assets	1,649,180	1,431,438	2,198,657	2,754,270
Ratio	0.70	0.56	0.69	0.70

5 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The directors will increase the depreciation charge where useful lives are less than previously estimated lives, or they will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing : (i) whether an event has occurred that may indicated that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the combined comprehensive income statements.

(c) Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Income taxes and deferred income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

6 Land use rights — Group

The Group's interest in land use rights represents prepaid operating lease payment for land and its net book value was analysed as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening	10,675	40,283	89,529	113,929
Additions	30,282	270	26,455	—
Capital injection by the Company's equity holders (Note 33(d))	—	50,000	—	—
Amortisation charge (Note 33(a))	(674)	(1,024)	(2,055)	(1,267)
	40,283	89,529	113,929	112,662

The Group's land use rights are located in Mainland China and the remaining lease periods were between 48 years to 49 years, 42 years to 48 years, 41 years to 49 years and 40 years to 48 years respectively as at 31 December 2007, 2008, 2009 and 30 June 2010.

As at 31 December 2008 and 2009, the book value of land use rights pledged for the Group's bank borrowings amounted to approximately RMB10,239,000 and RMB10,020,000 respectively.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, amortisation of the Group's land use rights amounted to RMB674,000, RMB1,024,000, RMB2,055,000, RMB1,003,000 (unaudited) and RMB1,267,000 has been charged to cost of sales in the combined comprehensive income statements.

7 Property, plant and equipment — Group

	Buildings	Plant and machinery	Vehicles	Office equipment and others	Leasehold improvements	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007							
Cost	—	85,700	3,541	2,246	1,519	59,019	152,025
Accumulated depreciation	—	(16,384)	(966)	(627)	(516)	—	(18,493)
Net book amount	—	69,316	2,575	1,619	1,003	59,019	133,532
Year ended 31 December 2007							
Opening net book amount	—	69,316	2,575	1,619	1,003	59,019	133,532
Additions	210	13,943	1,385	4,300	—	116,897	136,735
Transfer	26,438	98,590	—	172	29	(125,229)	—
Disposals (Note 33(b))	—	(642)	—	(71)	—	—	(713)
Depreciation (Note 33(a))	(516)	(11,929)	(760)	(739)	(260)	—	(14,204)
Closing net book amount	26,132	169,278	3,200	5,281	772	50,687	255,350
At 31 December 2007							
Cost	26,648	197,472	4,926	6,611	1,548	50,687	287,892
Accumulated depreciation	(516)	(28,194)	(1,726)	(1,330)	(776)	—	(32,542)
Net book amount	26,132	169,278	3,200	5,281	772	50,687	255,350
Year ended 31 December 2008							
Opening net book amount	26,132	169,278	3,200	5,281	772	50,687	255,350
Additions	47	4,332	630	2,287	—	167,699	174,995
Reclassification	—	—	—	131	(131)	—	—
Capital injection by the Company's equity holders (Note 33(d))	56,891	—	—	—	—	—	56,891
Transfer	66,170	93,780	—	48	—	(159,998)	—
Disposals (Note 33(b))	—	—	—	(13)	—	—	(13)
Depreciation (Note 33(a))	(1,676)	(18,820)	(914)	(1,516)	(250)	—	(23,176)
Closing net book amount	147,564	248,570	2,916	6,218	391	58,388	464,047

	Buildings	Plant and machinery	Vehicles	Office equipment and others	Leasehold improvements	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008							
Cost	149,756	295,584	5,556	9,936	505	58,388	519,725
Accumulated depreciation	(2,192)	(47,014)	(2,640)	(3,718)	(114)	—	(55,678)
Net book amount	147,564	248,570	2,916	6,218	391	58,388	464,047
Year ended 31 December 2009							
Opening net book amount	147,564	248,570	2,916	6,218	391	58,388	464,047
Additions	17,473	7,253	320	2,642	44	172,635	200,367
Transfer	19,033	107,020	—	1,241	—	(127,294)	—
Disposals (Note 33(b))	(173)	—	—	(4)	—	—	(177)
Transfer to intangible assets	—	—	—	—	—	(1,899)	(1,899)
Depreciation (Note 33(a))	(7,313)	(29,572)	(849)	(2,069)	(52)	—	(39,855)
Closing net book amount	176,584	333,271	2,387	8,028	383	101,830	622,483
At 31 December 2009							
Cost	186,075	409,857	5,876	13,812	549	101,830	717,999
Accumulated depreciation	(9,491)	(76,586)	(3,489)	(5,784)	(166)	—	(95,516)
Net book amount	176,584	333,271	2,387	8,028	383	101,830	622,483
Six months ended 30 June 2010							
Opening net book amount	176,584	333,271	2,387	8,028	383	101,830	622,483
Additions	132	1,578	2,290	623	—	118,627	123,250
Transfer	11,431	13,443	—	808	—	(25,682)	—
Disposals (Note 33(b))	—	—	(133)	(63)	—	—	(196)
Depreciation (Note 33(a))	(4,323)	(18,961)	(514)	(1,308)	(27)	—	(25,133)
Closing net book amount	183,824	329,331	4,030	8,088	356	194,775	720,404
At 30 June 2010							
Cost	197,638	424,878	7,653	15,072	549	194,775	840,565
Accumulated depreciation	(13,814)	(95,547)	(3,623)	(6,984)	(193)	—	(120,161)
Net book amount	183,824	329,331	4,030	8,088	356	194,775	720,404

Depreciation expenses have been charged to the combined comprehensive income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales	11,198	19,412	33,885	15,940	21,660
Distribution costs	152	244	266	128	189
Administrative expenses	2,854	3,520	5,704	2,890	3,284
	14,204	23,176	39,855	18,958	25,133

As at 31 December 2008 and 2009, the book value of buildings pledged for the Group's bank borrowings amounted to approximately RMB17,996,000 and RMB17,127,000 respectively.

For the years ended 31 December 2007 and 2008, borrowing costs amounted to approximately RMB1,568,000 and RMB2,462,000 were capitalised into the cost of property, plant and equipment at an average borrowing rate of 6.50% and 4.92%, respectively (Note 28).

8 Investment property — Group

The investment properties are located in the PRC and the net book value is analysed as follows:

	Investment properties
	RMB'000
Year ended 31 December 2008	
Opening net book amount	—
Capital injection by the Company's equity holders (Note 33(d))	10,109
Depreciation (Note 33(a))	(76)
Closing net book amount	10,033
At 31 December 2008	
Cost	10,109
Accumulated depreciation	(76)
Net book amount	10,033
Year ended 31 December 2009	
Opening net book amount	10,033
Depreciation (Note 33(a))	(455)
Closing net book amount	9,578
At 31 December 2009	
Cost	10,109
Accumulated depreciation	(531)
Net book amount	9,578
Six months ended 30 June 2010	
Opening net book amount	9,578
Depreciation (Note 33(a))	(227)
Closing net book amount	9,351
At 30 June 2010	
Cost	10,109
Accumulated depreciation	(758)
Net book amount	9,351

For the years ended 31 December 2008, 2009 and the six months ended 30 June 2009 and 2010, the rental income arising from investment properties amounted to approximately nil, RMB500,000, RMB250,000 (unaudited) and RMB250,000 respectively (Note 23).

As at 31 December 2008, 2009 and 30 June 2010, the directors of the Company assessed the fair value of the investment properties to be approximately RMB12,489,000, RMB12,807,000 and RMB12,586,000 based on a valuation by an independent valuer.

9 Intangible assets — Group

Intangible assets represent computer software purchased. Movement was as follows:

	Year ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period				
Cost	203	576	676	2,755
Accumulated amortisation	(56)	(83)	(146)	(418)
Net book amount	147	493	530	2,337
Opening net book amount	147	493	530	2,337
Additions	373	100	2,079	66
Amortisation charge (Note 33(a))	(27)	(63)	(272)	(139)
Closing net book amount	493	530	2,337	2,264
At end of year/period				
Cost	576	676	2,755	2,821
Accumulated amortisation	(83)	(146)	(418)	(557)
Net book amount	493	530	2,337	2,264

For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, amortisation charges amounting to RMB27,000, RMB63,000, RMB272,000, RMB129,000(unaudited) and RMB139,000, were included in the administrative expenses of combined comprehensive income statements, respectively.

10 Deferred income tax — Group

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	397	850	822	4,448
- Deferred tax assets to be recovered within 12 months	6,429	9,507	2,992	8,004
	6,826	10,357	3,814	12,452
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	345	930	907	895
- Deferred tax liabilities to be recovered within 12 months	—	—	23	23
	345	930	930	918

Deferred income tax liabilities of the Group represent for the timing difference on capitalised interest. The movement in deferred income tax liabilities during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning balance of the year/period	—	345	930	930
Recognised in the combined comprehensive income statements	345	585	—	(12)
Ending balance of the year/period	345	930	930	918

The movement in deferred income tax assets during the Relevant Periods is as follows:

	Provision for write-down of inventories	Deferred income	Accrued expenses	Provision for impairment of trade receivables	Unrealised profit on inventories	Pre-operating expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	3,002	—	127	58	—	119	3,306
Recognised in the combined comprehensive income statements	1,175	—	1,998	69	—	278	3,520
At 31 December 2007	4,177	—	2,125	127	—	397	6,826
Recognised in the combined comprehensive income statements	4,815	—	(1,774)	37	—	453	3,531
At 31 December 2008	8,992	—	351	164	—	850	10,357
Recognised in the combined comprehensive income statements	(8,266)	835	248	(21)	315	346	(6,543)
At 31 December 2009	726	835	599	143	315	1,196	3,814
Recognised in the combined comprehensive income statements	5,052	3,093	822	74	(151)	(252)	8,638
At 30 June 2010	5,778	3,928	1,421	217	164	944	12,452

Withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in Mainland China are held by Fortune Express, a company incorporated in Hong Kong and is subject to 5% withholding tax. The Group is therefore liable to withholding taxes on dividends to distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2009 and 30 June 2010, no deferred income tax liabilities have been recognised for withholding tax purpose. Unremitted earnings of certain subsidiaries in Mainland China are expected to be permanently reinvested in Mainland China. Unremitted earnings amounted to nil, RMB164,452,000 and RMB239,854,000 as at 31 December 2008, 2009 and 30 June 2010, respectively.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group did not recognise deferred income tax assets of RMB234,000, RMB497,000 and RMB722,000 and RMB 376,000 in respect of accumulated losses amounting to RMB1,340,000, RMB2,838,000 and RMB4,125,000 and RMB2,149,000 that can be carried forward against future taxable income. These accumulated losses can be carried forward indefinitely.

11 Inventories — Group

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	575,262	142,840	475,537	563,546
Finished goods	312,583	177,852	292,860	385,500
	887,845	320,692	768,397	949,046

For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, the cost of inventories recognised as cost of sales amounted to approximately RMB8,822,653,000, RMB7,862,088,000, RMB6,075,037,000, RMB 2,791,686,000(unaudited) and RMB 3,865,791,000, respectively.

For the year ended 31 December 2008 and the six months ended 30 June 2010, the Group has recognised a loss of approximately RMB19,854,000 and RMB23,776,000 respectively for the write-down of inventories to their net realisable value. For the years ended 31 December 2007 and 2009 and the six months ended 30 June 2009, the Group has reversed provision for inventory write-down of approximately RMB6,806,000, RMB34,938,000 and RMB27,692,000 (unaudited), respectively as a result of subsequent sales of those inventories to third parties (Note 25). These amounts have been included in the cost of sales in the combined comprehensive income statements.

12 Trade receivables — Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable	62,682	67,121	80,249	112,235
Notes receivable				
- bank acceptance notes	14,532	24,947	21,251	28,055
- commercial acceptance notes	8,500	6,000	7,000	6,000
	85,714	98,068	108,500	146,290
Less: provision for impairment	(530)	(668)	(589)	(911)
Trade receivables-net	85,184	97,400	107,911	145,379

The Group's sales are mainly made on (i) cash on delivery; (ii) bank acceptance notes with maturity within 6 months; and (iii) credit terms of 1-90 days.

As at 31 December 2007, 2008, 2009 and 30 June 2010, the carrying amounts of trade receivables approximated their fair values.

Ageing analysis of trade receivables as at 31 December 2007, 2008, 2009 and 30 June 2010 was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable				
- within 30 days	48,882	64,509	68,580	98,169
- 30 days to 3 months	13,145	108	8,382	12,902
- 3 months to 6 months	205	1,525	1,516	22
- 6 months to 1 year	450	518	731	324
- 1 year to 2 years	—	461	693	27
- 2 years to 3 years	—	—	347	791
	62,682	67,121	80,249	112,235
Notes receivable				
- within 6 months	23,032	30,947	28,251	34,055
	85,714	98,068	108,500	146,290

As at 31 December 2007, 2008, 2009 and 30 June 2010, trade receivables of approximately RMB56,144,000, RMB43,269,000, RMB49,245,000 and RMB70,932,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables was as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable				
- within 30 days	42,546	41,572	39,044	57,518
- 30 days to 3 months	13,145	108	7,438	12,552
- 3 months to 6 months	205	1,525	1,516	22
- 6 months to 1 year	248	64	731	324
- 1 year to 2 years	—	—	516	—
- 2 years to 3 years	—	—	—	516
	56,144	43,269	49,245	70,932

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables denominated in:				
- RMB	83,379	93,521	106,931	143,462
- USD	2,335	4,547	1,569	2,828
	85,714	98,068	108,500	146,290

Movement of the provision for impairment of trade receivables is as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	471	530	668	589
Provision for/(reversal of) trade receivables	67	140	(71)	322
Written off as uncollectible	(8)	(2)	(8)	—
At end of year/period	530	668	589	911

The creation and reversal of provision for impaired receivables have been included in the administrative expenses. Amounts charged to allowance account are written off when there is no expectation of receiving additional cash.

The maximum exposure to the credit risk as at the balance sheet date is the fair values of the trade receivables.

13 Prepayments, deposits and other receivables — Group

The nature of prepayments, deposits and other receivables as at 31 December 2007, 2008, 2009 and 30 June 2010 was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for purchase of raw materials	182,121	90,419	59,688	120,381
Income tax recoverable	902	9,688	—	—
Value added tax recoverable	31,221	16,117	45,152	46,899
Deposits for custom duties	—	4,875	—	—
Tax credit from reinvestment	16,357	—	—	—
Amount due from a related party (Note 35(c))	—	—	500	750
Deposits and other receivables	2,874	3,298	4,849	7,910
	233,475	124,397	110,189	175,940

As at 31 December 2007, 2008, 2009 and 30 June 2010, the carrying amounts of deposits and other receivables approximated their fair values.

