



Huajin International Holdings Limited 華津國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2738



GLOBAL OFFERING

Sole Sponsor



Shenwan Hongyuan Capital (H.K.) Limited
申萬宏源融資(香港)有限公司

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Shenwan Hongyuan Capital (H.K.) Limited
申萬宏源融資(香港)有限公司

IMPORTANT

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



Huajin International Holdings Limited

華津國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 150,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 15,000,000 Shares (subject to adjustment)
Number of International Placing Shares	: 135,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	: not more than HK\$2.48 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$1.88 per Offer Share
Nominal Value	: HK\$0.01 per Share
Stock Code	: 2738

Sole Sponsor



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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 paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 11 April 2016 and, in any event, not later than Tuesday, 12 April 2016. The Offer Price will be not more than HK\$2.48 and is currently expected to be not less than HK\$1.88 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.48 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$2.48. If, for any reason, the Offer Price is not agreed by Tuesday, 12 April 2016 between the Sole Global Coordinator and our Company, the Global Offering will not proceed and will lapse.

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

The Sole Global Coordinator may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.88 to HK\$2.48 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The obligations of the Sole Global Coordinator under the Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination". It is important that you refer to that section for further details.

5 April 2016

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in The Standard and in Chinese in Hong Kong Economic Times and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.huajin-hk.com.

Application lists of the Hong Kong Public Offering open⁽²⁾ 11:45 a.m. on
Friday, 8 April 2016

Latest time to lodge **WHITE** and **YELLOW** Application Forms 12:00 noon on
Friday, 8 April 2016

Latest time to give **electronic application instructions**
to HKSCC⁽³⁾ 12:00 noon on
Friday, 8 April 2016

Application lists of the Hong Kong Public Offering close⁽²⁾ 12:00 noon on
Friday, 8 April 2016

Expected Price Determination Date⁽⁴⁾ Monday, 11 April 2016

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in The Standard (in English) and

Hong Kong Economic Times (in Chinese)

and on the websites of the Hong Kong Stock Exchange at

www.hkexnews.hk⁽⁶⁾ and our Company at www.huajin-hk.com⁽⁷⁾

on or before Thursday, 14 April 2016

EXPECTED TIMETABLE⁽¹⁾

- (2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.huajin-hk.com⁽⁷⁾ (see the section headed "How to Apply for the Hong Kong Offer Shares — 10. Publication of results" in this prospectus) from Thursday, 14 April 2016
- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.huajin-hk.com⁽⁷⁾ from Thursday, 14 April 2016

Results of allocations for the Hong Kong Public Offering will be available at www.unioniporesults.com.hk with a "search by ID" function from Thursday, 14 April 2016

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁵⁾⁽⁸⁾ Thursday, 14 April 2016

Despatch/collection of refund cheques in respect of wholly or partially successful applications (in the event that the final Offer Price is less than the maximum Offer Price payable on application) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Thursday, 14 April 2016

Dealings in Shares on the Hong Kong Stock Exchange to commence on Friday, 15 April 2016

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 8 April 2016, the application lists will not open and close on that day. See the section headed "How to Apply for the Hong Kong Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (3) 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 the Hong Kong Offer Shares — 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (4) The Price Determination Date is expected to be on or around Monday, 11 April 2016 and, in any event, not later than Tuesday, 12 April 2016. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company by Tuesday, 12 April 2016, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

- (5) **Share certificates are expected to be issued on Thursday, 14 April 2016 but will only become valid provided that the Global Offering has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Friday, 15 April 2016. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.**
- (6) The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the Hong Kong Stock Exchange’s website www.hkexnews.hk and our Company’s website at www.huajin-hk.com.
- (7) None of the website or any of the information contained on the website forms part of this prospectus.
- (8) Applicants who apply with **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more may collect share certificates (if applicable) and/or refund cheques (if applicable) in person and may do so from our Hong Kong Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 14 April 2016 or any other date as notified by us in the newspapers as the date of despatch of share certificates/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar, Union Registrars Limited. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more may collect their refund cheques (if applicable), in person but may not collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for applicants who apply on **WHITE** Application Forms. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section “How to Apply for the Hong Kong Offer Shares” in this prospectus.
- (9) Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the maximum Offer Price payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section “How to Apply for the Hong Kong Offer Shares” in this prospectus.

You should read carefully “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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 made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, any of our or their respective affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading cold-rolled carbon steel processor in Guangdong Province, the PRC, principally engaged in providing cold-rolled carbon steel strips, sheets and welded steel tubes customised to the specifications of our customers. We pride ourselves on our capability to serve a diversified customer base covering manufacturers in a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. According to Frost & Sullivan, we ranked first in terms of production volume in 2014 amongst the cold-rolled carbon steel processors in Guangdong Province, the PRC, with our production volume representing approximately 5.5% of the total production volume of that market in 2014. During the Track Record Period, we sold approximately 383,801 tonnes, 412,870 tonnes and 607,476 tonnes of processed steel products, respectively, representing a CAGR of approximately 25.8% over the same period. Our Directors believe that our strong growth during the Track Record Period was attributable to the business objective we have adopted, which has also enabled us to become the preferred supplier of our customers.

Our business objective

Our business objective is to enable our customers to source processed steel products specially catered to their needs for the manufacture of various end products. To this end, we maintain close collaboration with our customers to understand their respective manufacturing needs in order to provide them with steel products that satisfy their specific requirements on dimensions and quality. Secondly, we always aim to assist our customers to control material cost in manufacturing. According to Frost & Sullivan, steel processing is capital-intensive in nature, which increases production costs if undertaken in-house and deters the end users from carrying out steel processing by themselves. Thirdly, we assist our customers to maintain adequate inventory level as we are able to fulfil our customers' procurement requirements on a just-in-time basis with our own fleet of delivery vehicles.

Our steel processing

According to Frost & Sullivan, large-scale state-owned steel producers are dominant in the supply of mainstream and standardised steel products, which are often not ready for use in the production process of downstream light industrial manufacturers. Downstream end users have increasingly sought to purchase steel from steel processors to take advantage of the lower costs, shorter lead times and more flexible deliveries and steel processors such as our Group which are able to meet precise specifications of the end users of steel in respect of thickness, width, shape and finish characteristics therefore emerged in the market to bridge this gap. Our Directors believe that we are well-positioned in the steel industry supply chain between these large-scale state-owned steel producers and the end users of steel to capture such increasing market demand as we are able to process the hot-rolled carbon steel products purchased from these large-scale state-owned steel producers into cold-rolled carbon steel products in different surface finish with various thicknesses and widths and welded steel tubes in different shapes and diameters to support a variety of customer-specific requirements.

Our annual processing capacity for cold-rolling processes as at 31 December 2015 amounted to approximately 750,000 tonnes. As at the Latest Practicable Date, we completed the construction work of Workshop No. 4 which is expected to commence operation in mid 2016 and would have a maximum designed annual processing capacity for zinc coating process of approximately 250,000 tonnes. As zinc coated steel is highly resistant to corrosion but generally commands a lower selling price as compared to stainless steel, our Directors are confident that zinc coated steel should be well received by our customers.

SUMMARY

Our location

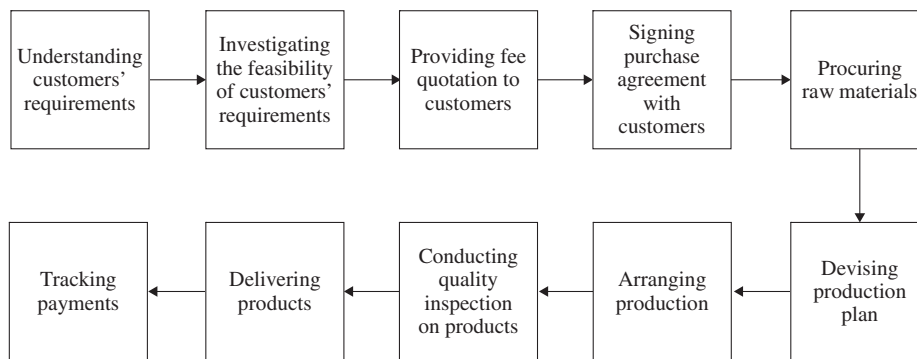
Our processing activities are currently carried out at three production workshops located in close proximity to each other in Jiangmen, Guangdong Province, the PRC. Our strategic location near the manufacturing hub in South China also enables us to reach out to a large number of manufacturers in Guangdong Province, the PRC and to arrange for timely delivery of our products to our customers. During the Track Record Period, over 85% of our products were sold to customers in Guangdong Province, the PRC.

Our procurement policy

Our procurement policy on steel has been that we only purchase steel raw materials after we have received confirmed purchase orders from our customers. This procurement policy allows us to minimise the price risks associated with the value of our steel inventory and ensures that the steel raw material purchase cost can generally be reflected in the sales price of our finished products given the short timeframe between the placing of purchase orders by our customers and our corresponding purchases of steel.

OUR BUSINESS MODEL

The following diagram illustrates the typical work flow of our business:



OUR PRODUCTS

We are principally engaged in providing cold-rolled carbon steel strip/sheet and welded steel tube to customers for their end-use applications which require different specifications, such as those in respect of thickness, hardness and surface finish. We offer a broad portfolio of customisable processed steel products including cold-rolled carbon steel strips/sheets in different surface finish with various thicknesses ranging from 0.2 mm to 3.0 mm and widths ranging from 200.0 mm to 1,300.0 mm and welded steel tubes in different shapes and diameters ranging from 8.0 mm to 80.5 mm to support a variety of customer-specific requirements. Our products are generally used in the following end markets, namely light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting.

SUMMARY

The following table sets out the sales volume and the average selling price of our products, average cost of direct materials used and the difference between the average selling price and the average cost of direct materials used during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
Sales volume of			
processed steel products	383,801 tonnes	412,870 tonnes	607,476 tonnes
— <i>Processed steel strips and sheets</i>	<i>339,291 tonnes</i>	<i>363,777 tonnes</i>	<i>540,258 tonnes</i>
— <i>Welded steel tubes</i>	<i>44,510 tonnes</i>	<i>49,093 tonnes</i>	<i>67,218 tonnes</i>
Average selling price of			
processed steel products (per tonne)	RMB4,163	RMB3,911	RMB3,033
— <i>Processed steel strips and sheets</i> <i>(per tonne)</i>	<i>RMB4,146</i>	<i>RMB3,897</i>	<i>RMB3,010</i>
— <i>Welded steel tubes (per tonne)</i>	<i>RMB4,291</i>	<i>RMB4,015</i>	<i>RMB3,222</i>
Average cost of direct materials used (i.e. hot-rolled carbon steel) (per tonne)	RMB3,439	RMB3,143	RMB2,293
<i>Difference between average selling price</i> <i>and average cost of direct materials used</i> <i>(per tonne)</i>	<i>RMB724</i>	<i>RMB768</i>	<i>RMB740</i>

The selling price of our processed steel products generally follows the underlying price trend of the direct materials, namely hot-rolled carbon steel. We adopt a “cost plus” pricing strategy, as evidenced in the relatively stable margin recorded between the average selling price and the average cost of direct materials used during the Track Record Period. Our sales team works closely with our procurement team such that the sales price of our finished products covers the latest steel price quotations provided by our suppliers. For details of our “cost-plus” pricing strategy, please refer to the paragraph headed “Business — Sales, Customers and Marketing — Pricing” on pages 133 and 134 in this prospectus.

Production and our expansion plan

Our annual steel processing capacity for cold-rolling processes as at 31 December 2015 amounted to approximately 750,000 tonnes. For each of the three years ended 31 December 2013, 2014 and 2015, the average utilisation rate of our cold-rolling platform was approximately 49.9%, 55.9% and 83.2%, respectively. Please refer to the paragraph headed “Business — Production — Utilisation rate” on page 111 in this prospectus for detailed information on our utilisation rate and the explanations for the fluctuations of the average utilisation rate of our cold-rolling platforms during the Track Record Period.

We currently intend to increase the processing capacity of our existing production facilities by purchasing production machinery and equipment including, among others, cold-rolling machines, pickling lines and polishing lines. Our Directors expect to place purchase orders for new machinery in the third quarter of 2016 and the newly-purchased machinery will come into operation in the first quarter of 2017.

We are expanding to the production of zinc coated steel products. As at the Latest Practicable Date, we completed the construction work of Workshop No. 4, which is expected to commence operation in mid 2016 and would have a maximum designed annual processing capacity for zinc coating process of approximately 250,000 tonnes.

Our PRC Legal Adviser confirms that our Group obtained all prior necessary licences for the construction of Workshop No. 4. Upon completion of the construction of Workshop No. 4 and prior to its formal production, further licences, permits and/or approvals for the operation of Workshop No. 4,

SUMMARY

including but not limited to the approval on environmental protection inspection and fire inspection, will be required. In the event that Workshop No. 4 needs to increase its aggregate discharge of sewage or discharge harmful substances in the course of its production, we are required to apply to increase its quota on sewage discharge and/or to dispose of harmful substances according to the relevant regulations. Our PRC Legal Adviser further confirms that there is no substantive legal impediment for our Group to obtain such licences, permits and/or approvals.

Further information in relation to Workshop No. 4 is set out below:

Estimated total investment costs	approximately RMB101.0 million
Amount incurred as at the Latest Practicable Date	approximately RMB66.9 million
Source of fund	internally generated fund and net proceeds of the Global Offering
Breakeven period	six to nine months after commencement of operation
Investment payback period	three to four years after commencement of operation

SALES, CUSTOMERS AND MARKETING

We derived most of our revenue from domestic sales which were made mainly to customers located in Guangdong Province, the PRC. For each of the three years ended 31 December 2013, 2014 and 2015, the revenue attributable to our domestic sales in the PRC accounted for approximately 88.4%, 88.1% and 87.3%, respectively, of our total revenue and our sales to Southeast Asian countries accounted for approximately 11.6%, 11.9% and 12.7%, respectively, of our total revenue over the same period.

Our customers are primarily manufacturers of different industrial products which purchase our processed steel products for the manufacture of end products, agents for manufacturers, and steel trading companies. During the Track Record Period, we served approximately 700 to 800 customers per year across a variety of industries in the PRC, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. With a broad and diversified customer base, we are not dependent on any single customer, group of customers or any particular industry and are able to capture growth in various industries.

For each of the three years ended 31 December 2013, 2014 and 2015, revenue from our five largest customers in aggregate accounted for approximately 17.5%, 17.3% and 18.3%, respectively, of our revenue. During the same period, revenue from our largest customer accounted for approximately 5.5%, 5.0% and 8.7%, respectively, of our revenue.

We tend to record higher sales in the fourth quarter than other quarters in each year. We believe this is because manufacturing customers generally try to complete all their outstanding orders on hand prior to the Chinese New Year holidays. Sales tend to be relatively low in the first quarter primarily as a result of reduced business activities around the Chinese New Year holidays and the advance purchases by our customers in the last quarter of the previous year.

SUMMARY

The following table sets out the breakdown of our revenue attributable to sales of processed steel products by end market segments of our customers during the Track Record Period:

End market segment of our customers	Year ended 31 December					
	2013		2014		2015	
	RMB'000	% to total revenue attributable to sales of processed steel products	RMB'000	% to total revenue attributable to sales of processed steel products	RMB'000	% to total revenue attributable to sales of processed steel products
Light industrial hardware	510,920	32.0	522,996	32.4	571,569	31.0
Home appliances	422,549	26.4	433,736	26.9	448,301	24.3
Trading ^{Note 1}	322,005	20.2	273,513	16.9	379,956	20.6
Furniture	184,444	11.5	225,236	13.9	269,299	14.6
Motorcycle/bicycle accessories	60,330	3.8	60,212	3.7	59,917	3.3
LED	10,965	0.7	12,778	0.8	23,037	1.3
Lighting	11,413	0.7	10,103	0.6	19,027	1.0
Others ^{Note 2}	74,968	4.7	76,263	4.8	71,577	3.9
Total	<u>1,597,594</u>	<u>100.0</u>	<u>1,614,837</u>	<u>100.0</u>	<u>1,842,683</u>	<u>100.0</u>

Notes:

- This includes our sales to Hua Jin Trading, our related party and a company incorporated in Singapore, which to the best knowledge of our Directors after having made all reasonable enquiries, on-sold our processed steel products to a manufacturer of cabinet and shelving systems for offices and department stores in Malaysia, in the amount of approximately RMB73.7 million, RMB29.4 million and RMB146.2 million, respectively, during the Track Record Period and also a steel processor in Malaysia, in the amount of approximately RMB6.9 million, RMB43.1 million and RMB11.6 million, respectively, during the Track Record Period. For details about the fluctuations in Hua Jin Trading's sales of processed steel products to these two parties in Malaysia, please refer to the paragraph headed "Business — Sales, Customers, and Marketing — Our five largest customers — Hua Jin Trading" on pages 130 to 132 in this prospectus.

If sales to both of these Malaysian parties were excluded from the trading segment, revenue attributable to the trading segment would decrease to approximately RMB241.4 million, RMB201.0 million and RMB222.1 million, representing approximately 15.1%, 12.4% and 12.1% of our total revenue attributable to sales of processed steel products during the Track Record Period, respectively. Please refer to the paragraph headed "Business — Sales, Customers, and Marketing — Our customers" in this prospectus on pages 125 to 127 for details about the background of our customers in the trading segment.

- Others primarily include baby stroller, stationery and other equipment.

RAW MATERIALS, PROCUREMENT AND SUPPLIERS

The raw materials used in our production include steel and other ancillary materials, such as cold-rolling oil and packaging materials. The primary raw material used in our production is low-carbon steel. For each of the three years ended 31 December 2013, 2014 and 2015, purchases of steel accounted for approximately 98.5%, 97.8% and 95.8% of the total purchases of raw materials, respectively.

Our procurement policy on steel has been that we only purchase steel raw materials after we have received confirmed purchase orders from our customers. This procurement policy allows us to minimise the price risks associated with the value of our steel inventory. As for other ancillary raw materials, we in general maintain an inventory level sufficient for our production purpose for one month. For details of our procurement policy, please refer to the paragraph headed "Business — Procurement" on pages 117 to 118 in this prospectus.

SUMMARY

As at 31 December 2015, we had a total of approximately 100 suppliers. Our major suppliers are primarily steel producers and their agents and steel trading companies located in the PRC.

For each of the three years ended 31 December 2013, 2014 and 2015, the total purchases of raw materials from our five largest suppliers in aggregate accounted for approximately 41.7%, 52.8% and 60.0%, respectively, of our total purchases. During the same period, the total purchases from our largest supplier accounted for approximately 12.1%, 26.1% and 27.6%, respectively, of our total purchases of raw materials.

MARKET AND COMPETITION

PRC's cold-rolled carbon steel market is populated with more than 400 players which include steel producers and processors. Majority of the market players are small-to-medium size private companies. Large-scale state-owned steel producers are dominant in the supply of mainstream and standardised steel products, whilst steel processors are more willing and able to provide tailor-made products by meeting the precise specifications of the end users of steel in respect of thickness, width, shape and finish characteristics. In 2014, the production volume of cold-rolled carbon steel from large-scale steel producers accounted for approximately 74.0% of the total market volume. Going forward, with the increasing demand for customised cold-rolled carbon steel by downstream industries, steel processors are expected to play a more important role in the market.

According to Frost & Sullivan, we ranked first amongst the cold-rolled carbon steel processors in Guangdong Province, the PRC in terms of annual production volume in 2014, with our production volume representing approximately 5.5% of the total production volume of that market in 2014. The cold-rolled carbon steel market in Guangdong Province was highly fragmented as the aggregate production volume of the five largest cold-rolled carbon steel processors only accounted for approximately 16.8% of the total production volume of that market in 2014.

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- Economies of scale resulting from our large-scale operations and wide range of product offerings
- Strategically located near the manufacturing hub in South China
- Diversified customer base across different industries and established relationships with our key customers
- Long-standing strategic business relationship with key steel raw material suppliers
- Extensive processing techniques which give us the capability to enhance existing products
- Stringent quality control
- Experienced and dedicated management team with a proven track record of generating growth

OUR BUSINESS STRATEGIES

Our key business strategies are to:

- Broaden our product offerings to meet the changing requirements of our customers

SUMMARY

- Increase our processing capacity by purchasing more production machinery and equipment
- Optimise our customer mix to increase the proportion of customers with more refined requirements
- Continue to strengthen our sales and operating capabilities by enhancing our ERP system

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business and the steel processing industry, the PRC and the Global Offering. You should read the entire section headed “Risk Factors” on pages 24 to 39 in this prospectus carefully. The major risks relating to the business of our Group include:

- Our business depends on our customers’ ability to sell their products and we rely on customers with short-term orders and it is difficult for us to forecast the volume of their purchases from us in the future
- Developments adverse to our major customers may have a negative impact on our business and performance. We derive a significant portion of our revenue from customers in certain end market segments. Any adverse changes in the business environment of these end market segments could materially and adversely affect our business and operating results
- We may face difficulties in maintaining our existing customer base and developing new customers
- Our business relationship with our major suppliers for our principal raw materials is pivotal for us to purchase the necessary quantities of steel raw materials at market price on a timely basis especially during an excess demand condition and cessation of their supply to us may affect our business and financial conditions
- If there is any abrupt increase in the purchase price of our principal raw materials or labour costs and we are not able to pass on such increase to our customers, our profit margins and operating results may be adversely affected

SUMMARY OF FINANCIAL INFORMATION

Selected consolidated statements of comprehensive income data

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Revenue	1,614,194	1,630,641	1,875,119
Gross profit	131,539	167,203	271,188
Profit before tax	22,277	53,197	139,793
Profit for the year	16,358	40,587	97,466

Our revenue increased by 1.0% from approximately RMB1,614 million in 2013 to approximately RMB1,631 million in 2014, and further increased by 15.0% to approximately RMB1,875 million in 2015. We recorded healthy growth in our sales volume and sold approximately 383,801 tonnes, 412,870 tonnes and 607,476 tonnes of processed steel products during the Track Record Period.

SUMMARY

Notwithstanding the decrease in the average selling price per tonne (which decreased from RMB4,163 per tonne in 2013 to RMB3,911 per tonne in 2014, and further to RMB3,033 per tonne in 2015, primarily as a result of the declining market price of steel raw materials), we were able to attain a growth in the average gross profit per tonne from RMB343 per tonne in 2013 to RMB405 per tonne in 2014, and further to RMB446 per tonne in 2015. It was primarily a result of (i) the similar decrease in the unit cost of direct materials (being in line with the declining steel market price), (ii) the decrease in the unit cost of consumables, which was relatively higher in 2013 mainly due to the expansion of Workshop No. 3 during the year resulting in higher consumption of spare parts and supplies, and (iii) the decrease in unit cost for certain costs items, such as utilities and depreciation expenses to various extents mainly as a result of the benefits arising out of economies of scale. Due to the above reasons, our gross profit margin increased throughout the Track Record Period from 8.1% in 2013 to 10.3% in 2014, and further to 14.5% in 2015.

For further details, please refer to the section headed “Financial Information — Period to Period Comparison of Results of Operations” on pages 214 to 220 in this prospectus.

Selected consolidated statements of financial position data

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	385,603	352,468	382,917
Current assets	1,342,118	1,067,985	606,314
Current liabilities	<u>1,624,879</u>	<u>1,237,500</u>	<u>592,483</u>
Net current (liabilities) assets	(282,761)	(169,515)	13,831
Non-current liabilities	<u>—</u>	<u>39,500</u>	<u>173,275</u>
Net assets	<u><u>102,842</u></u>	<u><u>143,453</u></u>	<u><u>223,473</u></u>

We had used short-term bank borrowings to finance the acquisition of our production facilities, which gave rise to our net current liabilities position in 2013 and 2014. During the year ended 31 December 2015, we managed to reduce our bank borrowings due within one year from RMB931.6 million as at 31 December 2014 to RMB390.0 million as at 31 December 2015. As a result, we had a net current asset position as at 31 December 2015. For a detailed discussion, please refer to the paragraph headed “Financial Information — Liquidity, Financial Resources and Capital Structure — Current assets and liabilities” on pages 225 and 226 in this prospectus.

Selected consolidated statements of cash flows data

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flow before working capital changes	92,455	126,857	225,143
Net cash (used in) from operating activities	(301,624)	335,615	444,472
Net cash from (used in) investing activities	41,689	112,622	177,279
Net cash from (used in) financing activities	236,107	(449,943)	(554,148)

We generated net cash of approximately RMB335.6 million and RMB444.5 million from our operating activities in 2014 and 2015, respectively and utilised such funding to repay our bank borrowings accordingly.

SUMMARY

Key financial ratios^{Note}

	As at 31 December		
	2013	2014	2015
Gross profit margin	8.1%	10.3%	14.5%
Net profit margin	1.0%	2.5%	5.2%
Current ratio	0.83 times	0.86 times	1.02 times
Interest coverage ratio	1.3 times	1.7 times	3.6 times
Gearing ratio	12.2 times	6.8 times	2.4 times
Return on assets	0.9%	2.9%	9.9%
Return on equity	15.9%	28.3%	43.6%

Note: Please refer to the paragraph headed “Financial Information — Summary of Key Financial Ratios” on pages 240 to 243 in this prospectus for further details.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$2.18 (being the mid-point of the stated range of the Offer Price between HK\$1.88 and HK\$2.48), the estimated total expenses in connection with the Listing is approximately RMB28.9 million, including the underwriting commission of approximately RMB6.9 million and other listing expenses and fees of approximately RMB22.0 million.

Of the total Listing expenses (i.e. RMB28.9 million), approximately RMB11.4 million is to be capitalised (i.e. accounted for as deduction from equity) upon Listing, while the remaining RMB17.5 million was or is expected to be charged to profit or loss. Of the amount expected to be charged to profit or loss (i.e. RMB17.5 million), amount of nil, nil and RMB4.7 million was charged for each of the three years ended 31 December 2013, 2014 and 2015, respectively, while approximately RMB12.8 million will be recognised as expenses during the year ending 31 December 2016. The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to profit or loss of our Group for the year ending 31 December 2016 is subject to audit and the then changes in variables and assumptions.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, our PRC subsidiary, Jiangmen Huajin, entered into a sale and purchase agreement (the “**Purchase Agreement**”) with our Controlling Shareholder, Mr. Xu on 4 January 2016, pursuant to which Jiangmen Huajin agreed to purchase from Mr. Xu two parcels of industrial lands and the operational buildings erected thereon which are situated in Jiangmen, Guangdong Province, the PRC (the “**Properties**”) at an aggregate consideration of RMB45.0 million, which was determined after arm’s length negotiation between Mr. Xu and Jiangmen Huajin with reference to the market value of the Properties as determined by the valuation report of Greater China Appraisal Limited, an independent property valuer. A RMB4.5 million deposit, representing 10% of the total consideration, was paid to Mr. Xu on 4 January 2016. The balance of the consideration will be settled by the net proceeds from the Global Offering. For details of the Purchase Agreement, please refer to the paragraph headed “Connected Transactions — One-off Connected Transaction” on page 141 in this prospectus.

For the period from 1 January 2016 to the Latest Practicable Date, the sales volumes of our processed steel strips and sheets and welded steel tubes amounted to 121,045 tonnes and 16,507 tonnes, respectively.

As at the Latest Practicable Date, the construction work for our Workshop No.4 was completed. As part of our preparation for the expected commencement of operation in mid 2016, we have recruited three technical personnel, who had previous work experience related to zinc coated steel products during the fourth quarter of 2015 and up to the Latest Practicable Date.

SUMMARY

Due to the hefty rise of steel price in the PRC since early March 2016, the steel price quotations provided by some of our suppliers have become only valid within the date of issuance as compared to two to three days after the date of issuance previously. As such, our procurement team purchases the requisite steel raw materials on the same day upon receiving confirmed purchase orders from our customers based on the price quotations provided by our suppliers valid for that same day. As a result, the difference between the average selling price of our processed steel products and the average cost of steel used remained stable at around RMB745 per tonne in early March 2016, which was comparable to such difference during the Track Record Period. Our Directors believe that because of our prudent raw material procurement policy as well as our capability in meeting the precise specifications of our customers for their manufacture of various end products, we will be able to maintain a relatively stable difference between the selling price per tonne and the cost of steel used per tonne of our processed steel products, even in the midst of an increasing trend of the price of steel raw materials.

Our Directors confirm that after performing all the due diligence work which our Directors consider appropriate, there had been no material adverse change in our financial or trading position or prospects since 31 December 2015 and up to the date of this prospectus, and that there has been no event since 31 December 2015 which would materially affect the information shown in the Accountants' Report, the text of which as set out in Appendix I to this prospectus. Our Directors also confirms that there has not been any material change in our indebtedness and contingent liabilities since 31 December 2015.

As far as our Directors are aware, save as disclosed above, there was no material change in the general conditions in the steel processing industry or in the markets that our Group operates since 31 December 2015 which has affected or would affect our business operations or financial conditions materially and adversely.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the "**Net Proceeds**"), assuming an Offer Price of HK\$2.18, being the mid-point of the indicative Offer Price range, will be approximately HK\$292.3 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

Net Proceeds (HK\$ million)	% of Total Net Proceeds (%)	Use of Proceeds
132.0	45.2	To repay working capital loans from a PRC commercial bank with fixed interest rates ranging from 6.4375% to 8.385% or variable interest rate of 25% or 30% above PRC benchmark lending rate and the maturity dates ranging from 20 July 2016 to 20 June 2017
62.4	21.3	To purchase production machinery and equipment including, among others, rolling mills, cold-rolling machines, pickling lines and polishing lines for increasing the steel processing capacity of our existing production facilities
48.6	16.6	To finance the acquisition of two parcels of industrial lands and the operational buildings erected thereon from Mr. Xu. The consideration for such acquisition was determined with reference to the market value of the properties involved as determined by an independent property valuer
24.0	8.2	To finance the construction and operation of Workshop No. 4
3.6	1.2	To upgrade our ERP system
21.7	7.5	For general working capital and other general corporate purposes

SUMMARY

OFFER STATISTICS

	Based on the Offer Price of HK\$1.88 per Share (low-end of Offer Price)	Based on the Offer Price of HK\$2.48 per Share (high-end of Offer Price)
Market capitalisation of the Shares ^{Note 1}	HK\$1,128 million	HK\$1,488 million
Unaudited pro forma adjusted consolidated net tangible asset per Share ^{Note 2}	HK\$0.88	HK\$1.02

Notes:

1. The calculation of market capitalisation is based on 600,000,000 Shares expected to be in issue upon completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised and without taking into account of any Shares which may be issued upon the exercise of any share option to be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the paragraph headed “Unaudited Pro Forma Financial Information — A. Unaudited pro forma adjusted consolidated net tangible assets of the Group” in Appendix II to this prospectus. If the aggregate amount of the dividends declared subsequent to the Track Record Period was taken into account, the unaudited pro forma adjusted consolidated net tangible net asset per Share based on the Offer Price of HK\$1.88 per Offer Share and HK\$2.48 per Offer Share would be HK\$0.77 and HK\$0.91, respectively.

SHAREHOLDERS’ INFORMATION

Immediately after completion of the Capitalisation Issue and the Global Offering, Haiyi will own 75.0% of the issued share capital of our Company, on the assumption that the Over-allotment Option and any option that may be granted under the Share Option Scheme have not been exercised, and hence, for the purpose of the Listing Rules, it will continue to be our Controlling Shareholder. As at the Latest Practicable Date, Haiyi was owned as to 87.0% by Intrend Ventures, 12.0% by Zhong Cheng and 1.0% by Irichest Enterprises.