14 Restricted bank deposits — Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposits denominated in:				
- RMB	79,293	156,240	379,914	517,809
- EUR	—	4,310	937	1,939
	79,293	160,550	380,851	519,748

The nature of pledged bank deposits as at 31 December 2007, 2008, 2009 and 30 June 2010 was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits for issuing letter of credit	6,993	4,760	6,754	3,232
Deposits for issuing letter of indemnity	—	15,490	2,867	336
Deposits for pledged bank borrowings (Note 20)	—	—	71,030	177,550
Deposits for issuing notes payable (Note 18)	70,400	138,400	300,200	338,400
Other deposits	1,900	1,900	—	230
	79,293	160,550	380,851	519,748

As at 31 December 2007, 2008, 2009 and 30 June 2010, the weighted average interest rate on pledged bank deposits were 2.15%, 1.92%, 1.95% and 1.98% per annum, respectively, and these deposits have an approximate average maturity of 103 days, 172 days, 86 days and 218 days, respectively.

The maximum exposure of the Group to credit risk as at balance sheet date was the fair values of the restricted bank deposits.

15 Cash and cash equivalents — Group

Cash and cash equivalents represent cash at bank and in hand.

As at 31 December 2007, 2008, 2009 and 30 June 2010, cash and cash equivalents were denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	48,892	148,128	60,516	55,605
USD	9,569	5,671	14,998	49,832
HKD	1,967	102	3,432	96
EUR	3	2	222	1,491
	60,431	153,903	79,168	107,024

As at 31 December 2007, 2008 and 2009 and 30 June 2010, cash at bank were demand deposits and the weighted average interest rates were 0.80%, 0.35%, 0.30% and 0.34% per annum, respectively.

16 Share capital - Company

The Company was incorporated on 14 February 2007 with an initial authorised share capital of HKD380,000 (equivalent to RMB376,000) divided into 380,000 ordinary shares with par value of HKD1.00 each. On the date of incorporation, 1,000 ordinary shares of HKD1.00 were allotted and issued to its then shareholders.

17 Equity attributable to the Company's equity holders

- Group

	Reserves					
	Capital reserves (a)	Statutory reserves (b)	Shareholders' loans waived (c)	Subtotal	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	(3,541)	58,003	29,625	84,087	398,887	482,974
Profit for the year	—	—	—	—	30,238	30,238
Capital injection by equity holders of the Company	1	—	—	1	—	1
Appropriation to statutory reserves	—	2,732	—	2,732	(2,732)	—
Liquidation of Other Operating Companies (Note 33(c))	(11,300)	(2,137)	—	(13,437)	1,734	(11,703)
Dividends	—	—	—	—	(9,000)	(9,000)
Capitalisation of statutory reserves (Note 33(d))	29,436	(29,436)	—	—	—	—
At 31 December 2007	14,596	29,162	29,625	73,383	419,127	492,510
Loss for the year	—	—	—	—	(12,593)	(12,593)
Capital injection by equity holders of the Company	147,000	—	—	147,000	—	147,000
Dividends	—	—	—	—	(2,273)	(2,273)
At 31 December 2008	161,596	29,162	29,625	220,383	404,261	624,644
Profit for the year	—	—	—	—	203,498	203,498
Appropriation to statutory reserves	—	19,793	—	19,793	(19,793)	—
Acquisition of equity interest in Jiangsu Daming by Fortune Express	(147,000)	—	—	(147,000)	—	(147,000)
At 31 December 2009	14,596	48,955	29,625	93,176	587,966	681,142
Profit for the period	—	—	—	—	86,460	86,460
Capital injection by equity holders of the Company	34,026	—	—	34,026	—	34,026
At 30 June 2010	48,622	48,955	29,625	127,202	674,426	801,628
Six months ended 30 June 2009 (unaudited)						
At 31 December 2008	161,596	29,162	29,625	220,383	404,261	624,644
Profit for the period	—	—	—	—	60,970	60,970
Appropriation to statutory reserves	—	1,521	—	1,521	(1,521)	—
At 30 June 2009 (unaudited)	161,596	30,683	29,625	221,904	463,710	685,614

(a) Capital reserves

Capital reserves of the Group represent the nominal value of the paid-up shares capital of the companies now comprising the Group (Note 1(b)) and Other Operating Companies (Note 1(b)), after eliminating intra-group investments.

The additions of the capital reserves for the year ended 31 December 2008 represented the injections of the additional paid-up capital of RMB147,000,000 by Daming Logistics (Note 1(b) and Note 33(d)).

The deduction of the capital reserves for the year ended 31 December 2009 represented the consideration paid to Daming Logistics for the acquisition of 25% equity interests of Jiangsu Daming (Note 1(b)).

The additions of the capital reserves for the six months ended 30 June 2010 represented the capital injections of USD5,000,000 by Mitsui (Note 1(b)).

(b) Statutory reserves

Subsidiaries of the Company incorporated in Mainland China are required to make appropriations to certain statutory reserves namely, statutory reserve fund, enterprise expansion fund and discretionary reserve fund from their statutory profit for the year after offsetting accumulated losses as determined under the PRC accounting regulations from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserve funds are determined according to the relevant regulations in Mainland China at rates of not less than 10%, or at the discretion of the board of directors of the respective companies.

(c) Shareholders' loans waived

Pursuant to an agreement entered into between Ms. Xu Xia and Fortune Express in December 2006, Ms. Xu Xia waived the repayment by Fortune Express of loan amounting to approximately RMB29,625,000 for its business expansion.

- Company

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
At beginning of year/period	—	(5,062)	(5,105)	(5,105)	(5,796)
Loss for the year/period	(5,062)	(43)	(691)	(188)	(175)
At end of year/period	(5,062)	(5,105)	(5,796)	(5,293)	(5,971)

18 Trade payables — Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts payable	10,339	7,280	18,739	10,295
Notes payable	131,000	296,000	724,000	846,000
	141,339	303,280	742,739	856,295

As at 31 December 2007, 2008 and 2009 and 30 June 2010, notes payable represented bank acceptance notes issued by the Group with maturity within six months.

As at 31 December 2007, notes payable of RMB91,000,000 was secured by pledged bank deposits of approximately RMB50,400,000, and notes payable of RMB40,000,000 was secured by pledged bank deposits of RMB20,000,000 and guaranteed by Daming Logistics.

As at 31 December 2008, notes payable of RMB220,000,000 was secured by pledged bank deposits of approximately RMB102,000,000, and notes payable of RMB76,000,000 was secured by pledged bank deposits of approximately RMB36,400,000 and guaranteed by Daming Logistics and Mr. Zhou Keming collectively.

As at 31 December 2009, notes payable of RMB314,000,000 was secured by pledged bank deposits of approximately RMB106,200,000, and notes payable of RMB410,000,000 was secured by pledged bank deposits of approximately RMB194,000,000 and guaranteed by Daming Logistics and Mr. Zhou Keming collectively.

As at 30 June 2010, notes payable of RMB600,000,000 was secured by pledged bank deposits approximately RMB216,000,000 and notes payable of RMB 246,000,000 was secured by pledged bank deposits of approximately RMB122,400,000 and guaranteed by Daming Logistics and Mr. Zhou Keming collectively.

Ageing analysis of trade payables at 31 December 2007, 2008, 2009 and 30 June 2010 was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	141,175	302,883	741,660	856,185
6 months to 1 year	129	40	1,043	74
1 year to 2 years	35	357	36	—
2 years to 3 years	—	—	—	36
	141,339	303,280	742,739	856,295

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables denominated in:				
- RMB	141,339	301,185	742,735	856,295
- USD	—	1,937	—	—
- EUR	—	158	4	—
	141,339	303,280	742,739	856,295

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying amounts of trade payables approximated their fair values.

19 Accruals, advances from customers and other current liabilities — Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	5,890	1,493	549	2,208
Advances from customers	94,555	44,830	78,596	70,329
Value-added tax payable	373	190	350	165
Other taxes payables	1,077	772	1,136	1,231
Other payables (a)	28,903	52,502	50,805	47,337
	130,798	99,787	131,436	121,270

(a) The breakdown of other payables was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pension and other social welfare payables	4,086	3,167	5,021	5,936
Payables for purchase of property, plant and equipment	18,038	25,823	26,275	31,596
Salary payables	2,036	8,193	15,625	5,586
Purchase guarantee deposits	2,900	13,200	—	—
Others	1,843	2,119	3,884	4,219
	28,903	52,502	50,805	47,337

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying amounts of accruals and other current liabilities approximated their fair values.

20 Borrowings — Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Bank borrowings	—	—	—	70,000
Current				
Bank borrowings	729,414	332,000	393,187	613,269
Entrusted loan (Note 35(c))	130,000	—	—	—
	859,414	332,000	393,187	613,269
Total borrowings	859,414	332,000	393,187	683,269
Representing:				
Unsecured	415,000	55,000	—	143,068
Secured -				
Pledged (i)	—	12,000	81,074	196,991
Guaranteed (ii)	444,414	265,000	312,113	343,210
	859,414	332,000	393,187	683,269

(i) As at 31 December 2008 and 2009, bank borrowings of RMB12,000,000 were secured by pledged buildings (Note 7) and land use rights (Note 6) of the Group.

As at 31 December 2009, bank borrowings of RMB69,074,000 were secured by letter of credit issued by China Construction Bank Corporation, for which Jiangsu Daming has placed pledged bank deposits of RMB71,030,000 in the bank (Note 14).

As at 30 June 2010, bank borrowings of RMB146,991,000 and RMB50,000,000 were secured by letter of credit issued by China Construction Bank Corporation and China Citic Bank, respectively, for which Jiangsu Daming has placed pledged bank deposits of RMB152,550,000 and RMB25,000,000 in the banks, respectively (Note 14).

(ii) As at 31 December 2007, 2008, 2009 and 30 June 2010, the borrowings were guaranteed by:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Daming Logistics	254,414	165,000	30,000	45,000
Daming Logistics and Mr. Zhou Keming	30,000	—	120,000	84,719
Daming Logistics and Mr. Zhou Keming and Ms. Xu Xia	70,000	100,000	162,113	213,491
Mr. Zhou Keming and Ms. Xu Xia	90,000	—	—	—
	444,414	265,000	312,113	343,210

Analysis of the carrying amounts of the Group's borrowings by type and currency was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At fixed rates in RMB	440,000	212,000	152,000	265,000
At fixed rates in USD	—	—	6,000	48,210
At fixed rates in EURO	19,414	—	6,113	13,068
	459,414	212,000	164,113	326,278
At floating rates in RMB	400,000	120,000	160,000	210,000
At floating rates in USD	—	—	69,074	146,991
	400,000	120,000	229,074	356,991
	859,414	332,000	393,187	683,269

The weighted average effective interest rates per annum at 31 December 2007, 2008, 2009 and 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
RMB	6.79%	6.25%	4.97%	4.85%
USD	N/A	N/A	1.54%	1.43%
EURO	6.06%	N/A	1.61%	2.06%

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates were as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	634,414	287,000	373,187	538,269
6 months to 1 year	225,000	45,000	20,000	145,000
	859,414	332,000	393,187	683,269

The maturity of borrowings as at 31 December 2007, 2008, 2009 and 30 June 2010 was as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	859,414	332,000	393,187	613,269
1-2 years	—	—	—	70,000
	859,414	332,000	393,187	683,269

The Group has the following undrawn borrowing facilities:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiring within one year	5,000	45,000	110,886	221,367
More than one year	—	—	214,000	181,818
	5,000	45,000	324,886	403,185

As at 31 December 2007, 2008, 2009 and 30 June 2010, the carrying amounts of borrowings approximated their fair values.

21 Deferred government grants — Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred government grants	13,755	13,755	16,640	16,620
Less: current portion included in current liabilities	—	(455)	(867)	(1,067)
	13,755	13,300	15,773	15,553

The gross movement on the deferred government grants was as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning balance of the year/period	—	13,755	13,755	16,640
Granted during the year/period	13,755	—	3,340	330
Amortised as income (Note 23)	—	—	(455)	(350)
Ending balance of the year/period	13,755	13,755	16,640	16,620

Government grants were granted to support the Group's construction of factory building in Tianjin and purchase of machineries in Wuxi. These amounts have deferred to match with depreciation of related assets and amortised over the expected useful life of 10 to 20 years.

22 Sales and segment information

(a) Sales

The Group is principally engaged in the processing, distribution and sales of stainless steel products. Sales recognised for the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of goods	9,034,622	7,976,837	6,447,357	2,894,031	4,072,830

(b) Segment information

The chief operating decision-maker has been identified as the executive directors and all top management. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the decision-maker has determined that no business segment information is presented as all of the Group's sales and operating profits are derived from the sales of stainless steel products, and all of the Group's productions and operating assets are located in Mainland China, which is considered as one segment with similar risks and returns.

The Group is domiciled in Mainland China. The result of its sales from external customers in different countries is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Mainland China	8,939,553	7,964,024	6,434,193	2,891,207	4,045,018
Hong Kong and other overseas countries and regions*	95,069	12,813	13,164	2,824	27,812
Total sales	9,034,622	7,976,837	6,447,357	2,894,031	4,072,830

* Other overseas countries and regions mainly represented Singapore, South Korea, USA, Russia and Canada.

23 Other income, net

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Subsidy income (a)	20,257	9,368	152	152	106
Amortisation of deferred income (Note 21)	—	—	455	105	350
Sales of packaging materials	2,830	2,389	2,943	859	2,758
Income from provision of loading service	4,612	3,738	1,573	793	951
Waived interest by a related party (Note 35(b))	—	7,995	—	—	—
Rental income (Note 35(b))	—	—	500	250	250
Other income	27,699	23,490	5,623	2,159	4,415
Other expenses	(273)	(189)	(578)	(69)	(731)
Total	27,426	23,301	5,045	2,090	3,684

(a) Subsidy income primarily represents the income tax refund upon reinvestment by Fortune Express using the dividend from a PRC subsidiary and subsidiaries granted by local government to encourage the Group's business growth.