On 4 January 2016, Mr. Xu and Mr. Luo entered into the Acting in Concert Agreement, pursuant to which Mr. Xu and Mr. Luo confirm that they, being ultimate shareholders of our Group, have been acting in concert throughout the Track Record Period and up to the date thereof and will continue to act in concert in the control and management of our Group, including in the exercise of their voting rights, through their holding companies, namely Haiyi, Intrend Ventures and Zhong Cheng, in general meetings of our Company. Such acting in concert arrangement will continue to be in effect after the Listing until termination by the parties thereto with written agreement. By virtue of such arrangement, Mr. Xu and Mr. Luo and their respective holding companies, namely Intrend Ventures and Zhong Cheng, together with Haiyi are collectively considered as our Controlling Shareholders for the purpose of the Listing Rules.

For details of the one-off connected transaction prior to the Listing and the continuing connected transaction after Listing, please refer to the section headed “Connected Transactions” on pages 164 to 166 in this prospectus.

SUMMARY

DIVIDEND POLICY

For each of the three years ended 31 December 2013, 2014 and 2015, we had no dividend declaration and payments to its then shareholders. Subsequent to the Track Record Period and up to the date of this prospectus, we declared dividends in the aggregate amount of approximately RMB52.5 million. All the dividends declared were paid in cash out of our internally generated resources to the then Shareholders.

Under Cayman Islands law, dividends may be paid out of the profits of our Company or out of sums standing to the credit of our share premium account. Under the Articles, declaration of dividends is subject to the Shareholders' approval at our general meeting, but no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may also pay interim or special dividends without Shareholders' approval as appear to our Directors to be justified by the financial conditions and the profits of our Company. Future dividends payments will also depend on the availability of dividends we will receive from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of distributable profit according to the PRC accounting principles. Our PRC subsidiaries are also required to set aside part of their net profit as statutory reserves which are not available for distribution as cash dividends in accordance with PRC laws. Distributions from our PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or our PRC subsidiaries may enter into in the future.

Subject to the above, our Directors' discretion, and the applicable laws and regulations, the declaration, payment and amount of any dividends, if paid, will depend on our results of operations, operating and capital requirements, cash flows, financial condition, future prospects, and other factors that our Directors may consider relevant.

Our Directors currently intend to recommend, at the relevant shareholders' meetings of our Company, a dividend of around 30% of the net profit available for distribution to our Shareholders for each financial year ending 31 December in the foreseeable future. Shareholders will be entitled to receive the dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The said intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay dividends at all.

MATERIAL NON-COMPLIANCE

Our material non-compliance with PRC laws and regulations during the Track Record Period includes (i) entering into bill financing arrangements without actual underlying transactions; (ii) failure to make contributions on time and in full to the social insurance funds; (iii) failure to register with the relevant authorities and to make any contributions to the housing provident funds; and (iv) non-compliant loans.

For details of our non-compliance incidents, please refer to the paragraph headed "Business — Legal Proceedings and Compliances" on pages 144 to 162 in this prospectus.

DEFINITIONS

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

“Acting in Concert Agreement”	the acting in concert agreement entered into by Mr. Xu and Mr. Luo on 4 January 2016, details of which are set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Application Form(s)”	WHITE and YELLOW Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 23 March 2016 and will come into effect upon Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 449,999,900 Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — 1. Further Information — C. Written resolutions of our Shareholders passed on 23 March 2016” in Appendix IV to this prospectus
“Cayman Islands Company Law”	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated or supplemented from time to time
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“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 a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	Mr. Xu, the chairman of our Board
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”	Huajin International Holdings Limited (華津國際控股有限公司), the holding company of our Group after the Reorganisation and the listing vehicle for the Listing, which is an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2015
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and for the purpose of this prospectus only, refers to Intrend Ventures, Zhong Cheng, Haiyi, Mr. Xu and Mr. Luo
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 23 March 2016 and executed by our Controlling Shareholders in favour of our Company to provide certain indemnities, particulars of which are set out in the section headed “Statutory and General Information — 8. Other Information — A. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 23 March 2016 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the paragraph headed “Relationship with our Controlling Shareholders — Non-competition Undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“electronic application instruction(s)”	Instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
“Famous Stand”	Famous Stand Limited (滿行有限公司), a limited liability company incorporated under the laws of Hong Kong on 28 November 2014 and wholly-owned by Mr. Xu Songman
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., industry consultant engaged to prepare an industry report related to, among other things, information on the trend of cold-rolled carbon steel industry in the PRC
“Frost & Sullivan Report”	an independent research report commissioned by our Company and prepared by Frost & Sullivan for the purpose of the Listing
“GDP”	an acronym for gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of our current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Haiyi”	Haiyi Limited (海逸有限公司), a business company incorporated under the laws of BVI with limited liability on 10 March 2015 and our Controlling Shareholder, which is owned as to 87.0% by Intrend Ventures, 12.0% by Zhong Cheng and 1.0% by Irichest Enterprises, respectively
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as in effect from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 15,000,000 newly issued Shares offered by us for subscription under the Hong Kong Public Offering, representing 10.0% of the initial number of the Offer Shares available under the Global Offering subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus), and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Union Registrars Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hua Bao’an Trading”	佛山市順德區華寶鞍貿易有限公司 (Foshan Shunde Hua Bao’an Trading Company Limited*), a limited liability company established under the laws of PRC on 20 October 2009 which is owned as to 90.0% by the brother of Mr. Luo and 10.0% by an Independent Third Party
“Hua Jin Trading”	Hua Jin Trading Pte. Ltd., a limited liability company incorporated in Singapore on 23 July 2009, 95.0% of the equity interest of which is indirectly owned by Mr. Xu and thus a connected person of our Company under the Listing Rules
“Huajin Investments”	Huajin Investments Limited (華津投資有限公司), a limited liability company incorporated in BVI on 10 March 2015, the entire issued share capital of which is owned by our Company and is a direct wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or any of their respective associates

DEFINITIONS

“Inter Consortium”	Inter Consortium Holdings Limited (華匯控股有限公司), a limited liability company incorporated in Hong Kong on 5 April 2013, the entire issued shares of which is owned by Huajin Investments and is an indirect wholly-owned subsidiary of our Company
“International Placing”	the conditional placing of the International Placing Shares for and on behalf of our Company outside the United States (including to professional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 135,000,000 newly issued Shares being offered by our Company for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option (subject to adjustments) as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Intrend Ventures”	Intrend Ventures Limited, a business company incorporated under the laws of BVI with limited liability on 10 September 2013 and our Controlling Shareholder, which is wholly-owned by Mr. Xu
“Irichest Enterprises”	Irichest Enterprises Limited (智富企業有限公司), a business company incorporated under the laws of BVI with limited liability on 9 February 2015 and wholly-owned by Mr. Chen
“Jiangmen Huajin”	江門市華津金屬製品有限公司 (Jiangmen Huajin Metal Product Company Limited*), a limited liability company established under the laws of PRC on 11 July 2005, the entire equity of which is owned by Inter Consortium and is an indirect wholly-owned subsidiary of our Company
“Jiangmen Huamu”	江門市華睦五金有限公司 (Jiangmen Huamu Metals Company Limited*), a limited liability company established under the laws of PRC on 27 November 2006, the entire equity of which is owned by Inter Consortium and is an indirect wholly-owned subsidiary of our Company
“Jiangmen Huazhi”	江門市華志金屬製品有限公司 (Jiangmen Huazhi Metal Product Company Limited*), a limited liability company established under the laws of PRC on 14 March 2007, which is owned as to 60% by Mr. Xu and 40% by Mr. Chen

DEFINITIONS

“Latest Practicable Date”	28 March 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares on the Main Board commences
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, conditionally adopted on 23 March 2016 and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“Mr. Chen”	Mr. Chen Chunniu (陳春牛), our executive Director
“Mr. Luo”	Mr. Luo Canwen (羅燦文), our executive Director and Controlling Shareholder
“Mr. Xu”	Mr. Xu Songqing (許松慶), our executive Director, our Controlling Shareholder and the elder brother of Mr. Xu Songman
“Mr. Xu Songman”	Mr. Xu Songman, our executive Director and the younger brother of Mr. Xu
“Offer Price”	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$2.48 per Offer Share and is expected to be not less than HK\$1.88 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option to be granted by us to the Sole Global Coordinator, exercisable by it pursuant to the Underwriting Agreement
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Government”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Adviser”	AllBright Law Offices, a qualified PRC law firm, which is the legal adviser to our Company as to PRC law
“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Sole Global Coordinator, which is expected to be on or about 11 April 2016 and in any event not later than 12 April 2016
“Regulation S”	Regulation S under the U.S. Securities Act
“Related Metal Companies”	certain PRC companies in which our Controlling Shareholders and executive Directors have controlling interests and which are allowed to conduct the business of production and sale of metal products as set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Reorganisation and Group Structure — Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the paragraph headed “Statutory and General Information — 4. Repurchase by our Company of our Own Securities” in Appendix IV to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 March 2016, a summary of principal terms of which is set out in the paragraph headed “Statutory and General Information — 7. Share Option Scheme” in Appendix IV to this prospectus
“Sole Sponsor” or “Sole Global Coordinator” or “Sole Lead Manager” or “Sole Bookrunner” or “Stabilising Manager”	Shenwan Hongyuan Capital (H.K.) Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Track Record Period”	the period comprising the years ended 31 December 2013, 2014 and 2015
“Underwriter”	the Sole Global Coordinator
“Underwriting Agreement”	the underwriting agreement dated 1 April 2016 relating to the Global Offering entered into between, amongst others, our Company, our executive Directors, our Controlling Shareholders, the Sole Global Coordinator, particulars of which are set out in the section headed “Underwriting” in this prospectus
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollar” 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 as promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own names
“Workshop No. 1”	the first production workshop of our Group with gross floor area of 33,827.2m ²

DEFINITIONS

“Workshop No. 2”	the second production workshop of our Group with gross floor area of 35,230.5m ²
“Workshop No. 3”	the third production workshop of our Group with gross floor area of 55,938.9m ²
“Workshop No. 4”	the fourth production workshop of our Group with expected gross floor area of 16,714.7m ² , which is expected to commence operation in mid 2016
“YELLOW Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly in CCASS
“Zhong Cheng”	Zhong Cheng International Limited (中誠有限公司) (formerly known as China Reliance Limited (中誠有限公司)), a business company incorporated under the laws of BVI with limited liability on 2 January 2015 and wholly-owned by Mr. Luo, our Controlling Shareholder
“%”	per cent

Unless expressly stated or the context requires otherwise:

- *amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- *all data in this prospectus is as at the date of this prospectus; and*
- *all references to any shareholdings in our Company assume no exercise of the Over-allotment Option unless otherwise specified.*

For ease of reference, the names of the PRC established companies, entities, laws and regulations have been included in this prospectus in both Chinese and English. The name in Chinese is the official name of each such company, entity, law or regulation (as the case may be), while that in English is only an unofficial translation, and in the event of any inconsistency, the Chinese name shall prevail.

** For identification purpose only*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“CAGR”	compound annual growth rate
“ERP System”	enterprise resource planning system, software designed integrate business processes and functions
“ISO”	International Organisation for Standardisation
“ISO 9001”	a quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“LED”	a light-emitting diode (LED) is a two-lead semiconductor light source. LEDs have many advantages over incandescent light sources including lower energy consumption, longer lifetime, improved physical robustness, smaller size, and faster switching
“low-carbon steel”	a type of carbon steel which has carbon content of 0.25% or below. Low-carbon steel is often used for forge work, rivets, chains and machine parts that do not require great strength. Low-carbon steel can be cold rolled to improve its tensile strength and gives it a smooth finish and exact size

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- our business strategies and plan to achieve these strategies;
- our future debt levels and capital needs;
- the regulatory environment of the steel processing industry in general;
- our financial conditions and performance;
- the nature of, and potential for, future development of our business;
- future development in the steel processing industry; and
- our dividend policy.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “will”, “would” and the negative of these terms and other 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. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to the risk factors described in the section headed “Risk Factors” in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

RISK FACTORS

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 substantially all of our Group's operations are conducted in the PRC. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND THE STEEL PROCESSING INDUSTRY

Our business depends on our customers' ability to sell their products and we rely on customers with short-term orders and it is difficult for us to forecast the volume of their purchases from us in the future

Our products are sold to end users of steel including primarily manufacturers of light industrial hardware, home appliances as well as furniture for their further production of their end products. Demand for the end products manufactured and sold by our customers to the end users derives demand for our processed steel products.

We generally do not enter into long-term sales contracts with our customers. They directly, or through trading companies indirectly, purchase processed steel products from us on order-by-order basis for the production of their end products they sell to their customers. Therefore, they are not obliged in any way to continue placing orders with us and the quantity of our processed steel products they order from us depends on their sales forecast and/or the actual sales performance of the end products in the market. Accordingly, the volume of purchase from our customers may vary significantly from period to period, and it is difficult for us to forecast the volume of their purchases from us in the future.

There is no assurance that our customers are able to promote and sell their products successfully or maintain their competitiveness due to lack of market acceptance or otherwise. We cannot assure you that our customers will continue to place orders with us, or their future orders will be at a comparable level or on similar terms as in prior years. Should any of our customers cease to place orders with us or reduce their purchases from us and we are unable to obtain other orders at a comparable level, our business and profitability could be adversely affected.

Developments adverse to our major customers may have a negative impact on our business and performance. We derive a significant portion of our revenue from customers in certain end market segments. Any adverse changes in the business environment of these end market segments could materially and adversely affect our business and operating results

We expect that our future sales will continue to depend on the success of our customers, which in turn subject to many factors, including but not limited to consumer preference and market acceptance of their products, consumer spending power and sentiments in markets where our customers operate, all of which are beyond our control. In addition, relevant governmental authorities in countries where our customers operate may adopt new regulations implementing more stringent environmental, pollution and product safety controls and requirements. If any of these regulations is applicable to our customers'

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products, it may cause a reduction in their sales or lead to product recalls which may harm our customer's reputation and in turn adversely affect the demand for our products. Even though such product recalls are not caused by any defects on the steel products provided by us, this may in turn reduce its purchases from us.

If demands for our customers' products deteriorate or if there are any other developments adverse to our major customers such as any significant changes in the operations or financial condition of our major customers, including consolidation or change of ownership, restructuring or liquidation, changes in economic or political conditions in the countries where they operate, we may have to limit or discontinue business with such customers, or be exposed to higher credit risk relating to receivables from such customers, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we derive a significant portion of our revenue from customers in three end market segments, namely, light industrial hardware, home appliances and trading, which in aggregate accounted for approximately 75.9% to approximately 78.6% of our total revenue during the Track Record Period. If for any reason the business environment of these three end market segments deteriorates, our customers in these end market segments may discontinue or significantly reduce their purchase orders with us. If we are unable to identify new customers in other end market segments, we may have difficulties in maintaining our current business operation level and our business and operating results may be materially and adversely affected.

We may face difficulties in maintaining our existing customer base and developing new customers

The success of our business depends, to a large extent, on our ability to maintain and expand the sales volume with our existing customers and to source and to explore new customers. There is no assurance that we will be successful in continuing to maintain our product quality or to deliver our products in accordance with agreed delivery schedule, which could have adverse effect on our business relationships with our existing customers. There is also no assurance that we will be successful in developing new customers as they may require specifications of steel products which are beyond the coverage of our existing processing technique.

If we are unable to maintain or expand the volume of businesses with our existing customers or to expand our customer base by adding new customers at desired levels or at all, or to develop and expand our product portfolio, or to meet the requirements of our customers on product specification, quality and delivery or any other requirements of our customers at reasonable or affordable costs, our relationship with our customers, our business, financial condition and operating results would be materially and adversely affected.

RISK FACTORS

Our business relationship with our major suppliers for our principal raw materials is pivotal for us to purchase the necessary quantities of steel raw materials at market price on a timely basis especially during an excess demand condition and cessation of their supply to us may affect our business and financial conditions

Steel is the principal raw materials for our production. For each of the three years ended 31 December 2013, 2014 and 2015, our five largest raw material suppliers accounted for approximately 41.7%, 52.8% and 60.0% of our total purchases, respectively, and purchases from our largest raw materials supplier accounted for approximately 12.1%, 26.1%, and 27.6% of our total purchases, respectively. There is no assurance that the existing steel oversupply condition will persist and in the event that there is an excess demand condition for steel in the future, the relationship between us and our suppliers and the willingness and capability of our suppliers to supply the necessary quantities of steel raw materials at market price on a timely basis to us will be critical to our business and operations. If our existing suppliers cease to supply us with the raw materials at market price on a timely basis, our production could be interrupted, and our business, financial condition and operating results could also be adversely affected.

If there is any abrupt increase in the purchase price of our principal raw materials or labour costs and we are not able to pass on such increase to our customers, our profit margins and operating results may be adversely affected

Hot-rolled carbon steel and labour costs are the major cost components of our processed steel products. Our profitability, to a large extent, depends on our ability to pass on the increase in the purchase price of hot-rolled carbon steel and labour costs to our customers. If there is any significant fluctuation in the purchase price of hot-rolled carbon steel or labour costs and we are not able to continue to pass on such increase to our customers, our profit margins and operating results could be adversely affected.

Our processing techniques and machinery may not be cost-effective and may become obsolete

We consider that our processing techniques and processes in the handling of steel materials are the key to the continued success of our business, especially our polishing techniques in processing our steel products.

Our competitors may develop processing techniques which are superior to ours in terms of costs, time and product quality, which would render our production techniques obsolete and our business non-competitive. Equipment manufacturers may also develop new production machinery which incurs lower production cost and would render our existing machinery obsolete. If any of these factors materialises, our business, operating results and profitability would be materially and adversely affected.

We had net current liabilities position during the Track Record Period. If we continue to experience net current liabilities position in the future, we would expose ourselves to liquidity risk

We had net current liabilities of approximately RMB282.8 million and RMB169.5 million as at 31 December 2013 and 2014, respectively. The net current liabilities position was primarily attributable to the fact that short-term bank borrowings were obtained to finance the non-current capital expenditures on property, plant and equipment, and land use rights.

RISK FACTORS

There is no assurance that we will not experience net current liabilities position in the future. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstances, our business, financial condition and prospects may be materially and adversely affected.

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

We require steel raw materials to satisfy the needs of our customers. Reliable and stable supply of steel raw materials from steel producers and steel trading companies 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 steel products, and accordingly, our business and results of operations may be adversely affected.

We face increasing competition in the steel processing industry and may not be able to maintain our competitive edge and such failure could materially and adversely affect our business

We operate in a competitive industry in which our competitors include a number of domestic companies that provide products and services similar to ours. These competitors may offer products with similar quality at lower price due to their lower production costs, including labour cost, raw material cost and land cost. Some of our competitors may have competitive advantage as to greater access to capital, longer operating histories, longer or more established relationships with their customers, and greater marketing and other resources than we do. Additional competitors with significant market presence and financial resources from the upstream industries may also enter the steel processing market, and thereby intensify the competition. The existing competitors and new entrants may reduce our competitiveness and thus market share by adopting more aggressive pricing policies than we can or by developing technology and services that serve as more affordable substitute to our products which may result in reduced demand for our products or narrowing of our gross profit margin to secure our sales to customers. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to sell and market.

We maintain our current market position by sustaining our competitive edge through, among other things:

- successful hiring and training of personnel;
- management of our sales network;
- sufficient liquidity;
- effective and efficient financial and management control; and
- effective cost and quality control.

If we fail to sustain our competitive edge or fail to respond successfully to changes in the competitive landscape, we may not be able to maintain our current market position and our business, profit margins, financial condition and operating results may be materially and adversely affected.

RISK FACTORS

We may not be able to implement our business plans successfully

Our business plans set out in the paragraph headed “Business — Our Business Strategies” and the section headed “Future Plans and Use of Proceeds” in this prospectus are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties, such as changes in the industry, availability of funds, sufficiency of manpower, competition, government policies and political and economic developments in the PRC. These assumptions may not be correct, which could affect the commercial viability of our business plans.

As such, there can be no assurance that our business plans will be implemented successfully as scheduled (in terms of, for instance, time and costs) or at all. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our business plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our business plans. Our sales may not grow at the same rate as the increase in our processing capacity, which may result in excess processing capacity in our production facilities and increased operation costs. Our financial condition, operation results and growth prospects may be materially and adversely affected if our future business plans fail to achieve positive results.

There is seasonal fluctuation in our sales and hence our operation results for the peak seasons of each calendar year or between any interim periods may not indicate our performance for the entire calendar year

There is seasonal fluctuation in our sales. We tend to record higher sales in the fourth quarter than other quarters in each year whilst our sales tend to be relatively low in the first quarter. For details, please refer to the paragraph headed “Business — Sales, Customers and Marketing” in this prospectus. Hence, our operation results for the peak seasons of each calendar year or between any interim periods may not indicate our performance for the entire calendar year. Prospective investors should be aware of this seasonal fluctuation when making any comparison of our operation results.

Any failure or interruption of power supply to our processing facilities could have a material and adverse effect on our business, financial condition and operating results

Our production facilities are powered by electricity, which is supplied by the local electricity grid administrated by the local government. A stable supply of electricity is essential to our production and daily operation. We have no assurance that our power supply would not be affected should there be a power grid failure or the local authority needs to implement a widespread restricted power supply which may interrupt our processing activities. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our success depends on our ability to retain our senior management and key personnel and the loss of their services may disrupt our operations and growth prospect

Our future success is dependent on the ongoing efforts of our senior management and key personnel. We rely on our management team comprising our executive Directors and senior management as set out in the section headed “Directors and Senior Management” in this prospectus, for their extensive knowledge of and experience in the steel processing industry as well as their deep

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understanding of the steel processing industry, technical know-how, business environment and regulatory regime. If any of our senior management or key personnel ceases to contribute their services to us, we may not be able to replace them easily or at all. As a result, our business operations may be disrupted and our financial condition and results of operations may be materially and adversely affected.

We cannot assure you that we will be able to hire additional qualified employees to strengthen our management team or integrate new employment into our existing operations in order to keep pace with the proposed growth of our business. Furthermore, competitors may also seek to hire away our personnel. Competition for experienced individuals is fierce in the PRC, and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain additional qualified personnel may hinder our ability to grow our business, which could materially and adversely affect our business, financial condition and operating results.

We may be exposed to claims in respect of product quality and safety standard made by the end-consumers of our products

We face an inherent risk of exposure to product liability claims in the event that the use of our products results in health or safety issues or damages. The end-consumers of our products may have the right to bring an action under tort and we may also be subject to tortious liabilities for any damages caused by defects of our products. According to the Tort Law of the PRC (中華人民共和國侵權責任法) which was promulgated by the Standing Committee of the NPC on 26 December 2009 and became effective since 1 July 2010, if financial damages or physical injuries are incurred to an individual due to substandard product quality, the manufacturer of the product such as our Group as a steel processor and the seller shall assume civil liability in accordance with the laws.

There is no assurance that we would not be named as a defendant in a lawsuit or proceedings brought by end consumers in respect of our products. A successful claim against us in respect of our products or a material recall of our products may result in (i) legal costs incurred in connection with such claim or other adverse allegations or rectifying such defects; (ii) deterioration of our brand and corporate image; and (iii) material adverse effect on our sales, operating results and financial condition.

We may be involved in intellectual property right and trade secret disputes and we may not be able to adequately protect our technical know-how

Our trade secrets relating to our production processes, in the form of technical know-how, might be infringed upon by other parties. We may lack adequate protection in guarding our trade secrets. There is no assurance that our trade secrets will not be leaked to other parties by, including but not limited to, our research and development personnel when they leave our Group and join our competitors. Any significant infringement of our trade secrets and the processing techniques used in our business could weaken our competitive edge and have an adverse effect on our business operations. In addition, we may need to defend our intellectual property rights including our trade secrets in legal proceedings. If we do not succeed in these proceedings, we could lose our proprietary rights over our intellectual property rights and we may be required to pay expensive legal costs. Also, defending legal claims may be costly and would divert the efforts of our management and technical personnel.

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We are subject to stringent environmental and workplace safety laws and regulations and we may incur substantial costs in complying with such laws and regulations and may be subject to potential liability

We are subject to various national and local PRC environmental laws and regulations which impose standards on the emission and treatment of pollutants created during our production process, and are required to obtain environmental protection assessment approval and acceptance from the relevant PRC Government authorities for the operation of production facilities.

As PRC is experiencing substantial issues with environmental pollution, environmental laws and regulations may become more stringent over time. As a result, we may incur more costs and devote more resources to be in full compliance with these laws and regulations. Furthermore, future changes in the scope, application and interpretation of these laws, regulations and approvals may limit or restrict our processing capacity or increase the costs in connection with the installation of additional pollution control or safety improvement equipment or other related expenses substantially, and thus adversely affect our business. In addition, failure to comply with these laws and regulations could result in fines, penalties, clean-up costs or liabilities arising out of third-party civil or criminal claims.

Any failure to maintain an effective quality control system and any breakdown at our production facilities could have a material and adverse effect on our business, financial condition and operating results

We focus on the consistency of the quality of our products as the product quality is essential to the success of our business. The quality of our products is dependent on the effectiveness of our quality control system, which in turn subject to a number of factors, including the design of the system, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any significant failure or deterioration of our quality control system could result in the production of defective or substandard products, the need to replace defective or substandard products and damage to our reputation. If our products do not meet the specifications and requirements agreed with or requested by our customers, or if any of our products are defective or substandard, resulting in our customers suffering losses, we may be subject to complaints, negative publicity, product liability claims and litigations, claims for indemnity by our customers and other claims for compensation which could result in decreased sales of these or our other products. We may also incur significant legal costs regardless of the outcome of any claim of alleged defect. As a result, our business, financial condition and operation results could be materially and adversely affected.

Furthermore, smooth and consistent daily operations of our production facilities are highly crucial to our business. We cannot assure you that we could discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm be caused to our plant, staff or production. Furthermore, we cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any breakdown or malfunctions of machinery happened, our business, financial condition and operating results could be adversely impacted.

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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 us. 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.

Our insurance may not cover every potential loss and claim

We have taken out property all-risk, environmental pollution liability, goods in transit, cash and cash equivalent and employer's liability insurance policies and other insurance policies as required by the applicable laws and regulations in the PRC to cover our business operations. However, our insurance policies may not cover all eventualities or payments by our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. Further, our insurers may otherwise find themselves financially unable to meet claims. In addition, there are certain types of losses for which full insurance coverage is not generally available on commercial terms acceptable to us, or at all. Examples of these include insurance against losses suffered due to business interruption, earthquake, flooding or other natural disasters, war or civil disorder. Therefore, there may be instances when we will have to bear losses, damages and liabilities because of our lack or insufficiency of insurance coverage. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we may not have sufficient funds to cover such losses, damages or liabilities or to reinstate any properties which may be damaged or destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial position.

Any enforcement action taken against us for non-compliant incident may adversely affect our business, operating results and reputation

As more particularly disclosed in the section headed "Business — Legal Proceedings and Compliances" in this prospectus, we had certain deficiencies in legal and statutory compliance in the PRC during the Track Record Period including: (i) non-compliant bill financing; (ii) non-compliant loans; and (iii) non-compliance in relation to social insurance and housing provident fund contributions. Pursuant to the relevant laws and regulations, the possible legal consequences and liabilities include administrative penalties or punitive measures imposed on the relevant member of our Group, return or confiscation of land or demolition of buildings or facilities erected, payment of fines, outstanding contributions and/or overdue penalty, as the case may be. If any of the government agencies takes enforcement action against us for these non-compliance incidents, we may be ordered to pay fines and/

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or other penalties, incur legal costs arising from any successful legal action brought against us or the directors of our Group members and may result in business disruption and/or negative media coverage, which may adversely affect our business, operating results and reputation.

Our expansion plan to increase the processing capacity of our existing production facilities is subject to risks and uncertainties and if it proves to be unsuccessful, our business and operating results may be adversely affected

We intend to increase the processing capacity of our existing production facilities through the purchase of production machinery and equipment. Such expansion plan is subject to business, economic and competitive uncertainties and risks, many of which are beyond our control and may delay or increase the costs of implementation. Such uncertainties and risks may include, but are not limited to, the delay in delivery of the required production machinery and equipment, the increase in depreciation expenses associated with the new machinery and equipment, the increase in labour costs associated with the operation of the production facilities, failure to maintain or establish relationships with our existing or prospective customers, inability to secure new purchase orders to match our increased production output and insufficient management resources to oversee and manage our expanded production facilities. In the event that such expansion plan proves to be unsuccessful, our business and operating results may be materially and adversely affected.

If our expansion plan to produce zinc coated steel products proves to be unsuccessful, or if we fail to obtain sufficient funding for such expansion plan, our business and growth prospects may be adversely affected

Our new zinc coating workshop located in Jiangmen, the PRC, is expected to commence operation in mid 2016. In the event that our expansion plan proves to be unsuccessful, our overall cash flow position, as well as our profitability, may be materially and adversely affected. In addition, our expansion plan is subject to business, economic and competitive uncertainties and contingencies in the market, many of which are beyond our control and may delay or increase the costs of implementation. Such uncertainties and contingencies may include, but are not limited to, inability to finance our expansion plans, delays in the delivery and installation of manufacturing equipment, operational difficulties resulted from technology imperfections, the increase in depreciation expenses associated with the new machinery and equipment, the increase in labour costs associated with the operation of the new zinc coating workshop, labour shortage and related issues, delays or failure in securing the necessary governmental approvals and further downturn in the economy. If we are unable to further expand our product portfolio, we may lose our competitiveness in the market, which could materially and adversely affect our financial condition and results of operations, as well as the growth of our revenue and profits.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the proceeds from this Global Offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new workshop becoming fully operative and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional

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equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in dilution of the shareholding of our existing Shareholders. The incurrence of indebtedness will result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our expansion plans and operations. If we fail to service the debt obligations or become unable to comply with any debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of factors and uncertainties, some of which are beyond our control, including the general economic and capital market conditions, credit availability from banks or other lenders, investors' confidence in us, the performance of the steel processing industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

Our business may be materially and adversely affected if we fail to retain existing employees or recruit suitable employees for our business operation

As we expand our operations and invest in other production facilities, we will have to continuously recruit skilled workforce for our operation needs. If the regions near our production facilities do not have a sufficiently sizable workforce or if the cost of labour increases, we may need to expend additional resources to attract and recruit suitable employees. In addition, our operations depend on the experience of our employees, the training of whom may require considerable resources. We cannot assure you that we will be able to recruit or retain employees with the requisite skills, or that we will have the necessary resources to adequately train our employees, or that we will be able to do so at reasonable costs.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may be involved in disputes arising out of the leasing, sale or purchase of our properties with tenants, residents, residents of surrounding areas or other parties. These disputes may lead to protests, legal or other proceedings and may damage our reputation and divert our resources and management's attention. Significant costs may have to be incurred in settling such disputes or defending ourselves in such proceedings. If we are not successful in defending ourselves in such proceedings, we may be liable for damages, the amount of which may be significant. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings or unfavourable decrees that may result in liabilities and cause other material adverse effects on our business, results of operations and financial position.

RISK FACTORS

We face risks related to natural disasters, political instability, health epidemics and other outbreaks of contagious diseases such as avian flu, SARS, H1N1 flu, Ebola fever and Middle East Respiratory Syndrome

All of our production facilities are located in Jiangmen, Guangdong Province, the PRC. We do not maintain backup facilities. In the event of an earthquake, fire, drought, flood or other natural disaster, political instability, localised extended outage of critical utilities or transportation systems, terrorist attack or other events that limit our ability to operate our production base, we may have to incur substantial additional expenses to repair or replace the damaged facilities. Furthermore, our manufacturing operations may be significantly disrupted which could possibly damage our relationships with customers. Consequently, our business, results of operations and financial condition would be adversely impacted.