24 Other (losses)/gains, net

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss on disposal of property, plant and equipment, net (Note 33(a))	(20)	(1)	(33)	(4)	(11)
Foreign exchange (losses)/gains (Note 30)	(2,700)	568	268	1,078	(44)
Others	807	(53)	228	(96)	114
	(1,913)	514	463	978	59

25 Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses were analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Changes in inventories of finished goods	(28,055)	119,705	(94,814)	(55,770)	(107,711)
Raw materials consumed	8,890,957	7,684,477	6,119,451	2,812,261	3,931,264
Stamp duty, property tax and other surcharges	4,732	4,149	4,633	2,167	2,954
Transportation cost	31,558	36,485	43,558	21,569	22,689
Employee benefit expenses, including directors' emoluments (Note 26)	25,209	39,590	56,991	24,924	26,284
Depreciation and amortisation (Note 6, 7, 8, 9)	14,905	24,339	42,637	20,317	26,766
Operating lease rental for buildings	8,363	7,404	2,833	1,355	864
Utilities charges	3,137	4,124	5,459	2,455	3,215
(Reversal of)/provision for write-down of inventories (Note 11, 33 (a))	(6,806)	19,854	(34,938)	(27,692)	23,776
Auditors' remuneration	1,614	575	1,792	460	910
Provision for/(reversal of) impairment of trade receivables (Note 33 (a))	67	140	(71)	(204)	322
Donation	300	1,151	—	—	—
Entertainment and travelling expense	7,919	7,980	12,723	5,737	7,620
Professional service expenses	8,350	800	667	270	1,380
Others	16,656	5,967	8,331	3,727	6,496
Total cost of sales, distribution costs and administrative expenses	8,978,906	7,956,740	6,169,252	2,811,576	3,946,829

26 Employee benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, bonus and other welfares	23,396	36,546	52,492	22,968	24,043
Pension - defined contribution plans (a)	1,813	3,044	4,499	1,956	2,241
	25,209	39,590	56,991	24,924	26,284

(a) Pensions — defined contribution plans

The full time employees of the Mainland China subsidiaries of the Group participate in defined contribution retirement benefit plans organised by the relevant provincial government. For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, the Group is required to make monthly defined contributions to these plans at rates from 12% to 20%, with the base of their total salary subject to a certain ceiling.

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HKD1,000 and thereafter contributions are voluntary.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

27 Directors and senior management's emoluments

(a) Directors' emoluments

The emoluments of individual director of the Company for the years ended 31 December 2007, 2008, 2009 and six months ended 30 June 2009 and 2010, which were included in the employee benefit expense as disclosed in Note 26 were set out below:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Directors' emoluments					
- Fee	—	—	—	—	—
- Salaries and allowances	1,335	1,975	2,296	1,121	1,029
- Discretionary bonus	—	—	—	—	—
- Pension — defined contribution plans	67	74	88	40	48
	1,402	2,049	2,384	1,161	1,077

Name of Director	Fees	Salaries and allowances	Discretionary bonus	Pension -defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For year ended 31 December 2007					
Director					
- Mr. Zhou Keming	—	358	—	17	375
- Mr. Zou Xiaoping	—	340	—	—	340
- Mr. Yu Wenjun *	—	355	—	17	372
- Mr. Qian Li	—	139	—	16	155
- Ms. Xu Xia	—	143	—	17	160
- Mr. Li Chen *	—	—	—	—	—
- Mr. Cheuk Wa Pang	—	—	—	—	—
- Mr. Hua Min	—	—	—	—	—
- Mr. Tang Zhonghai *	—	—	—	—	—
- Mr. Zhu Daoli *	—	—	—	—	—
- Mr. Chen Xuedong *	—	—	—	—	—
- Mr. Jiang Changhong**	—	—	—	—	—
	—	1,335	—	67	1,402

Name of Director	Fees	Salaries and allowances	Discretionary bonus	Pension -defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For year ended 31 December 2008					
Director					
- Mr. Zhou Keming	—	520	—	19	539
- Mr. Zou Xiaoping	—	484	—	—	484
- Mr. Yu Wenjun *	—	502	—	19	521
- Mr. Qian Li	—	224	—	17	241
- Ms. Xu Xia	—	245	—	19	264
- Mr. Li Chen *	—	—	—	—	—
- Mr. Cheuk Wa Pang	—	—	—	—	—
- Mr. Hua Min	—	—	—	—	—
- Mr. Tang Zhonghai *	—	—	—	—	—
- Mr. Zhu Daoli *	—	—	—	—	—
- Mr. Chen Xuedong *	—	—	—	—	—
- Mr. Jiang Changhong**	—	—	—	—	—
	—	1,975	—	74	2,049
For year ended 31 December 2009					
Director					
- Mr. Zhou Keming	—	580	—	22	602
- Mr. Zou Xiaoping	—	544	—	—	544
- Mr. Yu Wenjun *	—	544	—	22	566
- Mr. Qian Li	—	343	—	22	365
- Ms. Xu Xia	—	285	—	22	307
- Mr. Li Chen *	—	—	—	—	—
- Mr. Cheuk Wa Pang	—	—	—	—	—
- Mr. Hua Min	—	—	—	—	—
- Mr. Tang Zhonghai *	—	—	—	—	—
- Mr. Zhu Daoli *	—	—	—	—	—
- Mr. Chen Xuedong *	—	—	—	—	—
- Mr. Jiang Changhong**	—	—	—	—	—
	—	2,296	—	88	2,384

Name of Director	Fees	Salaries and allowances	Discretionary bonus	Pension -defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2009(unaudited)					
Director					
- Mr. Zhou Keming	—	240	—	10	250
- Mr. Zou Xiaoping	—	384	—	—	384
- Mr. Yu Wenjun *	—	225	—	10	235
- Mr. Qian Li	—	146	—	10	156
- Ms. Xu Xia	—	126	—	10	136
- Mr. Li Chen *	—	—	—	—	—
- Mr. Cheuk Wa Pang	—	—	—	—	—
- Mr. Hua Min	—	—	—	—	—
- Mr. Tang Zhonghai *	—	—	—	—	
- Mr. Zhu Daoli *	—	—	—	—	—
- Mr. Chen Xuedong *	—	—	—	—	—
- Mr. Jiang Changhong**	—	—	—	—	—
	—	1,121	—	40	1,161
For the six months ended 30 June 2010					
Director					
- Mr. Zhou Keming	—	245	—	12	257
- Mr. Zou Xiaoping	—	224	—	—	224
- Mr. Yu Wenjun *	—	210	—	12	222
- Mr. Qian Li	—	175	—	12	187
- Ms. Xu Xia	—	175	—	12	187
- Mr. Li Chen *	—	—	—	—	—
- Mr. Cheuk Wa Pang	—	—	—	—	—
- Mr. Hua Min	—	—	—	—	—
- Mr. Tang Zhonghai *	—	—	—	—	—
- Mr. Zhu Daoli *	—	—	—	—	—
- Mr. Chen Xuedong *	—	—	—	—	—
- Mr. Jiang Changhong**	—	—	—	—	—
	—	1,029	—	48	1,077

* Pursuant to a board resolution dated 3 July 2010, Mr. Yu Wenjun, Mr. Zhu Daoli and Mr. Li Chen resigned, and Mr. Tang Zhonghai and Mr. Chen Xuedong were appointed.

** Pursuant to a board resolution dated 26 July 2010, Mr. Jiang Changhong was appointed.

No director of the Company waived any emolument for the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010.

(b) Five highest paid individuals

For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, the five individuals whose emoluments were the highest in the Group include 3, 2, 2, 3, 3 directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 2, 3, 3, 2, 2 individuals were as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salary and allowances	829	1,431	1,987	596	608
Bonus	—	492	—	—	—
Pension costs	22	49	55	16	17
	851	1,972	2,042	612	625

For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, the emoluments of the five highest paid individuals paid by the Group were below HKD 1,000,000 per annum (equivalent to approximately RMB880,480) individually.

For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

28 Finance costs, net

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expenses on bank borrowings	38,521	40,666	13,520	6,345	10,508
Interest expenses on borrowings from Daming Logistics (Note 35(b))	3,801	5,994	797	384	—
Interest expenses on bank acceptance notes	11,284	18,930	12,170	5,397	16,665
Exchange losses/(gains), net (Note 30)	686	(10)	69	(17)	(2,212)
Finance cost	54,292	65,580	26,556	12,109	24,961
Less: amounts capitalised on qualifying assets (Note 7)	(1,568)	(2,462)	—	—	—
Total finance cost	52,724	63,118	26,556	12,109	24,961
Interest income from bank deposit (Note 33(a))	(3,518)	(7,068)	(6,165)	(3,959)	(6,528)
	49,206	56,050	20,391	8,150	18,433

29 Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax					
- Mainland China enterprise income tax ("EIT")	5,157	3,634	53,302	9,907	32,878
Deferred income tax	(3,175)	(2,946)	6,543	6,461	(8,649)
	1,982	688	59,845	16,368	24,229

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the Relevant Periods.

The PRC Enterprise Income Tax ("EIT") is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

The subsidiaries incorporated in Mainland China are subject to EIT at applicable rates ranging from 15% to 33% for the year ended 31 December 2007. Effective from 1 January 2008, the subsidiaries incorporated in PRC shall determine and pay the EIT in accordance with the Corporate Income Tax Law of the People's Republic of China (the "new EIT Law") as approved by the National People's Congress on 16 March 2007 and the Detailed Implementations Regulations of the Corporate Income Tax Law (the "DIR") as approved by the State Council on 6 December 2007. In accordance with the new EIT Law and DIR, the EIT rate applicable to the subsidiaries incorporated in PRC will be 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% in a 5-year period from 2008 to 2012 for those with original applicable EIT rates lower than 25%. The preferential policy of exemption or deduction shall be effective from 1 January 2008, even if the subsidiaries were still in a cumulative tax loss position.

Jiangsu Daming, Hangzhou Wanzhou, Wuhan Fortune and Tianjin Taigang Daming were incorporated as foreign investment enterprises in Mainland China, and have obtained approvals from the relevant tax authorities in Mainland China for their entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. The tax holiday commenced for Jiangsu Daming, Hangzhou Wanzhou, Wuhan Fortune and Tianjin Taigang Daming was 2003, 2008, 2008 and 2008 respectively.

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the companies comprising the Group as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before income tax	32,023	(12,138)	263,222	77,373	111,311
Tax calculated at tax rates applicable to profits of the respective subsidiaries	7,161	(2,913)	66,548	19,447	28,178
Effect of tax exemption	(4,556)	—	(8,080)	(3,636)	(4,855)
Tax losses for which no deferred income tax asset was recognised	2,812	2,716	373	111	387
Income not subject to tax	(2,862)	—	—	—	—
Effect of change of tax rate upon assessing deferred tax assets	(1,031)	—	—	—	—
Expenses not deductible for tax purpose	458	885	1,004	446	519
Income tax expense	1,982	688	59,845	16,368	24,229
Weighted average applicable tax rate	22.36%	24.00%	25.28%	25.13%	25.31%

The changes in the weighted average applicable tax rate were mainly due to the changes of the proportion of the taxable profit/(loss) of the respective companies which were subject to different applicable tax rate.

30 Net foreign exchange gains/(losses)

The exchange differences (charged)/credited in the combined comprehensive income statements are included as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other gains — net (Note 24)	(2,700)	568	268	1,078	(44)
Finance costs — net (Note 28)	(686)	10	(69)	17	2,212
	(3,386)	578	199	1,095	2,168

31 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 on a combined basis as disclosed in Note 2 above.

32 Dividends

The Company was incorporated on 14 February 2007, and no dividend has been paid or declared by the Company for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010.

Dividends disclosed for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 represented dividends declared by the companies comprising the Group out of their retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

33 Notes to combined cash flow statements

(a) Reconciliation of profit/(loss) for the Relevant Periods to net cash (used in)/generated from operations

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit/(loss) for the year/period	30,041	(12,826)	203,377	61,005	87,082
Adjustments for:					
- income tax expenses	1,982	688	59,845	16,368	24,229
- amortisation of land use rights (Note 6)	674	1,024	2,055	1,003	1,267
- depreciation of property, plant and equipment (Note 7)	14,204	23,176	39,855	18,958	25,133
- amortisation of intangible assets (Note 9)	27	63	272	129	139
- depreciation of investment properties (Note 8)	—	76	455	227	227
- amortisation of deferred income	—	—	(455)	(105)	(350)
- loss on disposal of property, plant and equipment (Note 24)	20	1	33	4	11
- provision for/(reversal of) impairment of trade receivables (Note 25)	67	140	(71)	(204)	322
- (reversal of)/provision for write down of inventories (Note 11, 25)	(6,806)	19,854	(34,938)	(27,692)	23,776
- interest income (Note 28)	(3,518)	(7,068)	(6,165)	(3,959)	(6,528)
- finance cost (Note 28)	52,724	63,118	26,556	12,109	24,961
- interest waived (Note 23)	—	(7,995)	—	—	—
	89,415	80,251	290,819	77,843	180,269

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Changes in working capital:					
- increase in pledged bank deposits	(12,477)	(81,257)	(149,271)	(127,163)	(32,377)
- (increase)/decrease in trade receivables, prepayments, deposits and other receivables	(148,158)	106,729	(3,559)	(74,339)	(99,905)
- (increase)/decrease in inventories	(216,659)	547,298	(412,767)	(261,689)	(204,425)
- increase in trade payables, current income tax liabilities, accruals and other payables	64,547	123,026	470,364	363,497	97,449
Cash (used in)/generated from operations	(223,332)	776,047	195,586	(21,851)	(58,989)

(b) In the combined cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net book amount (Note 7)	713	13	177	4	196
Gain/(loss) on disposal of property, plant and equipment (Note 24)	(20)	(1)	(33)	(4)	(11)
Proceeds from disposal of property, plant and equipment	693	12	144	—	185

(c) Liquidation of Other Operating Companies:

In April 2007, Daming Shiye (see Note 1(b)) was liquidated. Net assets of Daming Shiye of approximately RMB4,655,000 at the date of liquidation, representing cash and cash equivalents, were distributed to equity holders of the Company who were the then shareholders of Daming Shiye.

In May 2007, Wuxi Daming (see Note 1(b)) was liquidated. Net assets of Wuxi Daming of approximately RMB7,513,000 at the date of liquidation, representing cash and cash equivalents, were distributed to equity holders of the Company who were the then shareholders of Wuxi Daming.