The outbreak of any severe communicable disease such as avian flu, SARS, H1N1 flu, Ebola fever and Middle East Respiratory Syndrome, if uncontrolled, could have an adverse effect on its overall business sentiment and environment, which in turn may have an adverse impact on domestic consumption and, possibly, on its GDP growth. For instance, in 2014, the outbreak of Ebola fever in West Africa received considerable worldwide media attention. In 2015, there was an outbreak of Middle East Respiratory Syndrome in South Korea. As most of our revenue is derived from our operations in the PRC, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP of the PRC may materially and adversely affect our financial condition, results of operations and future growth.

In addition, if our employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our operations, resulting in an adverse effect on our results of operations. The spread of any severe communicable disease in Hong Kong or the PRC may also affect the operations of our customers and suppliers, which again, may have a potentially adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC may have a material and adverse effect on our business, financial condition, results of operations and future prospects

Our Group's production facilities are located in the PRC. As such, our operations, financial results and future prospects are subject to the economic, social and political developments of the PRC. The PRC economy differs from the economies of the most developed countries in many respects, such as structure, level of government involvement, control of foreign exchange and allocation of resources. The PRC economy is generally a planned economy, in which periodic economic plans and measures are promulgated and implemented by the government. The PRC has been reforming its economic and political system towards a more market oriented economy in the past two decades, and many of the reforms are unprecedented and are expected to be refined and improved. The PRC Government plays a significant role in the PRC economic growth. In view of concerns over the PRC's economic and fixed investment growth, bank credit and inflationary pressure, the PRC Government has taken measures, including direction and/or restrictions on bank loans to certain sectors and change in interest rates, with

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the aim of managing the PRC's economic growth. Such measures, and any additional measures which may be further taken by the PRC Government, may have a significant negative impact on the PRC economy which in turn will adversely affect our Group's business, results of operations and future prospects.

There is no assurance that the PRC Government will continue to pursue economic reforms, or that such reforms will be conducive to the benefit of our Group. Furthermore, changes in the political, economic and social conditions, laws, regulations and policies of the PRC Government may have a material and adverse effect on our Group's business, financial results and future prospects.

The PRC's legal system is still evolving and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us

Our business in the PRC is conducted through our PRC subsidiaries. Thus, our operations in the PRC are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes and regulations. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protection afforded to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because published court decisions are limited in number and are non-binding, there are uncertainties involved in the interpretation and enforcement of these laws and regulations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may be subject to fines and other penalties applied retroactively for violations of policies and rules enacted in future for commission of acts that are not in violation of the current policies and rules. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds our Group received from the Global Offering to make loans or additional capital contribution to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business

In utilising the proceeds of the Global Offering in the manner described in the section headed "Future Plans and Use of Proceeds" in this prospectus, as an offshore holding company of our PRC operating subsidiaries, we may make loans, additional capital contributions to our PRC subsidiaries or a combination thereof. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by our Company to our subsidiaries in the PRC which are foreign-invested enterprises to finance their activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange or its local counterpart. In addition, any capital contributions to our PRC subsidiaries must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a

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timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to obtain such registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may be subject to civil claims or administrative sanctions for our operations or potential harm to employees caused by our operations and may not be able to meet the increasingly stringent environmental protection requirements imposed by the PRC Government

We are required to obtain and maintain various permits for the construction and operation of our production facilities in the PRC. We cannot assure you that we will be able to obtain or renew all the relevant permits. If we fail to obtain or renew any required permit, we may be subject to civil and administrative claims that may result in potentially significant monetary damages and fines or suspension of our operations. As our production may affect the health of our employees and the surrounding environment, our failure to control the pollutants generated as a by-product of our production could subject us to potential civil and administrative claims and may result in potentially significant monetary damages and fines or suspension of our business operations, which may harm our results of operations. If more stringent regulations are enacted in the future, the related compliance costs could be substantial and our results of operations and future prospects may be materially and adversely affected. Any failure to comply with any present or future environmental, health and safety laws and regulations could result in the imposition of fines and other sanctions against us, which could disrupt, limit or result in the suspension of the operations of our Group.

Governmental control of currency conversion in the PRC may affect the value of your investment

The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive most of our revenues from our PRC operations in RMB. Shortages in the availability of 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. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from or registration or filing with the relevant government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also, at its discretion, restrict access to foreign currencies for current account transactions in future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our operation and financial position may be adversely affected.

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We face uncertainty with respect to PRC tax obligations in connection with indirect transfers of equity interests in our PRC resident enterprises through their non-PRC holding companies

Pursuant to the Notice of the SAT on Strengthening Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprises* (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Notice 698**”), issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an “indirect transfer”, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise of this indirect transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. Notice 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On 3 February 2015, the SAT issued a new circular on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Announcement No. 7**”), which abolishes certain provisions and provide more guidance on a number of issues in relation to Notice 698, including extending the coverage of Circular 698 to indirect transfer of assets such as immovable property in the PRC, changing the reporting requirement of indirect transfer of assets from mandatory to voluntary and allowing either party to an indirect transfer transaction to report to the PRC tax authority. Announcement No. 7 also imposes a withholding obligation on the transferee of the assets and a penalty on the unpaid tax on the transferor or transferee in certain circumstances. We may become at risk of being taxed under Notice 698 (as varied and supplemented by Announcement No. 7) in the future and we may be required to expend valuable resources to comply with Notice 698 (as varied and supplemented by Announcement No. 7) or to establish that we should not be taxed under Notice 698 (as varied and supplemented by Announcement No. 7), which may have a material adverse effect on our financial condition and results of operations.

You may experience difficulty in enforcing foreign judgments obtained from non-PRC courts against us in the PRC

Our Company is incorporated in the Cayman Islands. During the Track Record Period, all of our processing operations were conducted in the PRC and a majority of our assets are located in the PRC. Since the PRC does not have treaties with the United States, the United Kingdom or many other countries providing for the reciprocal recognition and enforcement of judgment of courts, recognition and enforcement in the PRC of judgments by a court in any of these jurisdictions may be difficult.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile following the Global Offering

Prior to the listing of our Shares on the Stock Exchange, there has been no public market for our Shares. However, we cannot assure you that such listing will result in the development of an active and liquid public trading market for our Shares. Further, the Offer Price will be determined by agreement between us and the Sole Global Coordinator, and it may differ from (including being higher than) the market price of our Shares after Listing.

The market price, liquidity and trading volume of our Shares may be volatile and may fluctuate in response to factors beyond our control, such as general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere, and also the performance and fluctuation of the market prices of other companies (particularly property companies) with business operations in the PRC that have listed their securities in Hong Kong. In addition to market and industry factors, the price of and trading volume of our Shares may be affected by specific business factors, such as variations in our revenue, earnings, cash flows, or the occurrence or speculation of any of the risks described in this section. We cannot assure you that these developments will not occur in the future.

The trading volume and share price of our Shares may fluctuate

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which our 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 our Shares.

Future sales of a substantial number of our Shares in the public market may adversely affect the prevailing market price of our Shares

Except for our Shares issued in the Global Offering, our Company has agreed with the Sole Global Coordinator not to issue any of our Shares or securities convertible into or exchangeable for our 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 our Shares commence on the Stock Exchange, except with the prior written consent of the Sole Global Coordinator. Further, our Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. The Sole Global Coordinator may, in its discretion, waive or terminate these restrictions. Please refer to the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Undertakings given to the Underwriters” in this prospectus for a more detailed discussion of restrictions that may apply to future sale of our Shares. After these restrictions lapse, the market price of our Shares may decline as a result of sale of a substantial number

RISK FACTORS

of our Shares or other securities relating to our Shares in the public market, the issuance of the new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

If the final Offer Price of our Offer Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering, subscribers and purchasers of our Offer Shares will experience an immediate dilution in the pro forma adjusted consolidated net tangible asset.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our Shares are issued upon the exercise of Share options. In this regard, you may experience further dilution in the consolidated net tangible asset per Share if we issue additional Shares in the future at a price which is lower than the consolidated net tangible asset per Share.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Certain facts and other statistics in this prospectus are derived from various sources including various official government publications and communications with various official government agencies. Whilst our Directors and the Sole Sponsor have exercised reasonable care to ensure that such facts and statistics presented are accurately reproduced from their respective sources, the quality or reliability of such source materials cannot be guaranteed and have not been prepared or independently verified by us, the Sole Sponsor or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics and unofficial statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, which to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

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 conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

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

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is fully underwritten by the Underwriter pursuant to the Underwriting Agreement. The Global Offering is managed by the Sole Global Coordinator.

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

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus and the relevant Application Forms, and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering 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 publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply 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 Listing Date 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. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange 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 (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of our Shares or loan capital 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained by the Hong Kong Share Registrar in Hong Kong. Our principal register of members will be maintained by Codan Trust Company (Cayman) Limited in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, our Shares. None of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, 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 for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, our Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, may over-allocate or effect transactions with a view to supporting 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 the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its 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, we granted to the Sole Global Coordinator the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 22,500,000 Shares (in aggregate representing 15.0% of the total number of our Shares initially available under the Global Offering) at the Offer Price to cover, among other things, over-allocation in the International Placing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections headed “Structure and Conditions of the Global Offering — International Placing — Over-allotment Option” and “Structure and Conditions of the Global Offering — Stabilisation Action” in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed “How to Apply for the 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 their respective conditions, and the Over-allotment Option, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 15 April 2016. Shares will be traded in board lots of 2,000 shares each. The stock code of the Shares is 2738.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars or US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts and US dollars amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB1.00 to HK\$1.20, and the translations of Renminbi amounts into US dollars have been made at the rate of RMB6.48 to US\$1.00.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names, entities, departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in the PRC, we do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong in strict compliance with the normal requirements under Rule 8.12 of the Listing Rules. Three out of our four executive Directors (namely Mr. Xu, Mr. Luo and Mr. Chen) are all PRC residents and have to spend most of their time looking after the principal businesses and operations of our Group in the PRC. For the purposes of the management and operation of our Group, appointment of additional executive Directors to establish management presence in Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness of the Board in making decisions for our Group, especially when business decisions are required to be made within a short period of time. Our Directors believe that it would be practically difficult and commercially infeasible for our Company to appoint Hong Kong residents as executive Directors or to relocate our Company's executive Directors who are resident in the PRC to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

Our Company has made arrangements to maintain regular and effective communication between the Stock Exchange and us as follows:

- our Company has appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Xu, an executive Director and Mr. Wong Chak Keung, company secretary of our Company, who will act as our Company's principal channel of communication with the Stock Exchange. Mr. Wong Chak Keung is ordinarily resident in Hong Kong and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of our authorised representatives is authorised by our Board to communicate on behalf of our Company with the Stock Exchange;
- both our authorised representatives have means to contact all members of our Board, including our independent non-executive Directors promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, our authorised representatives, Directors and Company will implement a number of policies whereby (i) each executive Director and independent non-executive Director shall provide his mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to our authorised representatives; (ii) in the event that any executive Director or independent non-executive Director expects to travel and be out of office, he will provide the phone number of the place of his accommodation to our authorised representatives; and (iii) all our executive Directors

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

and independent non-executive Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;

- if the circumstances require, meetings of our Board can be summoned and held in such manner as permitted under the articles of association of our Company at short notice to discuss and address any issue which the Stock Exchange is concerned in a timely manner;
- in compliance with Rules 3A.19 of the Listing Rules, our Company has appointed Shenwan Hongyuan Capital (H.K.) Limited as our Company's compliance adviser for a period from the Listing Date to the date on which our Company shall comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to our two authorised representatives, as our Company's additional channel of communication with the Stock Exchange;
- our Company will ensure that during the engagement period of the compliance adviser, the compliance adviser has access at all times promptly to our authorised representatives, Directors and other senior officers who will provide to the compliance adviser such information and assistance as the compliance adviser may reasonably require in connection with the performance of the compliance adviser's duties;
- during the engagement period of the compliance adviser, in the case of resignation by, or termination of, the compliance adviser, our Company undertakes to appoint a replacement compliance adviser within three months from the effective date of such resignation or termination (as the case may be) pursuant to Rule 3A.27 of the Listing Rules;
- meetings between the Stock Exchange and our Directors can be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in our authorised representatives or the compliance adviser;
- our Company will also appoint other professional advisers (including its legal advisers in Hong Kong), if necessary, after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and
- all of our Directors have confirmed that they possess or will apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Xu Songqing (許松慶)	Unit D, 62/F, Tower 6 Sorrento, 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Mr. Luo Canwen (羅燦文)	Room 902, Block 2 Haitang Yuan, Yicui Garden Guicheng, Nanhai District Foshan City Guangdong Province PRC	Chinese
Mr. Chen Chunniu (陳春牛)	Room 801, No. 2 Building Yijing Xuan, Hai Yi Hua Ting No. 33 Linjiang Road Jianghai District Jiangmen City Guangdong Province PRC	Chinese
Mr. Xu Songman	B37, Lu Yin Hao Ting 60 Bei Huan Road Jiangmen City Guangdong Province PRC	British
Independent non-executive Directors		
Mr. Goh Choo Hwee (吳慈飛)	Flat A, 16/F Tsuen Fat Building 13-23 Tsuen Hing Path Tsuen Wan, New Territories Hong Kong	Chinese
Mr. Tam Yuk Sang Sammy (譚旭生)	G-2/F, Block 5 Ng Fai Tin, Palm Cove Villa 25 Clear Water Bay, New Territories Hong Kong	Chinese
Mr. Wu Chi Keung (胡志強)	Flat A, 9/F, Braemar Hill Mansions 17 Braemar Hill Road Hong Kong	Chinese

For more information on our Directors and members of senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	Shenwan Hongyuan Capital (H.K.) Limited Level 19, 28 Hennessy Road Hong Kong
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Sole Sponsor	Shenwan Hongyuan Capital (H.K.) Limited Level 19, 28 Hennessy Road Hong Kong
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Underwriter	Shenwan Hongyuan Capital (H.K.) Limited Level 19, 28 Hennessy Road Hong Kong
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Legal Adviser to our Company	<i>As to Hong Kong law</i> Stevenson, Wong & Co. 4/F, 5/F and 1602, Central Tower 28 Queen's Road Central Hong Kong
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	<i>As to PRC law</i> AllBright Law Offices 23/F, Tower 1 Excellence Century Centre Fuhua 3 Road, Futian District Shenzhen PRC
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	<i>As to Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Adviser to the Sole Sponsor
and the Underwriter**

As to Hong Kong law

Deacons

5th Floor, Alexandra House
18 Chater Road
Hong Kong

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Industry consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**

Room 1018, Tower B
No. 500 Yunjin Road
Xuhui District
Shanghai, China

Property Valuer

Greater China Appraisal Limited

Room 2703-08 Chui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Receiving banker

Standard Chartered Bank (Hong Kong) Limited

15/F Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarter in the PRC	Xinsha Industrial Zone of Muzhou Town Xinhui District, Jiangmen City Guangdong Province PRC
Principal place of business in Hong Kong	Room 518, Tower A New Mandarin Plaza No. 14 Science Museum Road Tsim Sha Tsui East Kowloon, Hong Kong
Company website	<u>www.huajin-hk.com</u> <i>(Note: information on this website does not form part of this prospectus)</i>
Company secretary	Mr. Wong Chak Keung (黃澤強) <i>HKICPA, CPA (Aust)</i> Flat D, 9/F, Onda Court La Costa, Discovery Bay Lantau Island Hong Kong
Audit committee	Mr. Wu Chi Keung (胡志強) (<i>chairman</i>) Mr. Goh Choo Hwee (吳慈飛) Mr. Tam Yuk Sang Sammy (譚旭生)
Remuneration committee	Mr. Tam Yuk Sang Sammy (譚旭生)(<i>chairman</i>) Mr. Xu Songqing (許松慶) Mr. Goh Choo Hwee (吳慈飛) Mr. Wu Chi Keung (胡志強)
Nomination committee	Mr. Xu Songqing (許松慶) (<i>chairman</i>) Mr. Goh Choo Hwee (吳慈飛) Mr. Tam Yuk Sang Sammy (譚旭生) Mr. Wu Chi Keung (胡志強)
Authorised representatives	Mr. Xu Songqing (許松慶) Unit D, 62/F, Tower 6 Sorrento, 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong

CORPORATE INFORMATION

Mr. Wong Chak Keung (黃澤強)
Flat D, 9/F, Onda Court
La Costa, Discovery Bay
Lantau Island
Hong Kong

Compliance adviser

Shenwan Hongyuan Capital (H.K.) Limited
Level 19, 28 Hennessy Road
Hong Kong

Principal bankers

Agricultural Bank of China (Muzhou Branch)
40# Xinxing Street
Jiangmen, Guangdong Province

**Industrial and Commercial Bank of China
(Xinhui second sub-branch)**
146# Sanho Street South, Xinhui District
Jiangmen, Guangdong Province

China CITIC Bank (Jiangmen Branch)
Level 3, 131# Yingbin Road Central
Jiangmen, Guangdong Province

**Principal share registrar and transfer office
in Cayman Islands**

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

Hong Kong Share Registrar

Union Registrars Limited
Suites 3301-04,
33/F., Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which has been derived from official government publications, industry sources and the Frost & Sullivan Report, which was commissioned by us. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information extracted from the Frost & Sullivan Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the Frost & Sullivan Report has not been independently verified by us, or any of our affiliates or advisers, nor by the Sole Sponsor, the Sole Bookrunner or the Sole Lead Manager or any of their affiliates or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy.

INTRODUCTION

Our Group is a large-scale carbon steel processor based in Jiangmen, Guangdong Province, the PRC. We are principally engaged in the processing of hot-rolled carbon steel coils into cold-rolled carbon steel products, such as cold-rolled carbon steel strips/sheets, coils and welded steel tubes with various sizes and specifications. Hot-rolled carbon steel usually has a scaly grey finish and is less precise in dimension, which makes it less suitable for uses requiring extreme precision and polished appearance, whilst cold-rolled carbon steel, which is usually lighter in weight and has more accurate detailing, is widely used in manufacturing of a great variety of consumer products. We supply our customised products to customers who are mainly manufacturers in the industries of light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting.

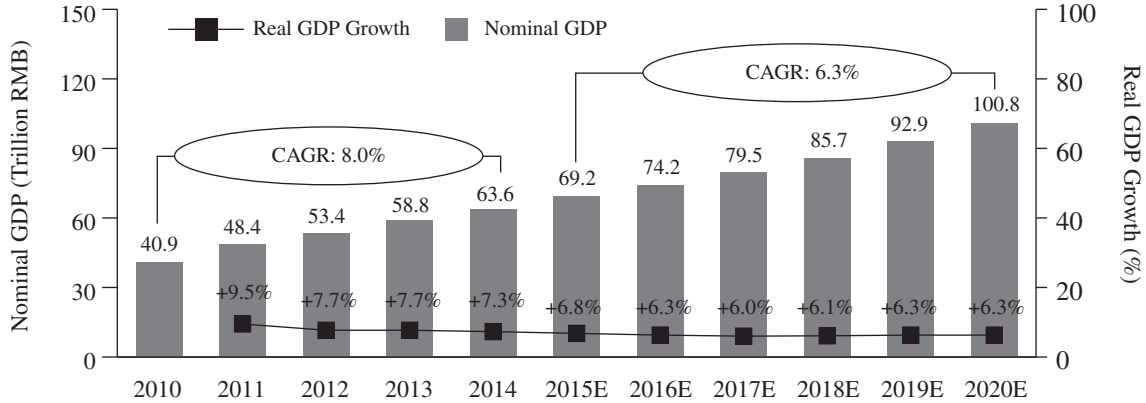
Steel is the major component of a wide spectrum of industries in the modern economy, ranging from infrastructures such as railway and construction, to consumer goods such as automobiles and home appliances. Therefore, a booming economy with increasing households disposable income and expanding retail sales of consumer goods will scale up the demand for steel products and consequently lead to prosperity in the steel market.

GDP GROWTH IN CHINA

The PRC's economy has maintained a solid growth pace from 2010 to 2014. During this period, the PRC Government implemented stimulus policies and successfully maintained the economic growth. According to Frost & Sullivan, real GDP increased at a CAGR of 8.0% during such period. Going forward, the PRC Government will tend to maintain consistent and stable macroeconomic policies. Meanwhile, structural restructuring will improve the quality and efficiency of economic development.

INDUSTRY OVERVIEW

GDP of the PRC, 2010–2020(E)



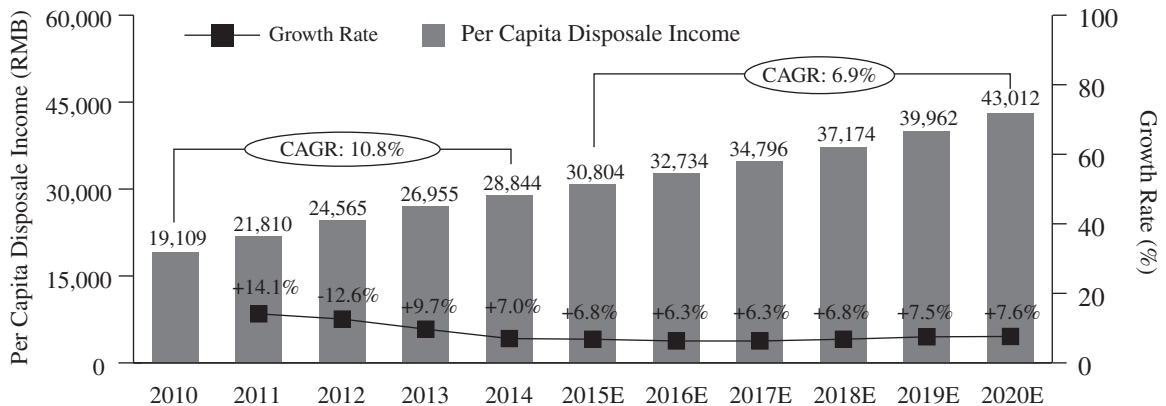
Source: Frost & Sullivan Report

The PRC's economy is expected to transform from an investment-driven model to a consumption-driven model with the share of final consumption in GDP picking up. Under these circumstances, the PRC's economy is likely to maintain a sound and healthy development. According to Frost & Sullivan, it is forecasted that the real GDP of the PRC will continue to grow at a CAGR of 6.3% from 2014 to 2020.

Per capita disposable income of urban households in the PRC

In line with the GDP growth, the average income level of households in the PRC has been continuously accelerating in recent years. The per capita annual disposable income of urban households in the PRC has increased from RMB19,109 in 2010 to RMB28,844 in 2014, representing a 10.8% CAGR during this period. The growth of per capita annual disposable income of urban households in the PRC has contributed to a positive effect on the residents' purchasing power. As estimated by Frost & Sullivan, the per capita annual disposable income of urban households in the PRC will increase to RMB43,012 in 2020 with a CAGR of 6.9% from 2014 to 2020.

Per Capita Disposable Income of Urban Households in the PRC, 2010–2020E



Source: Frost & Sullivan Report

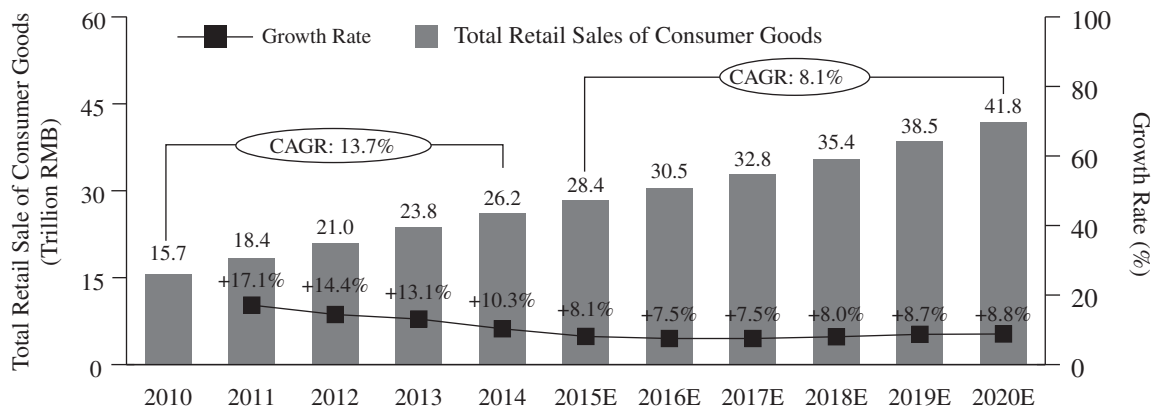
INDUSTRY OVERVIEW

Total retail sales of consumer goods in the PRC

The increasing urbanisation and growing per capita disposable income in the PRC have contributed to a strong growth in demand for consumer products. The total retail sales of consumer goods in the PRC has increased to RMB26.2 trillion in 2014, with a CAGR of 13.7% from 2010.

Benefitting from the PRC Government's stimulus policies to boost the domestic consumption and the transformation of the economic model from investment-driven to consumption-driven, the total retail sales of consumers goods is likely to enjoy a faster growth in the coming years. According to Frost & Sullivan, the total retail sales of consumer goods in the PRC will increase to RMB41.8 trillion in 2020, with a CAGR of 8.1% from 2014.

Total Retail Sales of Consumer Goods in the PRC, 2010–2020E



Source: Frost & Sullivan Report

It is believed that a growing retail market driven by increasing household disposable income will provide a favourable landscape to the steel processing industry since steel parts are the major production material in a great variety of consumer products.

OVERVIEW OF COLD-ROLLED CARBON STEEL MARKET IN CHINA AND GUANGDONG PROVINCE

Introduction of cold-rolled carbon steel

Primarily, steel can be classified under two major groups, namely carbon steel and alloy steel. Based on the level of carbon content, carbon steel can be categorised into low, medium, and high carbon steel, whereby the content of carbon for the respective category is generally below 0.25%, between 0.25% and 0.60%, and above 0.60%. Based on the processing methods, carbon steel can be further sorted into carbon steel bar, heavy plate, hot-rolled steel sheet, hot-rolled pickled steel sheet, cold-rolled steel sheet, wire rod, and welded steel tube.

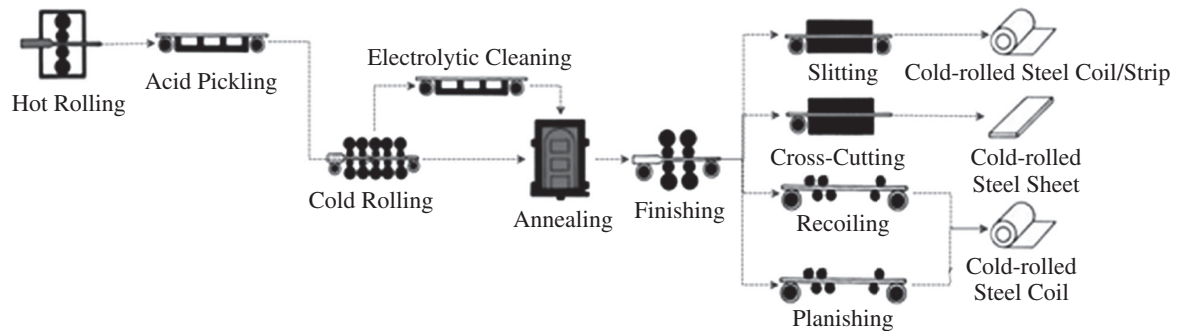
The key properties of cold-rolled steel plates are good machinability and excellent surface quality in different thickness and width combinations. Because of these features, cold-rolled steel plates are used in a wide range of downstream industries, including light industrial hardware, home appliances, furniture, motor cycle, lighting, LED and so forth.

INDUSTRY OVERVIEW

Manufacturing process of cold-rolled carbon steel products

The production material of cold-rolled steel products is hot-rolled steel plates. Prior to cold-rolling, hot-rolled steel plates need to be pickled by hydrochloric acid for surface descaling. Hot-rolled pickled steel plates are the direct product from this process. After acid pickling, the pickled steel plates are cold-rolled by various types of cold-rolling mills. After repeated rolling processes, the cold-rolled steel plates are hardened and their physical properties are changed. In order to restore or alter their physical properties such as ductility and hardness, a heat treatment called annealing is applied. The annealing operation involves electrolytic cleaning, annealing and finishing. After the annealing process, cold-rolled steel plates are processed into different shapes according to clients' instructions. The final products are divided into cold-rolled steel coils, sheets and strips. For instance, narrow cold-rolled steel coil or strip can be processed by slitting, while cold-rolled sheets can be processed by cross-cutting.

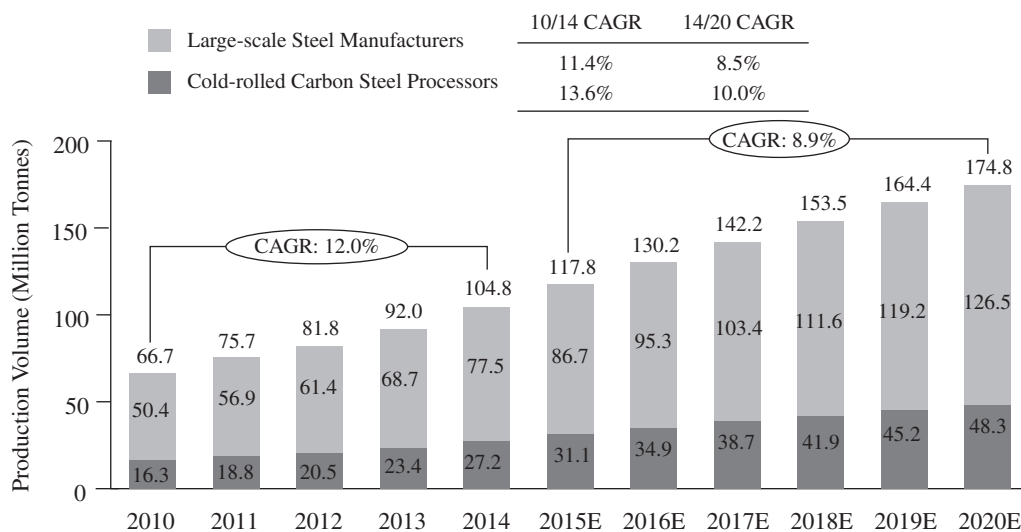
Manufacturing Process of Cold-Rolled Carbon Steel Products



Source: Frost & Sullivan Report

Market size of cold-rolled carbon steel in the PRC

Production Volume of Cold-rolled Carbon Steel Market in the PRC, 2010–2020E



Source: Frost & Sullivan Report

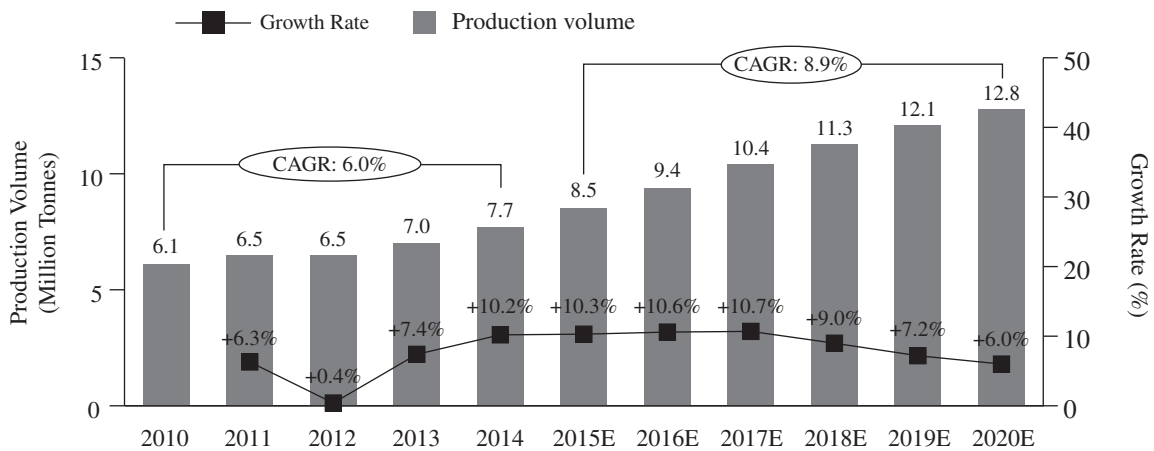
INDUSTRY OVERVIEW

The cold-rolled carbon steel market in the PRC observed a stable growth from 2010 to 2014, with the production volume increased from 66.7 million tonnes in 2010 to 104.8 million tonnes in 2014, and realised a CAGR of 12.0% during this period. The market is expected to grow at a CAGR of 8.9% from 2014 to 2020, and reach 174.8 million tonnes in 2020. According to Frost & Sullivan, major growth drivers include (i) increasing demand from downstream industries, including light industrial hardware, home appliance, furniture, lighting and the others; and (ii) a growing application of cold-rolled carbon steel in manufacturing stimulated by the declining steel price.