In November 2008, Daming Caigong (see Note 1(b)) was liquidated. Net assets of Daming Caigong of approximately RMB9,429,000 at the date of liquidation, representing cash and equivalents, were distributed to Jiangsu Daming, one of the companies now comprising the Group.

(d) Major non-cash transaction:

For the year ended 31 December 2007, Jiangsu Daming capitalised statutory reserves amounting to approximately RMB29,436,000 to its paid up capital for future expansion.

For the year ended 31 December 2008, Daming Logistics injected cash, land use rights, plant and investment properties with fair value of RMB30,000,000, RMB50,000,000, RMB56,891,000 and RMB10,109,000, respectively, into Jiangsu Daming to acquire 25% of Jiangsu Daming's equity interest. These fair values have been determined by an independent third party valuer with adjusted benchmarking land price scale method and replacement cost new method for land use rights, and plant and investment properties respectively.

34 Commitments

(a) Capital commitments

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Acquisition of property, plant and equipment	133,717	41,876	167,667	186,823

(b) Operating lease commitments

The Group leases certain office premises, plant and equipment under non-cancellable operating lease agreements.

The Group's future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than 1 year	8,554	989	1,129	980
Later than 1 year and not later than 5 years	58,335	2,800	3,196	2,799
Over 5 years	2,100	1,400	700	350
	68,989	5,189	5,025	4,129

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

(a) During the Relevant Periods, the Directors are of the view that the following companies and persons are related parties of the Group:

Name	**Relationship with the Group**
Ally Good	Parent of the Company
Daming Logistics	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
Mr. Zhou Keming	Chairman and chief executive officer of the Company and the Group
Ms. Xu Xia	The wife of Mr. Zhou Keming and a director of the Company

(b) Transactions with related parties:

Save as disclosed in Notes 1(b), 17, 18, 20, 27 and 33(d) in this report, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, the following transactions were carried out in the ordinary course of business as the term as agreed with related parties:

Continuing transactions

(i) Lease of property to Daming Logistics

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Rental charged to	—	—	500	250	250

Non-continuing transactions

(i) Lease of property and plant from Daming Logistics

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Rental charged from	6,897	5,675	857	429	—

(ii) Loans received from related parties/interest charged/interest waived

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loans received	148,585	164,281	135,191	37,797	171,000
Interest charged	3,801	5,994	797	384	—
Interest waived (Note 23)	—	7,995	—	—	—

(iii) Purchase of construction in progress

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Daming Logistics	—	—	38,023	—	—

(iv) Key management compensation

Key management includes directors and top managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, bonus and other welfares	2,470	3,896	4,282	1,924	2,133
Pension - defined contribution plans	105	124	142	67	75
	2,575	4,020	4,424	1,991	2,208

(c) Year-end and period-end balances arising from related party transactions:

The Group had the following significant balances with its related parties:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from a related party				
Non-trade:				
- Daming Logistics (Note 13, 35(b))	—	—	500	750
Due to related parties				
Non-trade:				
- Ms. Xu Xia	1	—	—	—
- Daming Logistics (Note 35(b))				
- Loan from a related party (i)	2,907	49,745	100,290	227,493
- Payable for acquisition of equity interest in Jiangsu Daming (ii)	—	—	78,718	—
- Others	581	—	—	—
	3,489	49,745	179,008	227,493
Entrusted loan from related party (i)				
- Daming Logistics (Note 20)	130,000	—	—	—

(i) Loans from a related party/entrusted loans from a related party

As at 31 December 2007, entrusted loans from a related party of RMB130,000,000 born interest rate at 6.72% per annum and has been repaid in 2008.

As at 31 December 2009, loans from a related party of RMB15,000,000 born interest rate at 5.31% per annum and have been repaid in May 2010.

Other loans from a related party as at 31 December 2007, 2008, 2009 and 30 June 2010 were unsecured, non-interest bearing and had no fixed repayment terms. The carrying amount of loans from a related party approximated their fair value as at respective balance sheet dates.

(ii) As disclosed in Note 17 (a), Fortune Express acquired 25% equity interests of Jiangsu Daming from Daming Logistics. The balance as at 31 December 2009 represented the unsettled amount, which was unsecured, non-interest bearing and had no fixed repayment terms. This amount was settled in January 2010.

36 Subsequent events

Save as disclosed in Notes 1 and 35, the following significant events took place subsequent to 30 June 2010:

(a) Completion of the Reorganisation

The Group Reorganisation was completed on 5 November 2010 and details are set out in Note 1(b).

(b) Release of guarantees from related parties

As disclosed in Notes 18 and 20 of this section, as at 30 June 2010, certain notes payable and secured bank borrowings of the Group are guaranteed by Daming Logistics, Mr. Zhou Keming and Ms. Xu Xia. Pursuant to certain agreements entered into between the Group and respective bank, aforementioned corporate guarantee from Daming Logistics and personal guarantees from Mr. Zhou Keming and Ms. Xu Xia as at 30 June 2010 were released.

(c) Subdivision Issue

On 6 July 2010, the Company allotted and issued 19,000 ordinary shares of HK$1.00 to its then shareholders.

Pursuant to a resolution passed on 26 July 2010, the Company subdivided each of the existing and unissued shares of nominal value HKD1.00 each in its share capital into 10 shares of nominal value of HKD0.10 each.

Pursuant to a resolution passed on 9 November 2010, the authorised share of the Company was increased from 3,800,000 shares to 1,500,000,000 shares, with norminal value of HKD0.10 each. The authorised share capital of the Company was increased from HKD380,000 to HKD150,000,000.

(d) Amounts due from/(to) Daming Logistics

The amounts due from/(to) Daming Logistics as at 30 June 2010 as set out in Note 35(c) have been settled by the end of September 2010.

37 Ultimate holding Company

The directors of the Company regard Ally Good Group Limited, a company incorporated in the British Virgin Islands and controlled by the Controlling Shareholders, as the ultimate holding company of the Company.

Mr. Zhou Keming is the ultimate controlling shareholder of the Group.

II 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 period subsequent to 30 June 2010. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2010.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the investors with further information to access our Group's financial performance and to illustrate the financial condition after the completion of the Global Offering.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of our Group during the Track Record Period or any further date.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to equity holders of our Company as of 30 June 2010 as if the Global Offering had taken place on 30 June 2010.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as of 30 June 2010 or at any future dates following the completion of the Global Offering.

	Audited combined net tangible assets attributable to equity holders of our Company as of 30 June 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company per Share(3)(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$2.00 per Share	799,364	384,241	1,183,605	1.18	1.38
Based on an Offer Price of HK$2.70 per Share	799,364	528,249	1,327,613	1.33	1.55

Notes:

(1) The audited combined net tangible assets attributable to equity holders of our Company as of 30 June 2010 has been extracted from the accountant's report set out in Appendix I to this prospectus which is based on the audited combined net assets of our Group attributable to equity holders of our Company of RMB801.6 million with an adjustment for the intangible assets of RMB2.3 million.

(2) The estimated net proceeds from the Global Offering are based on the Indicative Offer Price range of HK$2.00 per Share and HK$2.70 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2010 but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

(4) By comparing the valuation of our Company's property interests of RMB359.2 million as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as of 31 August 2010 the net valuation surplus is approximately RMB46.2 million, which has not been included in the above net tangible assets attributable to equity holders of our Company as of 30 June 2010. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately RMB1.5 million per annum related to land use rights, investment properties and buildings would be recorded.

(5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2010.

(6) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK$1.00 to RMB0.85719 prevailing on 10 November 2010.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following is an illustrative and unaudited pro forma forecast earnings per Share of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. This unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2010 or any future period.

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010	Not less than RMB190 million
Unaudited pro forma forecast earnings per Share	Not less than RMB0.19

Notes:

(1) The forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 is extracted from the section headed "Financial Information — Profit Forecast" in this prospectus. The bases on which the above profit forecast has been prepared are set out in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 based on our audited combined result for the six months ended 30 June 2010 as well as unaudited management accounts for the three months ended 30 September 2010 and the forecast results of the consolidated results for the remaining three months ending 31 December 2010. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those presently adopted by the Group as set out in Note 3 of the accountant's report, the text of which is set out in Appendix I to this prospectus.

(2) The calculation of unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 and on the basis that 1,000,000,000 Shares were in issue during the entire period and assuming that the Global Offering had been completed on 1 January 2010. The calculation takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

C. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF DA MING INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Da Ming International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-3 under the heading(s) of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and "Unaudited Pro Forma Forecast Earnings Per Share" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 17 November 2010 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-3 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group attributable to equity holders of the Company as at 30 June 2010 with the accountant's report as set out in Appendix I of the Prospectus and comparing the unaudited forecast profit attributable to equity holders of the Company for the year ending 31 December 2010 with the profit forecast as set out in the section headed "Financial Information" in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the adjusted net tangible assets of the Group as at 30 June 2010 or any future date, or

— the earnings per share of the Group for the year ending 31 December 2010 or any future periods.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 17 November 2010

The forecast of the consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 is set out in "Financial Information — Profit Forecast" in this prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 based on our audited combined result for the six months ended 30 June 2010, our unaudited management accounts for the three months ended 30 September 2010 and the forecast results of the consolidated results for the remaining three months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Company as set out in Note 3 of section I of the accountant's report, the text of which is set out in Appendix I of this prospectus, and on the following principal bases and assumptions:

- There will be no material changes in the existing political, legal (including changes in legislation, regulations or rules), fiscal, market or economic conditions in the countries and the jurisdictions in which the Group operates;

- There will be no material changes in the bases or rates of taxation or duties, both direct and indirect, in the PRC, Hong Kong and other jurisdictions in which the Group operates;

- There will be no material changes in inflation, interest rate or foreign exchange rate from those presently prevailing and applicable to the business activities of the Group;

- The Group's operations and financial performance will not be materially and/or adversely impacted by any of the risk factors set out in the section headed "Risk Factors" in the Prospectus of the Group;

- The Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents;

- The operation of our Group will not be adversely affected by occurrences such as labor shortages and disputes, or any other factors outside the control of the management of our Group. In addition, our Group will be able to recruit enough employees to meet its operating requirements;

- The Directors and key senior management of our Group will continue to involve in the development and operation of our Group and our Group will be able to retain its key senior management and personnel during the forecast period;

- The weighted average prevailing market prices of stainless steel will not deviate materially from those in the third quarter of 2010; and

- The Group will not lose any major customers, nor will the commercial terms under existing contracts vary significantly from the Group's historical experience.

(B) SENSITIVITY ANALYSIS FOR THE PROFIT FORECAST

We believe that, on the bases and assumptions set forth above and in the absence of unforeseen circumstances, our consolidated profit attributable to equity holders of our Company for the fiscal year ending 31 December 2010 is expected to be not less than RMB190 million.

Profit Forecast is forward looking and is therefore subject to changes in market conditions. The following analysis shows how changes in (a) Monthly Weighted Average Sales Price per tonne and (b) sales volume will impact the consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010.

(a) Effect of fluctuation in Monthly Weighted Average Sales Price

Our base case scenario is calculated using a forecast Monthly Weighted Average Sales Price of approximately RMB17,200 per tonne for each of the three months ending 31 December 2010:

Forecast Monthly Weighted Average Sales Price per tonne for each of the three months ending 31 December 2010	**Percentage increase / (decrease) in Monthly Weighted Average Sales Price from RMB17,200 per tonne**	**Forecast consolidated profit / (loss) attributable to equity holders of our Company for the year ending 31 December 2010**	**Percentage increase / (decrease) in forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010**
(RMB per tonne)	*(%)*	*(RMB'000)*	*(%)*
25,800	50%	491,083	158%
24,100	40%	434,342	128%
22,400	30%	377,534	98%
20,600	20%	318,494	67%
18,900	10%	257,682	35%
17,200	**0%**	**190,401**	**0%**
15,500	(10%)	122,131	(36%)
13,800	(20%)	53,673	(72%)
12,000	(30%)	(14,900)	(108%)
10,300	(40%)	(83,684)	(144%)
8,600	(50%)	(153,086)	(180%)

The sensitivity range has been selected with reference to historical movements in Monthly Weighted Average Sales Price. The period from 1 January 2007 to 30 June 2010 saw substantial volatility in our Monthly Weighted Average Sales Price, with our Monthly Weighted Average Sales Price decreasing from approximately RMB33,400 per tonne in May 2007 to approximately RMB12,900 per tonne in March 2009. Please see "Our Business — Fluctuation in Monthly Weighted Average Procurement Price and Monthly Weighted Average Sales Price" for more detail regarding the historical trend in our stainless steel product prices.

(b) Effect of fluctuation in sales volume assuming a constant Monthly Weighted Average Sales Price of RMB17,200 per tonne

Percentage increase / (decrease) in the forecast sales volume for the three months ending 31 December 2010	Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010	Percentage increase / (decrease) in forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010
(%)	*(RMB'000)*	*(%)*
20%	199,935	5.0%
10%	195,213	2.5%
0%	**190,401**	**0%**
(10%)	185,793	(2.4%)
(20%)	181,096	(4.9%)

The above sensitivity illustrations in (a) and (b) above are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be (i) exhaustive and (ii) the profit forecast is subject to further and additional uncertainties and is dependent on market conditions and other factors which are beyond our control.

(C) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

17 November 2010

The Directors
Da Ming International Holdings Limited

CCB International Capital Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Da Ming International Holdings Limited (the "Company") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the subsection headed "Profit forecast" in the section headed "Financial information" in the prospectus of the Company dated 17 November 2010 (the "Prospectus").

We conducted our work in accordance with Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2010, the unaudited combined results of the Group based on management accounts for the three months ended 30 September 2010 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2010 on the basis that the current group structure had been in existence throughout the whole financial year ending 31 December 2010.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on pages III-1 to III-3 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 3 of section I of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(D) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter received from CCB International Capital Limited and Deutsche Bank AG, Hong Kong Branch, the Joint Sponsors, for the purpose of incorporation in this prospectus.

建銀國際
CCB International

34/F, Two Pacific Place
88 Queensway, Admiralty
Hong Kong

Deutsche Bank

5/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

17 November 2010

The Directors
Da Ming International Holdings Limited

Dear Sirs,

We refer to the consolidated profit forecast of Da Ming International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the subsection headed "Profit forecast" in the section headed "Financial Information" in the prospectus of the Company dated 17 November 2010 (the "Prospectus").

The Profit Forecast, for which the Directors are solely responsible, has been prepared by them based on the audited combined results of the Group for the six months ended 30 June 2010, the unaudited combined results of the Group based on the management accounts of the Group for the three months ended 30 September 2010 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2010.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 17 November 2010 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of

CCB International Capital Limited		**Deutsche Bank AG, Hong Kong Branch**	
Simon Lee	**Bernard Tam**	**Heidi Yang**	**Johnson Ngie**
Managing Director	*Deputy Managing Director*	*Managing Director*	*Director*

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 August 2010 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

17 November 2010

The Board of Directors
Da Ming International Holdings Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which Da Ming International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 August 2010 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest of property no. 5 in Group II by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of property interests in Group I, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the property interest in Group III which is currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

We have attributed no commercial value to the property interest in Group IV, which has not been assigned to the Group as at the date of valuation, thus the title of the property is not vested in the Group.

We have attributed no commercial value to the property interests in Groups V and VI, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate, Building Ownership Certificate, Real Estate Title Certificate and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Dacheng Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 August 2010 *RMB*
1.	A parcel of land, 3 buildings and various structures No. 8 Kenhui Wu Road Hong Ken Farm Xiaoshan Economic & Technology Development Zone Hangzhou City Zhejiang province The PRC	51,551,000	100%	51,551,000
2.	A parcel of land, 5 buildings and various structures No. 110 Zhongnan Wu Street West Block of Tianjin Economic and Technology Development Zone Tianjin The PRC	114,647,000	91%	104,329,000
3.	3 parcels of land, 14 buildings and various structures No. 1518 Tongjiang Avenue Dong Bei Tang Town Xishan District Wuxi City Jiangsu province The PRC	155,555,000	100%	155,555,000

No.	Property	Capital value in existing state as at 31 August 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 August 2010 *RMB*
4.	A parcel of land (Lot. No. 59-20-9) and a building located at Yinqiao Village Qianzhou Town Huishan District Wuxi City Jiangsu province The PRC	1,045,000	100%	1,045,000
	Sub-total:	**322,798,000**		**312,480,000**

Group II — Property interest held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 August 2010 *RMB*
5.	A parcel of land (Lot No. 51-21-59) located at Xitong Village Dong Bei Tang Town Xishan District Wuxi City Jiangsu province The PRC	12,112,000	100%	12,112,000
	Sub-total:	**12,112,000**		**12,112,000**

Group III — Property interest held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 August 2010 *RMB*
6.	A parcel of land (Lot No. 51-21-58) and an industrial building under construction No. 1518 Tongjiang Avenue Dong Bei Tang Town Xishan District Wuxi City Jiangsu province The PRC	24,326,000	100%	24,326,000
	Sub-total:	**24,326,000**		**24,326,000**

Group IV — Property interest contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 August 2010 *RMB*
7.	Units H3 and H4 on Level 27, Block No. 27 Dragon Town located at the intersection of North Jiefang Road and Jianhe Road Jiancaoping District Taiyuan City Shanxi province The PRC	No commercial value	100%	No commercial value
	Sub-total:	**Nil**		**Nil**

Group V — Property interests rented and occupied by the Group in the PRC

No.	**Property**	**Capital value attributable to the Group as at 31 August 2010** *RMB*
8.	Building Nos. 19 & 20 No. 20 Jiang Guo Road Feng Huo Steel Market Industry Park Hongshan District Wuhan City Hubei province The PRC	No commercial value
9.	Units 18 to 21 on Levels 1 and 2 of Building B and No. 2 factory of Xinyang Industry Park No. 68, Alley 555 Hong Liu Road Putuo District Shanghai The PRC	No commercial value
10.	2 units on Level 1 of a building and 5 units on Level 1 of a warehouse No. 177 Fengqi Road Tuqiao Village Pan Huo Qiao Village Xiaying Street Yinzhou District Ningbo City Zhejiang province The PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 31 August 2010 *RMB*
11.	2 units on Level 1 of a building No. 2399 Zhoulong Road Jin Cai Sofa Town Zhoucun District Zibo City Shandong province The PRC	No commercial value
	Sub-total:	**Nil**

Group VI — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Capital value attributable to the Group as at 31 August 2010 *RMB*
12.	Unit 1007 on the 10th Floor Central Plaza No. 18 Harbour Road Wanchai Hong Kong	No commercial value
	Sub-total:	**Nil**

	Capital value in existing state as at 31 August 2010 *RMB*	Capital value attributable to the Group as at 31 August 2010 *RMB*
Grand total:	**359,236,000**	**348,918,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 August 2010** *RMB*
1.	A parcel of land, 3 buildings and various structures No. 8 Kenhui Wu Road Hong Ken Farm Xiaoshan Economic & Technology Development Zone Hangzhou City Zhejiang province The PRC	The property comprises a parcel of land with a site area of approximately 63,635 sq.m. and 3 buildings and various structures erected thereon which were completed in 2007. The buildings have a total gross floor area of approximately 22,100.9 sq.m. The buildings comprise an office building and 2 industrial buildings. The structures mainly include roads and boundary walls, etc. The land use rights of the property have been granted for a term expiring on 7 December 2055 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes.	51,551,000 100% interest attributable to the Group: RMB51,551,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Hang Xiao Kai (2006) Zi Di No. 22 dated 20 June 2006 issued by the Land Administration Bureau of Xiaoshan Economic & Technology Development Zone, the land use rights of a parcel of land with a site area of approximately 63,635 sq.m. were granted to Hangzhou Wanzhou Metal Products Co., Ltd. ("Hangzhou Wanzhou", an indirect wholly-owned subsidiary of the Company) for a term expiring on 7 December 2055 for industrial use.

2. Pursuant to 3 Building Ownership Certificates — Hang Fang Quan Zheng Xiao Zi Nos. 00038538, 00038540 and 00038541, dated 12 December 2007 issued by Hangzhou Housing Administration Bureau, 3 buildings with a total gross floor area of approximately 22,100.9 sq.m. are owned by Hangzhou Wanzhou.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Hangzhou Wanzhou has rights to occupy, use, lease, transfer and mortgage or otherwise dispose of the land use rights and building ownership rights of the property; and

   b. The property is not subject to any mortgage and other forms of guarantee.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
2.	A parcel of land, 5 buildings and various structures No. 110 Zhongnan Wu Street West Block of Tianjin Economic and Technology Development Zone Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 140,000 sq.m. and 5 buildings and various structures erected thereon which were completed in various stage between 2008 and 2010. The buildings have a total gross floor area of approximately 56,975.02 sq.m. The buildings mainly include industrial buildings, a research & development centre and a gatehouse, etc. The structures mainly include roads and boundary walls, etc. The land use rights of the property have been granted for a term expiring on 29 December 2056 for industrial use.	The property is currently occupied by the Group for production and office purposes.	114,647,000 91% interest attributable to the Group: RMB104,329,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Jin Kai Xi Tu He (2006) Di No. 031 entered into between the Land Bureau of Tianjin Economy and Technology Development Zone and Tianjin Taigang Daming Metal Product Co., Ltd. ("Tianjin Daming", a 91% interest owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Tianjin Daming for a term of 50 years expiring on 29 December 2056 for industrial use. The land premium was RMB29,400,000.

2. Pursuant to a Real Estate Title Certificate — Fang Di Zheng Jin Zi No. 114011003008, dated 6 May 2010, issued by the Housing Administration Bureau of Tianjin Economic and Technology Development Zone, 5 buildings with a total gross floor area of approximately 56,975.02 sq.m. are owned by Tianjin Daming. The relevant land use rights of a parcel of land with a site area of approximately 140,000 sq.m. were granted to Tianjin Daming for a term expiring on 29 December 2056 for industrial use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. Tianjin Daming has rights to occupy, use, lease, transfer and mortgage or otherwise dispose of the land use rights and building ownership rights of the property; and

    b. The property is not subject to any mortgage and other forms of guarantee.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
3.	3 parcels of land, 14 buildings and various structures No. 1518 Tongjiang Avenue Dong Bei Tang Town Xishan District Wuxi City Jiangsu province The PRC	The property comprises 3 parcels of land with a total site area of approximately 124,860.10 sq.m. and 14 buildings and various structures erected thereon which were completed in various stage between 2002 and 2009. The buildings have a total gross floor area of approximately 80,891.02 sq.m. The buildings mainly include industrial buildings, office buildings, and ancillary buildings, etc. The structures mainly include roads boundary walls, bicycle sheds and car sheds, etc. The land use rights of the property have been granted for various terms with the expiry dates on 27 December 2050 and 24 February 2053 respectively for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes except for portions of the property which are leased to a connected party. (see note 3).	155,555,000 100% interest attributable to the Group: RMB155,555,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates — Xi Xi Guo Yong (2008) Di Nos. 0341, 0342 and 0343 issued by the State-owned Land Resources Bureau of Wuxi, the land use rights of 3 parcels of land with a total site area of approximately 124,860.1 sq.m. were granted to Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming", an indirect wholly-owned subsidiary of the Company) for various terms with the expiry dates on 27 December 2050 and 24 February 2053 respectively for industrial use.

2. Pursuant to 4 Building Ownership Certificates — Xi Fang Quan Zheng Xi Shan Zi Di Nos. XS1000105820, XS1000105821-1 and XS1000105821-2, dated 27 October 2008, and XS1000137399, dated 9 April 2009 issued by the Housing Administration Bureau of Wuxi, 14 buildings with a total gross floor area of approximately 80,891.02 sq.m. are owned by Jiangsu Daming.

3. Pursuant to a Tenancy Agreement, 3 buildings of the property (Block Nos. 11, 14 and 15) with a total lettable area of approximately 7,100 sq.m. are leased to Wuxi Daming Logistics Co., Ltd., a connected party of the Company, for a term commencing from 1 January 2010 and expiring on 31 December 2011 at a total rent of RMB1,000,808.96, exclusive of water and electricity charges.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Jiangsu Daming has rights to occupy, use, lease, transfer and mortgage or otherwise dispose of the land use rights and building ownership rights of the property;

   b. The property is not subject to any mortgage and other forms of guarantee; and

   c. Tenancy Agreement is legal, valid and enforceable.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
4.	A parcel of land (Lot. No. 59-20-9) and a building located at Yinqiao Village Qianzhou Town Huishan District Wuxi City Jiangsu province The PRC	The property comprises a parcel of land with site area of approximately 2,817.4 sq.m. and a 3-storey ancillary building erected thereon which was completed in 1995. The building has a gross floor area of approximately 540 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 9 April 2058 for industrial use.	The property is currently occupied by the Group for ancillary and office purposes.	1,045,000 100% interest attributable to the Group: RMB1,045,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Xi Hui Guo Tu Zi Jian Chu He (2008) Di No. 7 entered into between the State-owned Land Resources Bureau of Wuxi and Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming", an indirect wholly-owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Jiangsu Daming for a term of 50 years for industrial use. The land premium was RMB825,498.

2. Pursuant to a State-owned Land Use Rights Certificate — Xi Hui Guo Yong (2009) Di No. 0318 issued by the State-owned Land Resources Bureau of Wuxi, the land use rights of the property with a site area of approximately 2,817.4 sq.m. were granted to Jiangsu Daming for a term of 50 years expiring on 9 April 2058 for industrial use.

3. In the valuation of this property, we have attributed no commercial value to the building of the property with a gross floor area of approximately 540 sq.m. which has not obtained Building Ownership Certificate.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Jiangsu Daming has obtained the land use rights of the property and has rights to occupy, use, lease, transfer and mortgage or otherwise dispose of the land use rights of the property;

   b. The land use rights of the property is not subject to any mortgage and other forms of guarantee; and

   c. Notwithstanding that Jiangsu Daming does not have the Building Ownership Certificate of the building mentioned in note 3, as the building was not built and owned by Jiangsu Daming but was transferred together with the land use rights mentioned in notes 1 and 2 by the relevant land authority, Jiangsu Daming's continual use of the building will not expose to any administrative penalty or fine and will not constitute a breach under the relevant PRC laws and regulations.

VALUATION CERTIFICATE

Group II — Property interest held for future development by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 August 2010** *RMB*
5.	A parcel of land (Lot No. 51-21-59) located at Xitong Village Dong Bei Tang Town Xishan District Wuxi City Jiangsu province The PRC	The property comprises a parcel of land with a site area of approximately 37,732 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 14 October 2059 for storage use.	The property is currently vacant.	12,112,000 100% interest attributable to the Group: RMB12,112,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 3202832009CR0032 entered into between the State-owned Land Resources Bureau of Wuxi City and Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming", an indirect wholly-owned subsidiary of the Company), the land use rights of 2 parcels of land (Lot Nos. 51-21-58 and 51-21-59) with a total site area of approximately 84,381 sq.m. were contracted to be granted to Jiangsu Daming for a term of 50 years commencing on 15 October 2009 for storage use. The land premium was RMB24,470,490.

2. Pursuant to a State-owned Land Use Rights Certificate — Xi Xi Guo Yong (2010) Di No 0118 issued by the State-owned Land Resources Bureau of Wuxi, the land use rights of a parcel of land with a site area of approximately 37,732 sq.m. were granted to Jiangsu Daming for terms of 50 years expiring on 14 October 2059 for storage use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Jiangsu Daming has obtained the land use rights of the property and has rights to occupy, use, lease, transfer and mortgage or otherwise dispose of the property; and

   b. The property is not subject to any mortgage and other forms of guarantee.

VALUATION CERTIFICATE

Group III — Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
6.	A parcel of land (Lot No. 51-21-58) and an industrial building under construction No. 1518 Tongjiang Avenue Dong Bei Tang Town Xishan District Wuxi City Jiangsu province The PRC	The property comprises a parcel of land with a site area of approximately 46,649 sq.m., and an industrial building which is being constructed thereon. The property is scheduled to be completed in December 2010. Upon completion, the building of the property will have a total gross floor area of approximately 29,666.28 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 14 October 2059 for storage use.	The property is currently under construction.	24,326,000 100%interest attributable to the Group: RMB24,326,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 3202832009CR0032 entered into between the State-owned Land Resources Bureau of Wuxi City and Jiangsu Daming Metal Products Co., Ltd. ("Jiangsu Daming", an indirect wholly-owned subsidiary of the Company), the land use rights of 2 parcels of land (Lot Nos. 51-21-58 and 51-21-59) with a total site area of approximately 84,381 sq.m. were contracted to be granted to Jiangsu Daming for a term of 50 years commencing from 15 October 2009 for storage use. The land premium was RMB24,470,490.