Currently, the production volume of cold-rolled carbon steel from large-scale steel manufacturers still accounts for about 74% of total market volume whilst steel processors account for the rest. In 2014, cold-rolled carbon steel processors produced approximately 27.2 million tonnes of cold-rolled carbon steel. In the future, with the increasing demand for customised cold-rolled carbon steel products from downstream industries including light industrial hardware, home appliances, furniture, lighting and others, cold-rolled carbon steel processors are expected to continue to play an important role in the market. In 2020, the production volume of cold-rolled carbon steel by steel processors is likely to reach 48.3 million tonnes with a CAGR of 10.0% from 2014 to 2020.

Market size of cold-rolled carbon steel in Guangdong Province

Production Volume of Cold-rolled Carbon Steel Market in Guangdong Province, 2010–2020E



Source: Frost & Sullivan Report

The cold-rolled carbon steel market in Guangdong Province maintained a stable growth from 2010 to 2014. The production volume increased from 6.1 million tonnes to 7.7 million tonnes, with a CAGR of 6.0% during such period.

The market is expected to take a faster growth in the next five years and expand its output to 12.8 million tonnes in 2020, achieving a CAGR of 8.9% from 2014 to 2020. Such projected growth stems from two factors. Firstly, in the PRC, the majority of steel plants are located in the central and northern part of the country whereas the demand for steel in the Guangdong Province has traditionally been served largely by local trading companies which purchase steel products from steel producers outside of Guangdong Province, except for certain sizeable steel users who can purchase steel products in bulk

INDUSTRY OVERVIEW

directly from the steel producers. This geographical imbalance of supply and demand is expected to be alleviated by BaoSteel which has planned to establish a steel manufacturing base in Guangdong Province to satisfy the demand from local downstream industries in the southern China. The steel supply from BaoSteel in Guangdong Province should also lower the steel cost to the local users in general, thereby promoting steel consumption. Secondly, many enterprises in the light industries in Guangdong Province, such as furniture, home appliances and lighting have strong demand for cold-rolled carbon steel products with different dimensions, shapes and metal properties to support their manufacturing activities. Such downstream demand may promote the development of cold-rolled carbon steel market in the Guangdong Province in the following years.

Despite the provision of standardised cold-rolled carbon steel to the manufacturers in the construction industry and automobile industry, the manufacturing base of BaoSteel in Guangdong Province is more likely to play a role in providing raw materials, namely hot-rolled carbon steel, to the cold-rolled carbon steel processors in Guangdong Province. The major customers of cold-rolled carbon steel processors, on the other hand, are mainly manufacturers in the hardware industry, home furniture industry and home appliances industry. Due to different types of target downstream customers, the steel manufacturing base of BaoSteel in Guangdong Province will not directly compete with the cold-rolled carbon steel processors in Guangdong Province. Furthermore, these carbon steel processors can save considerable transportation costs in the raw material procurement from BaoSteel's steel manufacturing base in Guangdong Province.

Downstream market analysis

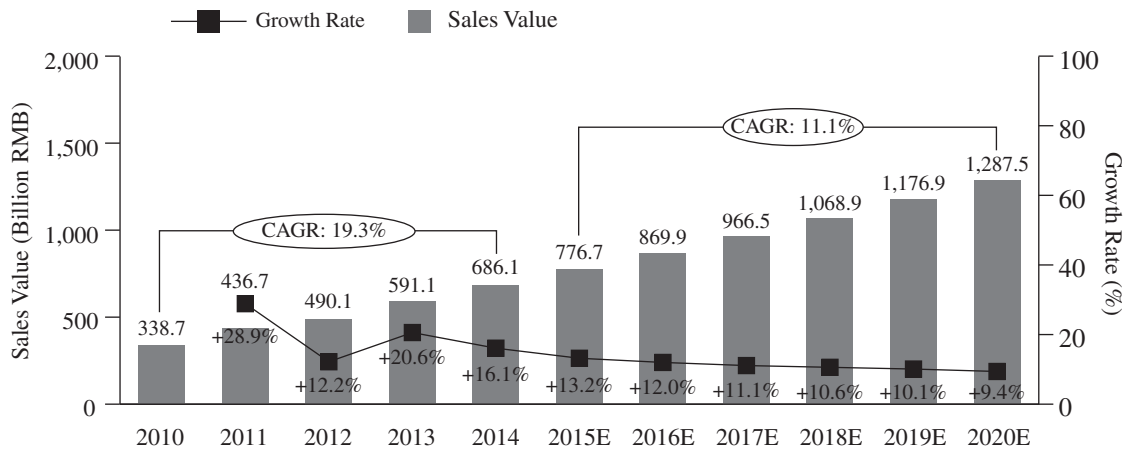
Majority of the customers for cold-rolled carbon steel products are engaging in the following six industries: (i) furniture; (ii) motor vehicle; (iii) home appliances; (iv) lighting; (v) light industrial hardware; and (vi) LED. Market conditions and prospects of these six industries directly affect the demand and hence viability and development of cold-rolled carbon steel industry.

Furniture

Due to the introduction of furniture modernisation, cold-rolled carbon steel products are widely used in the furniture industry. With increasing urbanisation and rising disposable income, the living standard of Chinese residents tend to rise. As a result, the PRC's furniture market experienced a fast growth in last several years. According to Frost & Sullivan, the market recorded total sales of RMB686.1 billion in 2014, which has doubled the size of that in 2010, representing a CAGR of 19.3% during this period.

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Furniture Market in the PRC: Market Value and Forecast, 2010–2020E



Source: Frost & Sullivan Report

In the future, the PRC's furniture market is still expected to maintain an upward momentum and grow with a CAGR of 11.1% from 2014 to 2020.

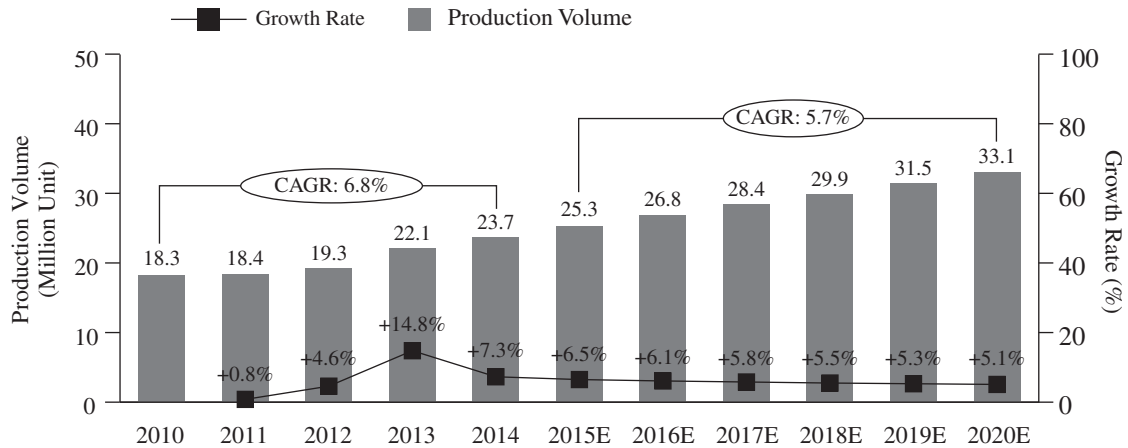
Motor Vehicle

The PRC's motor industry has been developing along a stable and promising trend in recent years, largely due to the increasing disposable income and policy promotion. During 2010 to 2014, the production volume of new vehicles increased from 18.3 million units to 23.7 million units, representing a CAGR of 6.8%. Nevertheless, in 2011, the growth rate was only 0.8%, mainly due to the exit of favourable government policies such as tax incentives for automobile purchasing and subsidies for rural areas, as well as the inflating fuel price.

The motor industry is a big user of cold-rolled carbon steel. Car manufacturers usually purchase large quantities of standardised cold-rolled carbon steel directly from steel producers for their own in-house processing.

INDUSTRY OVERVIEW

Motor Vehicle Market in the PRC: Market Value and Forecast, 2010–2020E



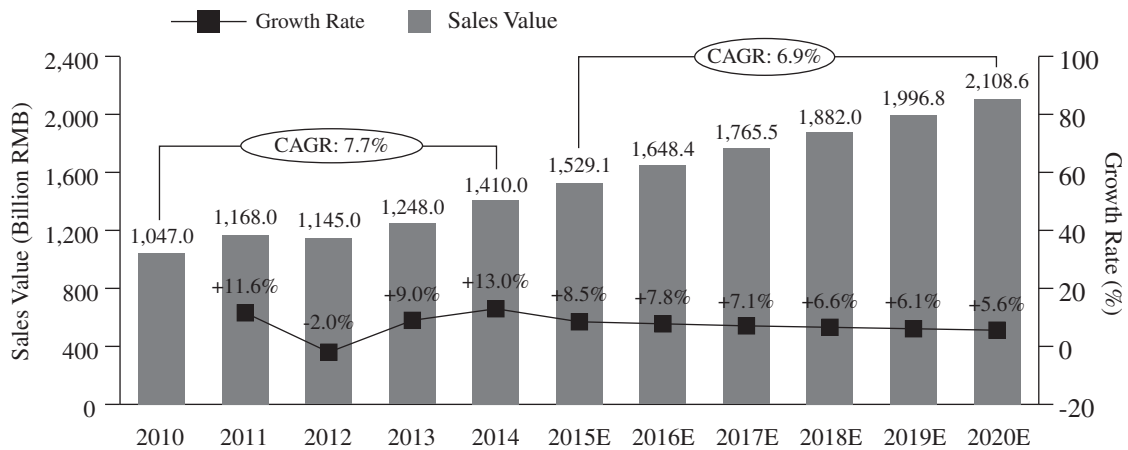
Source: Frost & Sullivan Report

The expansion of motor vehicle market in the PRC is likely to continue in the near future. The growing household income and accelerating urbanisation will promote investments in transportation infrastructure and fast developing domestic automobile brands. Consequently, the production volume is likely to maintain a similar CAGR of 5.7% from 2014 to 2015 and reach 33.1 million units in 2020.

As one of the major downstream markets for cold-rolled carbon steel with standardised specification in demand, the massive and sizeable motor industry will substantially boost the further development of the cold-rolled carbon steel market.

Home Appliances

Home Appliances Market in the PRC: Market Value and Forecast, 2010–2020E



Source: Frost & Sullivan Report

According to Frost & Sullivan, the home appliances market is one of the major downstream industry which consumes cold-rolled carbon steel products. The market has observed a CAGR of 7.7% from 2010 to 2014, with the total market value increased from RMB1,047 billion to RMB1,410 billion, except that the sale value declined from RMB1,168 billion in 2011 to RMB1,145 billion in 2012. Such

INDUSTRY OVERVIEW

contraction was mainly because of the stricter macro-control policy in the real estate industry and the exit of favourable policies including home-appliances subsidies for rural areas, subsidies for replacement and so forth.

Although the growth rate of sales value slowed down in 2012, the industry remained on a growing momentum and experienced a CAGR of 7.7% in the last five years. Given the market trend of product innovation, industrial restructuring and smart home, the PRC's home appliances industry is expected to usher in a new-round market growth in the near future.

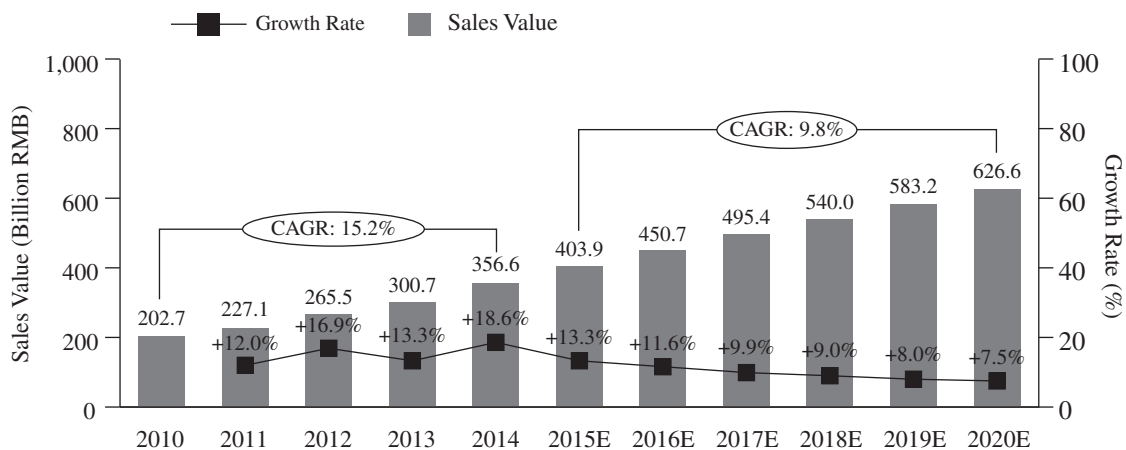
For the next five years, the Chinese home appliances market is expected to grow at a CAGR of 6.9% from 2014 to 2020, with sales value increasing to RMB2,108.6 billion in 2020. The projected growth is driven by innovation and upgrade of the home appliances industry, as well as enhanced propensity to consumption arising out of the income growth of Chinese households.

Given the intense competition in the home appliances market, manufacturers have been increasingly purchasing customised processed steel products from independent steel processors in order to differentiate their home appliances products from others.

Lighting

Lighting is another emerging downstream market for cold-rolled carbon steel products. Most of the exterior parts of lighting fixtures are made of cold-rolled steel products. Extensive construction of infrastructure and rapid urbanisation fueled the growth of the PRC's lighting market in the last few years. From 2010 to 2014, output value of the market increased from RMB202.7 billion to RMB356.6 billion, representing a CAGR of 15.2%.

Lighting Market in the PRC: Market Value and Forecast, 2010–2020E



Source: Frost & Sullivan Report

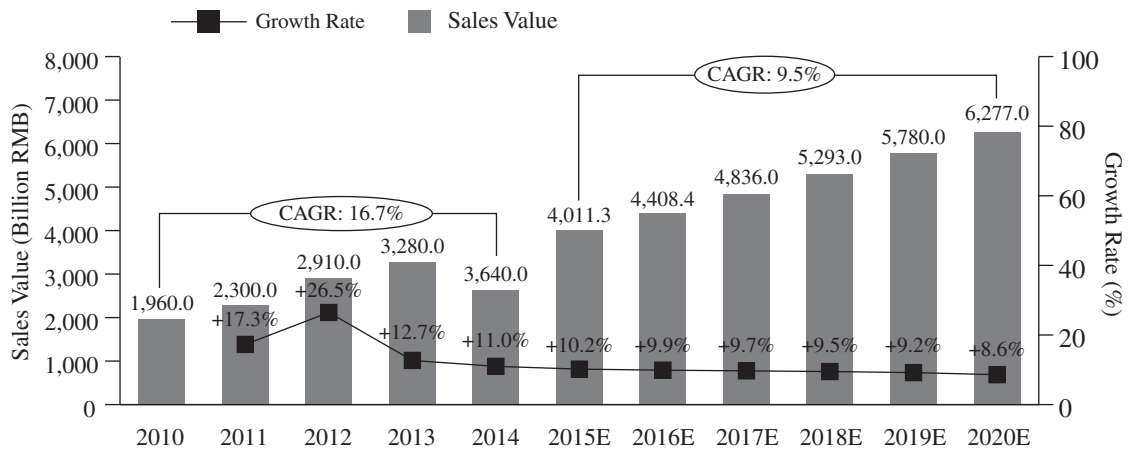
Over the forecast period from 2014 to 2020, Frost & Sullivan expects the sales value of the PRC's lighting market to reach RMB626.6 billion in 2020, reaching a CAGR of 9.8%.