2. Pursuant to a State-owned Land Use Rights Certificate — Xi Xi Guo Yong (2010) Di No. 0117 issued by the State-owned Land Resources Bureau of Wuxi City, the land use rights of a parcel of land with a site area of approximately 46,649 sq.m. were granted to Jiangsu Daming for a term of 50 years expiring on 14 October 2059 for storage use.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. F-3202052010A0050 in favour of Jiangsu Daming, an industrial building for production and storage use with a total gross floor area of approximately 29,692 sq.m. have been approved for construction.

4. Pursuant to a Construction Work Commencement Permit No. 3202052010091400001A in favour of Jiangsu Daming, permission by the relevant local authority was given to commence the construction work of an industrial building for production and storage use with a total gross floor area of approximately 29,692 sq.m..

5. As advised by the Company, the total construction cost of the property is estimated to be approximately RMB38,000,000, of which RMB 9,352,000 had been paid up to the date of valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Jiangsu Daming has obtained the land use rights of the property and has rights to occupy, use, lease, transfer and mortgage or otherwise dispose of the property; and

   b. Jiangsu Daming has obtained the requisite planning approvals stated in notes 2 to 4 and has legal and complete construction rights of the building of the property.

VALUATION CERTIFICATE

Group IV — Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
7.	Units H3 and H4 on Level 27, Block No. 27 Dragon Town located at the intersection of North Jiefang Road and Jianhe Road Jiancaoping District Taiyuan City Shanxi province The PRC	The property comprises 2 units on Level 27 of a 28-storey residential building scheduled to be completed in about June 2011. The 2 units have a total gross floor area of approximately 203.42 sq.m.	The property is currently under construction.	No commercial value

Notes:

1. The Group has entered into 2 Commodity Property Sale & Purchase Contracts - Nos. 00001528 and 00001529 and 2 supplementary agreements with Shanxi Jinling Real Estate Development Limited (山西晉陵房地產開發有限公司) dated 6 February 2010 to purchase the 2 units of the property with a total gross floor area of 203.42 sq.m. at a total consideration of RMB960,000.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. The contracts and supplementary agreements stated in note 1 are in compliance with the PRC laws. Jiangsu Daming will obtain complete property possession rights upon registration with relevant government authority.

    b. There is no material legal impediment for Jiangsu Daming in obtaining the title certificates of the property.

VALUATION CERTIFICATE

Group V — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
8.	Building Nos. 19 & 20, No. 20 Jiang Guo Road Feng Huo Steel Market Industry Park Hongshan District Wuhan City Hubei province The PRC	The property comprises 2 single-storey industrial buildings completed in about 2004. The property has a gross floor area of approximately 4,320 sq.m. The property is leased to Wuhan Fortune from an independent third party for a term of 10 years commencing from 1 January 2006 and expiring on 31 December 2015, at an annual rent of RMB699,840 for the first 5 years exclusive of water and electricity charges, thereafter, the annual rent will be determined with reference to the prevailing market rate.	The property is currently occupied by the Group for production and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, entered into between Wuhan Fortune Metal Products Co., Ltd. ("Wuhan Fortune", an indirect wholly-owned subsidiary of the Company) and Wuhan Feng Huo Group Co., Ltd. (武漢烽火集團有限公司, the "Lessor", an independent third party), the property with a total gross floor area of approximately 4,320 sq.m. is leased to Wuhan Fortune for a term of 10 years from 1 January 2006 at an annual rent of RMB699,840 for the first 5 years exclusive of water and electricity charges, thereafter, the annual rent will be determined with reference to the prevailing market rate.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Lessor is applying for the relevant land use rights certificate and building ownership certificate in accordance with the applicable PRC law; and

   b. The Tenancy Agreement has been registered with relevant government authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
9.	Units 18 to 21 on Levels 1 and 2 of Building B and No. 2 factory of Xinyang Industry Park No. 68, Alley 555 Hong Liu Road Putuo District Shanghai The PRC	The property comprises 4 units on Levels 1 and 2 of a 2-storey office building and a single-storey industrial building completed in 2002 and 2006, respectively. The property has a total gross floor area of approximately 1,218 sq.m. The property is leased to Jiangsu Daming Shanghai Branch from an independent third party.	The property is currently occupied by the Group for office and storage purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, Units 18 to 21 on Levels 1 and 2 of building B with a gross floor area of approximately 218 sq.m. are leased to Jiangsu Daming Metal Products Co., Ltd, Shanghai Branch ("Jiangsu Daming Shanghai Branch", an indirect wholly-owned subsidiary of the Company), from Shanghai Bao Xiang Industry Development Co., Ltd. (上海寶翔企業發展有限公司, the "Lessor", an independent third party), for office use for a term commencing from 1 January 2008 and expiring on 31 May 2011 at the annual rent of RMB100,000, exclusive of water and electricity charges.

2. Pursuant to a Tenancy Agreement, No. 2 factory of the property is leased to Jiangsu Daming Shanghai Branch from Shanghai Bao Xiang Industry Development Co., Ltd. with a gross floor area of approximately 1,000 sq.m. for storage use for a term commencing from 1 July 2009 and expiring on 30 June 2012 at the annual rent of RMB255,500, exclusive of water and electricity charges.

3. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Lessor has rights to lease the property and the Tenancy Agreement is legal, valid and enforceable;

   b. The actual usage of the property is in compliance with its prescribed use; and

   c. The Tenancy Agreement has not been registered. The non-registration of the Tenancy Agreement will not affect the validity of the Tenancy Agreement according to the PRC laws and the lessee will not be therefore punished.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
10.	2 units on Level 1 of a building and 5 units on Level 1 of a warehouse No. 177 Fengqi Road Tuqiao Village Pan Huo Qiao Village Xiaying Street Yinzhou District Ningbo City Zhejiang province The PRC	The property comprises 2 units on Level 1 in the southern part of a 5-storey commercial building and 5 units on Level 1 on Column No. 2 of a warehouse completed in about 2007. The property has a gross floor area of approximately 744 sq.m. The property is leased to Jiangsu Daming from an independent third party for various terms expiring on 31 December 2010 at the total rent of RMB539,300 exclusive of water and electricity charges.	The property is currently occupied by the Group for office and industrial purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, 2 units on Level 1 in the south of a 5-storey commercial building with a gross floor area of approximately 124 sq.m. is leased to Jiangsu Daming Metal Products Co., Ltd, ("Jiangsu Daming", an indirect wholly-owned subsidiary of the Company), from Ningbo Chang Hong Steel Pipe Co., Ltd. (寧波市長虹鋼管有限公司, the "Lessor", an independent third party), for a term commencing from 1 January 2009 and expiring on 31 December 2010 for office use at the total rent of RMB171,200 exclusive of water and electricity charges. Pursuant to the same Tenancy Agreement, 5 units on Level 1 on Column No. 2 of No.1 warehouse with a gross floor area of approximately 620 sq.m. are leased to Jiangsu Daming from the Lessor for a term commencing from 1 March 2009 and expiring on 31 December 2010 for storage use at the total rent of RMB368,100 exclusive of water and electricity charges.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Lessor has rights to lease the property and the Tenancy Agreement is legal, valid and enforceable;

   b. The actual usage of the property is in compliance with its prescribed use; and

   c. The Tenancy Agreement has not been registered. The non-registration of the Tenancy Agreement will not affect the validity of the Tenancy Agreement according to the PRC laws and the lessee will not be therefore punished.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
11.	2 units on Level 1 of a building No. 2399 Zhoulong Road Jin Cai Sofa Town Zhoucun District Zibo City Shandong province The PRC	The property comprises 2 units on Level 1 of a 5-storey commercial building completed in about 2007. The property has a gross floor area of approximately 150 sq.m. The property is leased to Jiangsu Daming from an independent third party for a term commencing from 1 January 2010 and expiring on 31 December 2010 with a nil rent.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Jiangsu Daming Metal Products Co., Ltd, ("Jiangsu Daming", an indirect wholly-owned subsidiary of the Company), from Zibo Jin Cai Sofa Town Co., LLC. (淄博金彩沙發城有限責任公司, the "Lessor", an independent third party), for a term commencing from 1 January 2010 and expiring on 31 December 2010 with a nil rental.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Lessor has rights to lease the property and the Tenancy Agreement is legal, valid and enforceable;

   b. The actual usage of the property is in compliance with its prescribed use; and

   c. The Tenancy Agreement has not been registered. The non-registration of the Tenancy Agreement will not affect the validity of the Tenancy Agreement according to the PRC laws and the lessee will not be therefore punished.

VALUATION CERTIFICATE

Group VI — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 *RMB*
12.	Unit 1007 on the 10th Floor Central Plaza No. 18 Harbour Road Wanchai Hong Kong	The property comprises a unit on the 10th floor of a 78-storey commercial building completed in about 1992. The property has a gross floor area of approximately 891 sq.ft. Pursuant to a Tenancy Agreement, the property is leased to Fortune Express Industrial Limited from an independent third party for a term commencing from 1 July 2009 and expiring on 30 June 2011 at the monthly rent of HKD26,730 exclusive of service and air-conditioning charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

The registered owner of the property is Cheer City Properties Limited and Protasan Limited (as Joint Tenant).

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 February 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Memorandum of Association (the "**Memorandum**") and the Articles of Association (the "**Articles**") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 9 November 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/ are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (2 1) 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. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (2 1) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 13 March 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

(1) Incorporation of our Company and registration of our Company under Part XI of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 February 2007. Our Company has established a principal place of business in Hong Kong at Unit 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and was registered as an oversea company (now known as non-Hong Kong company) in Hong Kong under Part XI of the Companies Ordinance on 22 May 2007. Mr. Leung Man Fai has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum and articles of association. A summary of various provisions of our Company's constitution documents and relevant aspects of the Cayman Islands company law is set out in Appendix V to this prospectus.

(2) Changes in share capital

As at the date of incorporation, the authorised share capital of our Company was HK$380,000 divided into 380,000 shares with a nominal value of HK$1.00 each. On 14 February 2007, one Share was issued for cash at par to Codan Trust Company (Cayman) Limited. On the same date, Codan Trust Company (Cayman) Limited transferred the said one Share to Ally Good and the Company allotted and issued for cash at par, 964 Shares, 10 Shares, 10 Shares, 10 Shares and 5 Shares to Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou respectively. On 6 July 2010, 17,949 Shares, 186 Shares, 186 Shares, 186 Shares, 93 Shares and 400 Shares were allotted and issued for cash at par to Ally Good, Mr. Yu, Ms. Li, Mr. Qian , Ms. Zhou and Mitsui respectively. On 26 July 2010, the Company subdivided each of the existing and unissued Shares of nominal value HK$1.00 each in its share capital into 10 Shares of nominal value of HK$0.10 each.

On 5 November 2010, the Company acquired the entire issued share capital of Allybest from Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui, the consideration of which was satisfied by the allotment and issue by the Company of 94,570 Shares, 980 Shares, 980 Shares, 980 Shares, 490 Shares and 2,000 Shares, all credited as fully paid, to Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui respectively. On 9 November 2010, the authorised share capital of our Company was increased from HK$380,000 to HK$150,000,000.

Assuming that the Global Offering and the Capitalisation Issue become unconditional and the issue of Shares is made pursuant thereto but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company immediately following the Global Offering and the Capitalisation Issue will be HK$100,000,000 divided into 1,000,000,000 Shares, fully paid or credited as fully paid.

Save as aforesaid and as mentioned in the paragraph headed "Resolutions of all the Shareholders passed on 9 November 2010" below, there has been no alteration in the share capital of our Company since the date of its incorporation.

(3) Resolutions of all the Shareholders passed on 9 November 2010

Pursuant to the resolutions in writing passed by all the shareholders of our Company on 9 November 2010:

(a) the increase of the authorised share capital of our Company from HK$380,000 to HK$150,000,000 by the creation of additional 1,496,200,000 Shares of HK$0.10 each in the capital of our Company to rank pari passu in all respects with the then existing issued shares of HK$0.10 each in the capital of our Company was approved;

(b) conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise an amount of HK$74,970,000 from the amount standing to the credit of the share premium account of our Company and that the said sum be applied in paying up in full at par 749,700,000 Shares, such Shares to be allotted and issued, credited as fully paid at par to Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui being shareholders of our Company appearing on the register of members of our Company on 8 November 2010, as to 708,991,290 shares, 7,347,000 shares, 7,347,000 shares, 7,347,000 shares, 3,673,530 shares and 14,994,000 shares respectively;

(c) conditional on (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the Capitalisation Issue or pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), (ii) the Offer Price having been fixed on or around the Price Determination Date, and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (acting for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

  (i) the Global Offering was approved and the Directors were authorised to effect the same and to allot and issue the Offer Shares in the Global Offering;

  (ii) the Over-allotment Option was approved and the Directors were authorised to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;

(iii) the rules of the Share Option Scheme (the principal terms of which are set out in the paragraph headed "Share Option Scheme" in this Appendix) were approved and adopted and the Directors were authorised to (i) administer the Share Option Scheme; (ii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to therein; (iii) issue and allot to the holders of any options, upon the due exercise of the subscription rights attaching thereto, the appropriate number of Shares upon the Share Option Scheme becoming unconditional; and (iv) to take all such steps as they consider necessary, desirable or expedient to implement the Share Option Scheme; and

(d) our Company approved and adopted the Articles;

(e) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal in, otherwise than by way of rights issue or an issue of Shares upon the exercise of options which may be granted under the Share Option Scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;

(f) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; and

(ii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate; and

(g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme).

(4) Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to in preparation for the listing of the Shares on the Stock Exchange. The Reorganisation involved the following:

On 8 April 2006, Jiangsu Daming declared and paid a dividend in the total sum of RMB 172,860,491.65 to its shareholders, Daming Logistics and Fortune Express.

On 7 July 2006, Ally Good was incorporated in the British Virgin Islands with limited liability and was held as to 77.2% by Mr. Zhou and 22.8% by Ms. Xu.

On 10 July 2006, Allybest was incorporated in the British Virgin Islands with limited liability. At the time of incorporation, Allybest was directly wholly-owned by Fortune Express.

On 1 September 2006, Ally Good, Mr. Yu, Ms. Li and Ms. Zhou acquired shares in Fortune Express from Ms. Xu and Mr. Qian at par. After such acquisition, Fortune Express was held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou as to 96.5%, 1.0%, 1.0%, 1.0% and 0.5% respectively.

On 27 November 2006, Daming Logistics transferred all its equity interest of 60% in Jiangsu Daming to Fortune Express at a consideration of RMB70,971,664.30, being 60% of the net asset value of Jiangsu Daming as at 31 December 2005. After being approved by the relevant authorities and following completion of the transfer, Jiangsu Daming became a wholly-owned subsidiary of Fortune Express.

On 6 December 2006, Daming Logistics transferred its 60% equity interest in Wuhan Fortune to Jiangsu Daming at a consideration of RMB9,118,164.73, being the amount of registered capital in Wuhan Fortune contributed by Daming Logistics as at the date thereof. After such transfer, Wuhan Fortune was held as to 60% by Jiangsu Daming and 40% by Fortune Express. On the same day, Daming Logistics transferred its 60% equity interests in Hangzhou Wanzhou to Jiangsu Daming at a consideration of RMB30 million, being the amount of registered capital in Hangzhou Wanzhou already contributed by Daming Logistics as at the date thereof. After such transfer, Hangzhou Wanzhou was held as to 60% by Jiangsu Daming and 40% by Fortune Express.

On 7 December 2006, Ally Good acquired one share, being the entire issued share capital of Allybest, from Fortune Express at par. On 10 January 2007, Allybest acquired the entire issued share capital of Fortune Express from Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou at par. To maintain the same shareholding structure as that of Fortune Express, new shares were allotted and issued to Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou by Allybest at par. After such allotment, Fortune Express was wholly-owned by Allybest and Allybest was held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou as to 96.5%, 1.0%, 1.0%, 1.0% and 0.5%, respectively.

Our Company was incorporated in the Cayman Islands on 14 February 2007. At the time of incorporation, our Company was held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian and Ms. Zhou as to 96.5%, 1.0%, 1.0%, 1.0% and 0.5%, respectively.

On 15 February 2007, Tianjin Taigang Daming was established by TISCO and Fortune Express. At the time of establishment, the registered capital of Tianjin Taigang Daming was US$35 million and was held as to 9% by TISCO and 91% by Fortune Express.

On 27 July 2009, Fortune Express transferred 63.6% nil-paid registered capital in Tianjin Taigang Daming to Jiangsu Daming at nil consideration.

On 30 November 2009, Hong Kong Daming, a company incorporated in Hong Kong with limited liability, was established by Jiangsu Daming with an issued share capital of US$2 million.

Allybest entered into a subscription agreement and a supplemental agreement with Mitsui on 14 May 2010 and 2 June 2010, respectively. According to the Mitsui Subscription Agreement, Mitsui subscribed for 2% of the enlarged issued share capital in Allybest. After such subscription, Allybest was beneficially held by Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui as to 94.57%, 0.98%, 0.98%, 0.98%, 0.49% and 2%, respectively.

On 5 November 2010, our Company became the ultimate beneficial holding company of our Group by acquiring the entire issued share capital of Allybest from Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui. In consideration of the transfer of shares in Allybest by Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui, the Company allotted and issued an aggregate of 100,000 new Shares, all credited as fully paid, to these shareholders based on their then respective shareholdings in Allybest.

(5) Changes in share capital of the subsidiaries of our Company

Subsidiaries of our Company are referred to in the accountant's reports, the text of which is set out in Appendix I of this prospectus.

The following sets out the changes to the share capital of our subsidiaries during the two years preceding the date of this prospectus:

(a) The registered capital of Jiangsu Daming was increased from US$30 million to US$40 million on 20 October 2008.

(b) On 28 October 2009, Daming Logistics transferred its interest of 25% in the registered capital of Jiangsu Daming to Fortune Express at a consideration of RMB147 million.

(c) On 27 July 2009, Fortune Express transferred its nil-paid interest of 63.60% in the registered capital of Tianjin Taigang Daming to Jiangsu Daming at nil consideration.

(d) On 27 July 2009, TISCO transferred its interest of 9% in the registered capital of Tianjin Taigang Daming to STSS at a consideration of RMB9,154,422.

(e) Following its incorporation on 30 November 2009, Hong Kong Daming issued and allotted 2,000,000 shares of nominal value US$1.00 each for cash at par to Jiangsu Daming.

(f) On 5 November 2010, Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui transferred their respective shareholding in Allybest to the Company. In consideration of the transfer, the Company allotted and issued 94,570 Shares, 980 Shares, 980 Shares, 980 Shares, 490 Shares and 2,000 Shares to Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui, respectively.

Save as mentioned herein and in the paragraph headed "Corporate Reorganisation" in this Appendix, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

(6) Particulars of our subsidiaries in the PRC

As at the Latest Practicable Date, we have four subsidiaries in the PRC, the particulars of which are as follows:

Jiangsu Daming

Date of establishment:	21 June 2002
Registered capital:	US$40 million
Paid-up capital:	US$40 million
Percentage of equity interest held by us:	100%
Registered owner:	Fortune Express
Term of operation:	21 June 2002 to 20 June 2052

Principal scope of business:	manufacturing coloured metal composite material, new alloy material, construction metals and plumbing equipment
Directors:	Zhou Keming, Xu Xia, Qian Li
Legal representative:	Zhou Keming

Wuhan Fortune

Date of establishment:	28 September 2005
Registered capital:	US$3 million
Paid-up capital:	US$3 million
Percentage of equity interest held by us:	100%
Registered owner:	Jiangsu Daming (as to 60%) and Fortune Express (as to 40%)
Term of operation:	28 September 2005 to 27 September 2015
Principal scope of business:	high-end renovation; manufacturing processing and selling metallic plumbing equipment, coloured metal composite material, new alloy material, stainless steel and carbon steel products
Directors:	Zhou Keming, Xu Xia, Qian Li
Legal representative:	Zhou Keming

Hangzhou Wanzhou

Date of establishment:	8 December 2005
Registered capital:	US$16 million
Paid-up capital:	US$16 million
Percentage of equity interest held by us:	100%
Registered owner:	Jiangsu Daming (as to 60%) and Fortune Express (as to 40%)

Term of operation:	8 December 2005 to 7 December 2055
Principal scope of business:	manufacturing high-end construction material, metallic plumbing equipment, coloured metal composite material, new alloy material and stainless steel products; selling the manufactured products
Directors:	Zhou Keming, Xu Xia, Qian Li
Legal representative:	Zhou Keming

Tianjin Daming

Date of establishment:	15 February 2007
Registered capital:	US$36.50 million
Paid-up capital:	US$36.50 million
Percentage of equity interest held by us:	91%
Registered owner:	Jiangsu Daming (as to 63.60%) and Fortune Express (as to 27.40%)
Term of operation:	15 February 2007 to 14 February 2057
Principal scope of business:	manufacturing, processing and selling coloured metal composite material, new alloy material, high-end construction metals and plumbing equipment; providing relevant technological consultation and after-sale services
Directors:	Zhou Keming, Xu Xia, Zhang Xiaodong
Legal representative:	Zhou Keming

(7) Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of the Shares.

(a) Relevant Legal and Regulatory Requirements

The Listing Rules permit the Shareholders to grant the Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange.

(b) Shareholder's Approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 9 November 2010, the Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue of the Shares to be sold in the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of our Company, or (ii) such mandate being revoked, varied or renewed by resolutions of the Shareholders in a general meeting.

(c) Source of Funds

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the memorandum of association of our Company and Articles of Association and the applicable laws of Cayman Islands and any other laws and regulations applicable to our Company. Our Company may not repurchase Shares on the Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(d) Trading Restrictions

Our Company may repurchase up to 10% of the issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to an Share repurchase as the Stock Exchange may require.

(e) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed.

(f) Suspension of Repurchase

Securities repurchases are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(g) Reporting Requirements

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, a company's annual report and accounts is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased and the aggregate prices paid.

(h) Connected persons

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person of such company and a connected person shall not knowingly sell his securities to our Company on the Stock Exchange.

(i) Reasons for Repurchases

Repurchase will only be made where the Directors believe that such repurchases will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share.

(j) General

The 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, the memorandum of association of our Company and Articles of Association and any other applicable laws of Cayman Islands.

There might 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 is exercised in full. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing positions which in the opinion of the Directors are from time to time appropriate for our Company.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) 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.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates as defined by the Listing Rules, has any present intention to sell any Shares to our Company.

No connected person as defined by the Listing Rules has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

(1) Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Company within the two years preceding the date of this prospectus and are or may be material:

(a) the share transfer agreement dated 24 April 2009 entered into between Fortune Express and Jiangsu Daming, pursuant to which Fortune Express transferred the nil-paid equity interest of 63.60% in the registered capital of Tianjin Taigang Daming to Jiangsu Daming;

(b) the Mitsui Subscription Agreement;

(c) a sale and purchase agreement dated 5 November 2010 entered into among the Company as purchaser, and Ally Good, Mr. Yu., Ms. Li, Mr. Qian, Ms. Zhou and Mitsui as vendors, pursuant to which Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui transferred their respective interests in Allybest to the Company. In consideration of such transfers, the Company allotted and issued 94,570 Shares, 980 Shares, 980 Shares, 980 Shares, 490 Shares and 2,000 Shares to Ally Good, Mr. Yu, Ms. Li, Mr. Qian, Ms. Zhou and Mitsui, respectively.

(d) a Deed of Indemnity referred to in the section headed "Relationship with the Controlling Shareholders" of this prospectus;

(e) a Deed of Non-competition referred to in the section headed "Relationship with the Controlling Shareholders" of this prospectus;

(f) a cornerstone placing agreement dated 11 November 2010, entered into among Lee Kee Holdings Limited, Brilliant Market Limited (being an indirect wholly-owned subsidiary of Lee Kee Holdings Limited), the Joint Global Coordinators and our Company, pursuant to which Brilliant Market Limited agreed to subscribe at the Offer Price for such number of the Offer Shares in the amount of HK$30 million rounded down to the nearest board lot; and

(g) the Hong Kong Underwriting Agreement.

(2) Intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group's business.

(a) Trademarks

Trademark	Place of Registration	Class	Registration Number	Effective Period
1.	PRC	6	1973262	28 November 2002 to 27 November 2012
2.	PRC	35	2001695	28 March 2003 to 27 March 2013
3. DMSSC DMSSC	PRC	6	6051536	28 November 2009 to 27 November 2019
4. DMSSC DMSSC	PRC	35	6271848	14 June 2010 to 13 June 2020
5. DMSSC DMSSC	PRC	40	6051535	7 March 2010 to 6 March 2020
6. Da Ming International	PRC	6	6271859	14 July 2010 to 13 July 2020
7. 大明金属	PRC	35	6271856	28 July 2010 to 27 July 2020

Trademark	Place of Registration	Class	Registration Number	Effective Period
8. 大明不锈钢	PRC	35	6271862	28 July 2010 to 27 July 2020
9. 大明国际	PRC	35	6271864	28 July 2010 to 27 July 2020
10.	PRC	35	6271847	14 June 2010 to 13 June 2020
11 大明不锈钢 大明不锈钢	HK	6, 35, 40	300907470	6 July 2007 to 5 July 2017
12 大明金属 大明金属	HK	6, 35, 40	300907489	6 July 2007 to 5 July 2017
13 DMSSC DMSSC	HK	6, 35, 40	300907498	6 July 2007 to 5 July 2017
14 Da Ming International Da Ming International	HK	6, 35, 40	300907506	6 July 2007 to 5 July 2017
15 大明国际 大明国际	HK	6, 35, 40	300907515	6 July 2007 to 5 July 2017
16. DMSSC 大明	HK	6	301524519	18 January 2010 to 17 January 2020
17. DMSSC	HK	6	301524500	18 January 2010 to 17 January 2020
18. 大明	HK	6	301524492	18 January 2010 to 17 January 2020

Products and services covered under each class:

For trademarks registered in China:

Class 6	Common metal and their alloys, metal building material，transportable buildings of metal，materials of metal for railway tracks, non-electric cables and wires of metal, ironmongery, safety box, goods of common metal not included in other classes
Class 35	Advertisement, business operation and management, administrative matters
Class 40	Material handling

For trademarks registered in Hong Kong:

Class 6	Stainless steel, common metals and their alloys, metal building materials, transportable buildings of metal, materials of metal for railway tracks, non-electric cables and wires of common metal, ironmongety, small items of metal hardware, pipes and tubes of metal, goods of common metal not included in other classes.
Class 35	Retailing and wholesaling of stainless steel, common metals and their alloys, metal building materials, transportable buildings of metal, materials of metal for railway tracks, non-electric cables and wires of common metal, ironmongery, small items of metal hardware, pies and tubes of metal, goods of common metal.
Class 40	Boiler-making, soldering, laser scribing, metal treating, metal plating, gold-plating, metal tempering, metal smelting, metal casting, refining services, millworking, key cutting, blacksmithing, coppersmithing, grinding, burnishing by abrasion, magnetization, electroplating, galvanization, cadmium plating, chromium plating, gilding, nickel plating, tin-plating, silver-plating, processing of stainless steel, common metals and their alloys, metal building materials, transportable buildings of metal, materials of metal for railway tracks, non-electric cables and wires of common metal, ironmongery, small items of metal hardware, pipes and tubes of metal, goods of common metal.

As of the Latest Practicable Date, our Group has applied for the registration for the following trademarks which are material in relation to our Group's business:

Trademark	Place of Registration	Class	Application number	Application date
MSSC	PRC	6	7677554	7 September 2009
MSSC	PRC	40	7677630	7 September 2009
MSSC	PRC	35	7677471	7 September 2009
MSSC	PRC	39	7677489	7 September 2009

Note:

As advised by the PRC Legal Advisers, there is no law or regulation in China prescribing the time limit for government agency to examine a trademark registration application. Further it is not unusual for a company to take 2 to 3 years or more to obtain a trademark after the trademark application is filed and accepted, depending on the examination progress of the relevant authorities. As such, there is no legal impediment for the Company to obtain the trademarks for which application has been made in the PRC.

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain name	Registered owner	Expiry date
大明钢铁.cn	Jiangsu Daming	5 January 2012
大明金属.cn	Jiangsu Daming	5 January 2012
江苏大明.cn	Jiangsu Daming	5 January 2012
江苏大明金属.cn	Jiangsu Daming	5 January 2012
大明不锈钢.cn	Jiangsu Daming	5 January 2012
大明国际控股.cn	Jiangsu Daming	5 January 2012
大明控股.cn	Jiangsu Daming	5 January 2012
杭州万洲.cn	Jiangsu Daming	5 January 2012
天津太钢大明.cn	Jiangsu Daming	5 January 2012
香港通顺.cn	Jiangsu Daming	5 January 2012
武汉通顺.cn	Jiangsu Daming	5 January 2012
大明重工.cn	Jiangsu Daming	5 January 2012
大明物流.cn	Jiangsu Daming	5 January 2012
dmssc.com.cn	Jiangsu Daming	20 June 2011
dmssc.net	Jiangsu Daming	20 June 2011
dmssc.cn	Jiangsu Daming	20 June 2011
wxzdmss.com	Jiangsu Daming	9 June 2011
wuxidm.com	Jiangsu Daming	1 July 2011
wuxiss.cn	Jiangsu Daming	17 March 2011
jiangsudm.com	Jiangsu Daming	21 May 2011
jsdmss.com	Jiangsu Daming	9 October 2011
jsdmss.com.cn	Jiangsu Daming	9 October 2011
jsdmss.net	Jiangsu Daming	21 May 2011
jsdm.net	Jiangsu Daming	18 May 2011
wuxidm.com.cn	Jiangsu Daming	15 October 2011
wuxiss.com.cn	Jiangsu Daming	12 September 2011
wuxizdm.com	Jiangsu Daming	9 June 2011
wxzdm.com	Jiangsu Daming	9 June 2011
zdmss.com	Jiangsu Daming	9 June 2011
zdmss.net	Jiangsu Daming	9 June 2011
wuxidm.cn	Jiangsu Daming	17 March 2011
jiangsudm.net	Jiangsu Daming	21 May 2011

C. DISCLOSURE OF INTERESTS

(1) Directors

(a) Interests in Shares

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of Share which may be issued pursuant to the Share Option Scheme and the Share which may be issued pursuant to any exercise of the Over-allotment Option, the interests and short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which were 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 they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required to be entered in the register kept by our Company pursuant to section 352 of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, were as follows:

(i) Interests and short positions in the Shares as at the Latest Practicable Date

Name of director/ chief executive	Capacity	Long position/ short position	Number of Shares held	Approximate % of the issued share capital of our Company
Mr. Zhou	Interests in controlled company	Long position	709,275,000	70.93
Ms. Xu	Interests in controlled company	Long position	709,275,000	70.93
Mr. Zou	Family interest	Long position	7,350,000	0.74
Mr. Qian	Personal interest	Long position	7,350,000	0.74

Note: Mr. Zhou and Ms. Xu holds approximately 77.2% and 22.8% of the issued share capital of Ally Good. Mr. Zhou and Ms. Xu (wife of Mr. Zhou) therefore hold a controlling interest in Ally Good and are deemed under the SFO to be interested in Ally Good's interest in our Company.

(ii) Interests in shares of associated corporation as at the Latest Practicable Date

Name of Director / chief executive	Name of associated corporation	Capacity	Nature of interest	Long position/ short position	Number of shares held	Approximate % of the issued share capital of the relevant associated corporation
Mr. Zhou	Ally Good	Beneficial owner	Individual	Long position	772	77.20
Ms. Xu	Ally Good	Beneficial owner	Individual	Long position	228	22.80

(b) Particulars of service contracts

(i) Each of Mr. Zhou, Ms. Xu, Mr. Qian, Mr. Tang and Mr. Zou, being our executive Directors, has entered into a service agreement with us for an initial terms of three years commencing on the Listing Date which shall be terminated in accordance with the provisions of the service agreement by either party giving to other not less than three months prior notice in writing, subject to provisions on retirement by rotation as set out in the Articles. Details of the Company's remuneration policy is set forth in the sub-section headed "Directors' Remuneration" below.

The annual remuneration of each of the executive Directors payable by our Company is as follows:

Executive Directors	HK$
Mr. Zhou	240,000
Ms. Xu	240,000
Mr. Qian	240,000
Mr. Tang	240,000
Mr. Zou	240,000

(ii) Mr. Jiang Changhong, being our non-executive Director, has entered into a service agreement with us for an initial term of three years commencing on the Listing Date with the following annual remuneration:

Non-executive Director	HK$
Jiang Changhong	240,000

(iii) Each of Professor Hua Min, Mr. Chen Xuedong and Mr. Cheuk Wa Pang, being our independent non-executive Directors, has entered into a letter of appointment with us for an initial term of three years commencing on Listing Date with the following annual remuneration:

Independent non-executive Directors	**HK$**
Professor Hua Min	240,000
Mr. Chen Xuedong	240,000
Mr. Cheuk Wa Pang	240,000

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements or letters of appointment 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).

(c) Directors' remuneration

(i) The remuneration policy of our Company is set by the Remuneration Committee from time to time with reference to factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of our Directors. Under the current remuneration policy, non-cash benefits may be provided to the Directors under their remuneration package.

(ii) Approximately RMB2.4 million was paid to the Directors by our Group as remuneration in respect of the year ended 31 December 2009.

(iii) Save as disclosed in the accountant's report in Appendix I to this prospectus, no Directors received any remuneration or benefits in kind from our Group for the financial year ended 31 December 2009.

(iv) Under the arrangements currently proposed, conditional upon the listing of the Shares on the Stock Exchange, the estimated aggregate remuneration (excluding any discretionary bonus which may be paid) payable by our Company and its subsidiaries to the Directors for the year ending 31 December 2010 is expected to be approximately RMB2.2 million.

Save as disclosed in this prospectus, no Director in the promotion of our Company has been paid in cash or shares or otherwise by any person either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of our Company.

(2) Substantial Shareholders

(a) Interests in our Company

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of Share which may be issued pursuant to the Share Option Scheme and the Share which may be issued pursuant to any exercise of the Over-allotment Option, the following parties not being a Director or chief executive of our Company have an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Ally Good *(Note)*	Beneficial owner	709,275,000	70.93%

Note: The issued share capital of Ally Good is owned as to approximately 77.2% by Mr. Zhou (a Director) and as to 22.8% by Ms. Xu (a Director).

(b) Interests in other members of our Group

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, there will not be any persons not being a Director or chief executive of our Company 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 meeting of any other member of our Group.

(3) Agency fees and commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the Shareholders dated 9 November 2010:

(a) Purpose

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below), to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

(b) Conditions

The Share Option Scheme is conditional upon:

(i) the Listing Committee of the Stock Exchange granting approval (whether subject to conditions or not) of the Share Option Scheme and any right to subscribe for Shares pursuant to the Share Option Scheme ("Options") which may be granted thereunder, and the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Options; and

(ii) the obligations of the Underwriters under the Underwriting Agreements referred to in the paragraph headed "Underwriting Arrangements and Expenses" in the section titled "Underwriting" of the prospectus becoming unconditional (including, if relevant, as a result of the waiver of any such conditions) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise.

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite any of the following persons ("Participants") to take up Options:

(i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of our Group;

(ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;

(iii) any consultant (in the areas of legal, technical, financial or corporate management) and other adviser to any member of our Group;

(iv) any provider of goods and/or services to our Group; or

(v) any other person who the Board considers, in its sole discretion, have contributed to our Group.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(d) Acceptance of offer

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of our Company of HK$10.00 (or such other nominal sum in any currency as the Board may determine) by way of consideration for the grant thereof.

(e) Subscription price

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted, (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a Share on the date on which an Option is granted.

(f) Maximum number of Shares available for subscription

(i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option (if any)), unless our Company obtains an approval from its Shareholders pursuant to (ii) below.

(ii) Subject to (iv) below, our Company may seek approval of its Shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.

(iii) Subject to (iv) below, our Company may seek separate approval from its Shareholders in general meeting for granting Options beyond the 10% limit provided the Options granted in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to its shareholders containing the information required under the Listing Rules.

(iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No Option may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Options

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(h) Maximum entitlement of Shares of each Participant

(i) Subject to paragraph (i) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by the Shareholders in general meeting with such Participant and his or her Associates abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) Grant of Options to connected persons

(i) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (as defined under the Listing Rules) of our Company or their respective Associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Participants).

(ii) Where the Board proposes to grant any Option to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective Associates and such Option which if exercised in full, would result in such Participant becomes entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:

(1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and

(2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, our Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. All connected persons of our Company must abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) Transferability of Options

An Option shall be personal to the grantee and shall not be assignable and transferable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment, directorship, office or appointment on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of the relevant company, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment, directorship, office or appointment under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his employment, directorship, office or appointment on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any ground on which an employee would be entitled to terminate his or her employment summarily.

(o) Voluntary winding-up of our Company

In the event a notice is given by our Company to its shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees. Each grantee (or his or her legal personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than 4 business days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and, in any event, no later than the third business day immediately prior to the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of shares to the grantee which falls to be issued on such exercise. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general offer by way of take-over is made to all the holders of the Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, our Company shall forthwith give notice thereof to the grantee and the grantee (or his or her personal representative(s)) may within 21 days of the date of the notice from our Company exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(q) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, by notice in writing to the Company exercise the Option and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) Rank pari passu

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment 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 date of allotment.

(s) Alteration in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, reclassification sub-division or reduction of share capital in accordance with legal requirements and requirements of the Stock Exchange, such corresponding alterations (if any) shall be made to, among others:

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(ii) the subscription price

or any combination thereof, as an independent financial adviser or the auditors of our Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or supplementary guidance or may be issued by the Stock Exchange from time to time but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(u) Cancellation of Options granted

The Board may at any time at its absolute discretion cancel any Option granted but not exercised. Where our Company cancels Options and makes an offer of the grant of new Options to the same Option holder, the offer of the grant of such new Options may only be made, under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the Board as provided above.

(v) Termination of the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to the class of persons eligible for the grant of Options, the option period and all such other matters set out in Rule 17.03 or the Listing Rules cannot be altered to the advantage of the Participants without the prior approval of the Shareholders in general meeting.

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 the Options granted must be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules in particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board 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 (ii) the deadline for our Company to publish announcement for its 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, no Option may be granted.

The Share Option Scheme complies with Chapter 17 of the Listing Rules. As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 1,000,000,000 Shares are in issued on the date of commencement of dealings in the Shares on the Stock Exchange (without taking into consideration of the Shares that may be issued upon exercise of the Over-allotment Option), the application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares on the Stock Exchange includes the 100,000,000 Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

E. OTHER INFORMATION

(1) Estate Duty and Tax Indemnity

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, the BVI, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

For details of the Deed of Indemnity, please refer to the section headed "Relationship with the Controlling Shareholders" in this prospectus.

(2) Litigation

As at the Latest Practicable Date, neither our Company nor any other member of our Group is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against our Company or any member of our Group.

(3) Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the Capitalisation Issue or pursuant to the exercise of the Over-allotment Option or any options granted under the Share Option Scheme).

(4) Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$190,000 and are payable by our Company.

(5) Qualifications of experts

Name	Qualifications
CCB International Capital Limited	A licenced corporation permitted by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO
Deutsche Bank AG, Hong Kong Branch	A registered institution to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
PricewaterhouseCoopers	Certified public accountants
Dacheng Law Offices	Qualified PRC lawyers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jones Lang LaSalle Sallmanns Limited	Property valuers

(6) Consents of experts

Each of the Joint Sponsors, PricewaterhouseCoopers, Dacheng Law Offices, Jones Lang LaSalle Sallmanns Limited and Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or valuation certificates and/or the references to its name in the form and context in which they are respectively included.

(7) Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

(8) Disclaimer

(a) save as disclosed in "C. Disclosure of Interests — (1) Directors (a) Interest in Shares" in this appendix, none of our Directors has any interest and short position in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by the Directors of Listed Company to be notified to our Company and the Stock Exchange once such securities are listed on the Stock Exchange;

(b) none of our Directors nor any of the persons whose names are listed in the subsection headed "Other information — (6) Consent of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have within the two years immediately preceding the issue of this prospectus been 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;

(c) none of our Directors nor any of the persons whose names are listed in the subsection headed "Other information — (6) Consents of experts" 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;

(d) none of the persons whose names are listed in the sub-section headed "Other information — (6) Consents of experts" in this Appendix has any shareholding in any member of the 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;

(e) save as disclosed in "C. Disclosure of Interests — (1) Directors (b) Particulars of service contracts" in this appendix, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(f) save as disclosed in this prospectus, so far as is known to our Directors, none of our Directors, their respective associates (as defined in the Listing Rules) or Shareholders who are interested in 5% or more of the issued share capital of our Company have any interests in the five largest customers or the five largest suppliers of the Group.

(9) Miscellaneous

(a) Save as disclosed in the subsection headed "Further information about our Company" in this Appendix within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) Within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) We have no outstanding convertible debt securities or debentures.

(d) No founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.

(e) The Directors confirm that since 30 June 2010 (being the date to which the latest audited financial statements of our Group was made up), there has been no material adverse change in the financial or trading position or prospects of our Group.

(f) None of the Joint Sponsors, PricewaterhouseCoopers, Dacheng Law Offices, Jones Lang LaSalle Sallmanns Limited and Conyers Dill & Pearman:

   (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

   (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(10) Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the subsection headed "Further information about our business — (1) Summary of material contracts" in Appendix VI to this prospectus; (iii) the written consents referred to in the subsection headed "Other information — (6) Consents of experts" in Appendix VI to this prospectus and other information required by Section 342C(3) of the Companies Ordinance.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the memorandum of association of the Company and the Articles of Association;

(b) the accountant's reports issued by PricewaterhouseCoopers, the texts of which are set out in Appendix I to this prospectus;

(c) the audited financial statements of our Group for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010;

(d) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;

(e) the letters in relation to the profit forecast, the texts of which are set out in Appendix III to this prospectus;

(f) the letter, summary of values and valuation report relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) the PRC legal opinions issued by our PRC Legal Advisers in respect of our general matters and property interests and taxation matters of the Group;

(h) the letter prepared by Conyers Dill & Pearman, summarising certain aspects of the Cayman Islands company law as referred to in Appendix V to this prospectus;

(i) the Companies Law;

(j) the material contracts referred to in the subsection headed "Further Information about our business — (1) Summary of material contracts" in Appendix VI to this prospectus;

(k) the written consents referred to in the subsection headed "E. Other information — (6) Consents of experts" in Appendix VI to this prospectus; and

(l) Share Option Scheme.

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