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Light industrial hardware

Most deep processing cold-rolled carbon steel products are commonly used in light industrial hardware production. The rapid economic growth and industrial upgrade in manufacturing fueled the growth of the PRC's light industrial hardware market over last few years. From 2010 to 2014, the sales value of light industrial hardware industry increased from RMB1,960 billion to RMB3,640 billion with a CAGR of 16.7%. Presently, the PRC has become one of the largest light industrial hardware manufacturing countries in the world.

Light Industrial Hardware Market in the PRC: Market Value and Forecast, 2010–2020E



Source: Frost & Sullivan Report

Due to the recent economic development, light industrial hardware manufacturing technologies have been constantly introduced and innovated in the PRC, which indicates that high value-add products will be more widely available in both of the domestic and overseas markets in the future.

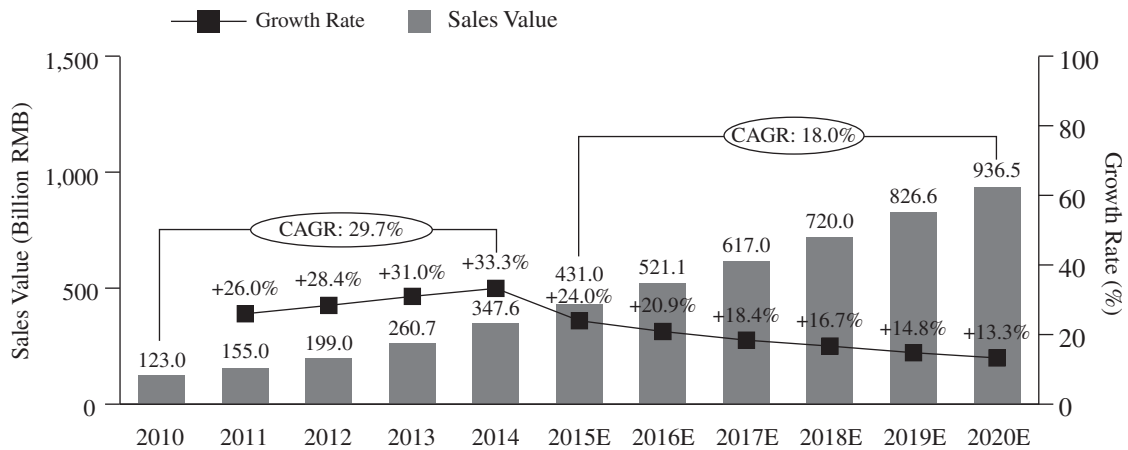
According to the Frost & Sullivan's report, the sales value of light industrial hardware market is expected to reach RMB6,277 billion in 2020, demonstrating a CAGR of 9.5% from 2014 to 2020.

LED

Cold-rolled carbon steel products are widely used in LED production such as LED lighting and LED display. Driven by technical progress and widespread use of LED over the last decade, the sales value of the PRC's LED market grew by a CAGR of 29.7% during 2010 to 2014 and reached RMB347.6 billion in 2014. LED lighting and display manufacturers tend to purchase processed steel parts from steel processors, as their production often requires customised materials.

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LED Market in the PRC: Market Value and Forecast, 2010–2020E



Source: Frost & Sullivan Report

In the coming years, with further government supports, further expansion of downstream demand and industry integration, it is believed that the LED market will continue to maintain a sustainable growth in the PRC. According to Frost & Sullivan, the LED market is expected to grow at a CAGR of 18.0% in the following six years, and total sales value will reach RMB936.5 billion in 2020.

As estimated by Frost & Sullivan's report, all of the six major downstream markets which consume cold-rolled carbon steel products as production materials will experience continuous growth that will generate a sustainable demand for cold-rolled carbon steel products and thereby promote the development of the cold-rolled carbon steel industry.

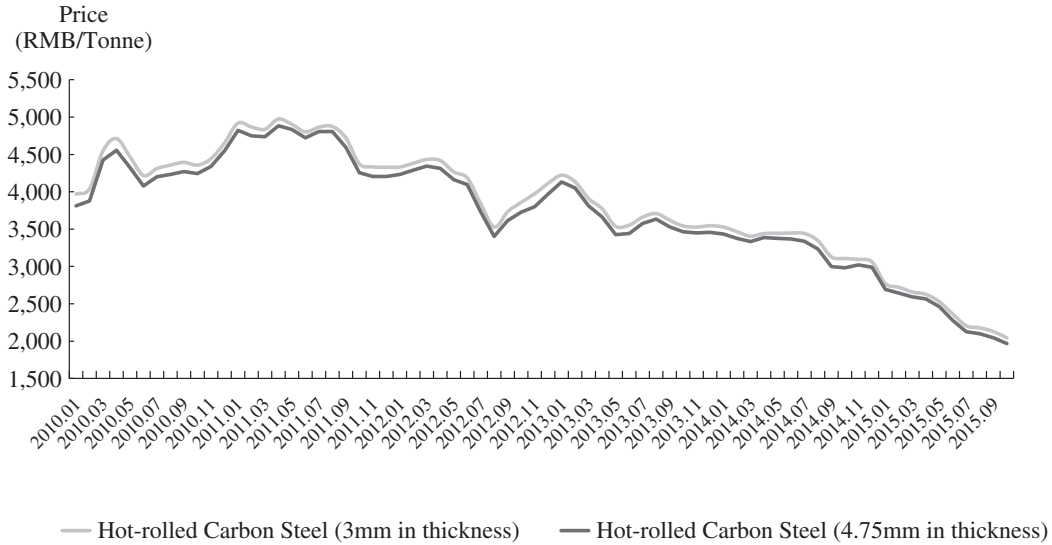
Cost Analysis of Cold-Rolled Carbon Steel Products

The major cost item for the manufacture of cold-rolled steel products is the raw material, namely hot-rolled steel, which accounts for over 80% of the total production cost. Machinery and utility costs account for approximately 10%. The major machineries include the pickling line, rolling mill, degreasing line, annealing line, and finishing line. Therefore, the price of cold-rolled carbon steel products is highly determined by the cost of hot-rolled carbon steel and the processing cost.

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Price analysis of hot-rolled carbon steel

Average Price of Hot-rolled Carbon Steel in the PRC, January 2010–October 2015



Source: Frost & Sullivan Report

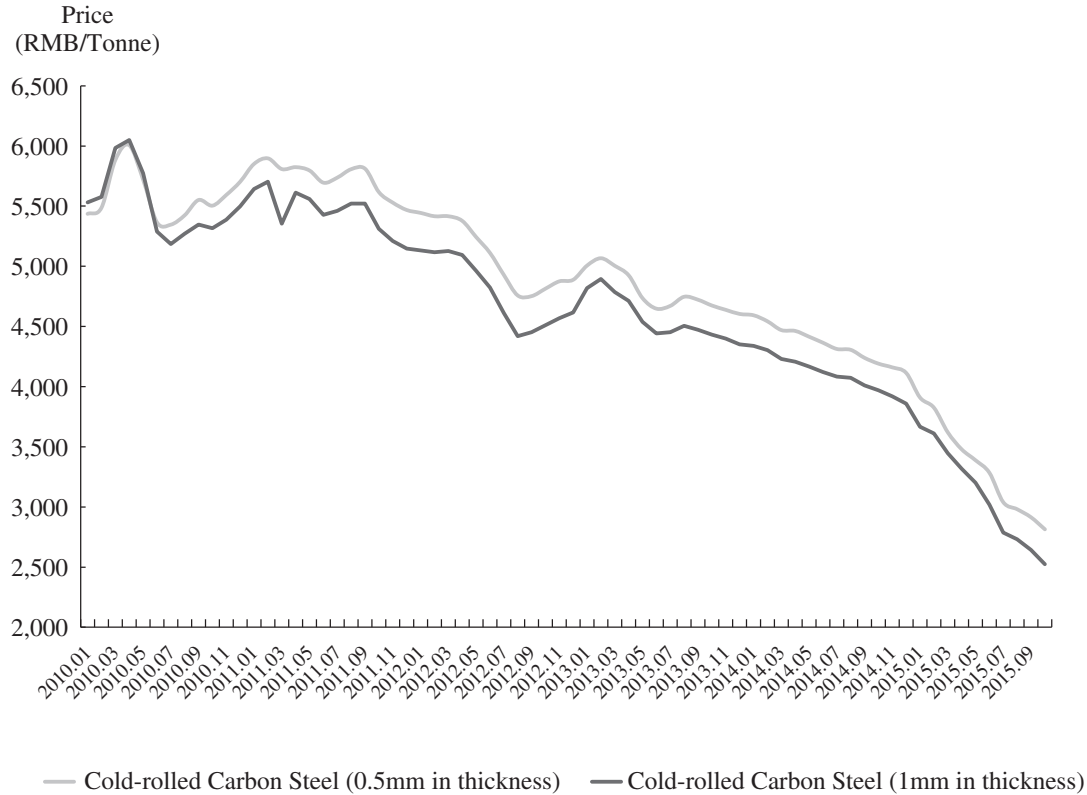
Similar to most of the steel products, the average price of hot-rolled carbon steel experienced a downward trend in recent years, due to an overcapacity with the supply growing faster than the demand in the downstream industries. From January 2010 to October 2015, the average price of 3mm hot-rolled carbon steel dropped from RMB3,969 per tonne to RMB2,044 per tonne, representing a price decrease of a CAGR of 12.8%, whilst the average price of 4.75mm hot-rolled carbon steel decreased from RMB3,813 per tonne to RMB1,966 per tonne, representing a price decrease of a CAGR of 12.8%. According to Frost & Sullivan, the average price of hot-rolled carbon steel products started to stabilise in January and took an upward trend since February in 2016. The price of 4.75mm hot-rolled carbon steel increased mildly by approximately RMB100 (or 4.9%) to approximately RMB2,150 per tonne in February 2016, and rose further in early March 2016 by approximately RMB500 (or 23.3%) to approximately RMB2,680 per tonne.

For most cold-rolled carbon steel processors, the main procurement sources of hot-rolled carbon steel are large steel producers and steel traders. Large steel producers deliver sizeable hot-rolled carbon steel in accordance with their production schedule, and they generally offer 3% to 5% discount to major customers with a long-term relationship. Meanwhile, steel traders are able to offer hot-rolled carbon steel products in the physical market with no lead time.

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Price analysis of cold-rolled carbon steel

Average Price of Cold-rolled Carbon Steel in the PRC, January 2010–October 2015



Source: Frost & Sullivan Report

The market price for cold-rolled carbon steel declined from January 2010 to October 2015. The average price of 0.5mm cold-rolled carbon steel decreased from RMB5,426 per tonne to RMB2,814 per tonne, representing a price decrease of a CAGR of 12.8%. Similarly, the average price of 1mm cold-rolled carbon steel dropped from RMB5,531 per tonne to RMB2,524 per tonne, representing a price decrease of a CAGR of 15.0%.

However, according to Frost & Sullivan, since February 2016, the average price of most steel products, including cold-rolled carbon steel products, generally took an upward trend mainly due to the gradual depletion of inventory. In particular, the average price of steel products witnessed a hefty rise in March 2016. In March 2016, the average price of both 0.5mm cold-rolled carbon steel and 1mm cold-rolled carbon steel increased to over RMB3,000 per tonne. The average price of cold-rolled carbon steel is likely to rise and remain at a rising level in the short term.

The price difference between cold-rolled carbon steel and hot-rolled carbon steel has been narrowing in the past years, from as large as approximately RMB1,500 per tonne to approximately RMB900 per tonne. Such difference can be explained as follows: (i) initial large price difference attracted many new steel processing players into the market, leading to fierce competition; (ii) as the market has become saturated, processing fees and required profit margins were declining, leading to a

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narrower price difference between hot-rolled and cold-rolled carbon steel. According to Frost & Sullivan, the strong competition will drive small-sized players out of the market, leaving the market to large steel processors which can achieve economies of scale.

COMPETITIVE LANDSCAPE OF THE COLD-ROLLED CARBON STEEL INDUSTRY

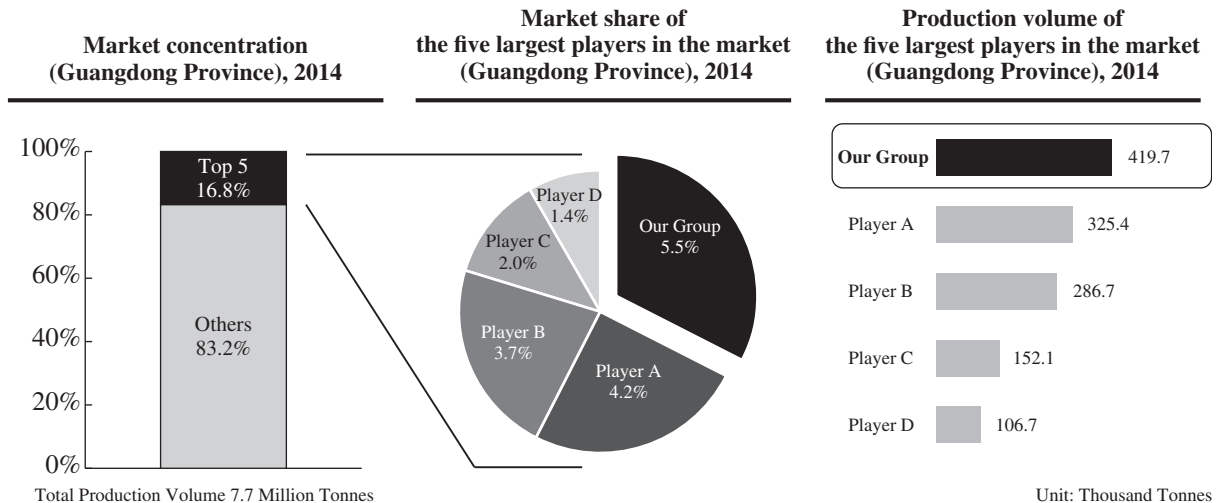
Competitive landscape in the PRC

The PRC's cold-rolled carbon steel market is populated with more than 400 participants which include steel producers and steel processors. The majority of steel processors are small and medium enterprises (SMEs) and private companies, whilst steel producers are primarily state owned enterprises. The major cold rolled carbon steel customer groups for steel producers are from the motor industry, shipbuildings and manufacturers in the heavy industries which require a large quantity of standardised steel products. For steel processors, the customer groups are mainly consumer goods manufacturers, lighting and light industrial manufacturers who require customised processed steel products as production materials.

With respect to the competitive landscape, the market is fragmented with a low concentration rate despite the huge production scale of some state-owned enterprises. The CR10 index (the domestic market share of the 10 largest market players) is only 42%, with all of the 10 largest players being state-owned enterprises, which indicates a fierce competition in the market, especially for homogeneous and standard products.

Competitive landscape in Guangdong Province

Market shares of the five largest cold-rolled carbon steel processors in Guangdong Province



Source: Frost & Sullivan Report

The cold-rolled carbon steel market in Guangdong Province is fragmented. The aggregate production volume of the five largest cold-rolled carbon steel processors amounted to approximately 1.3 million tonnes, representing 16.8% of the total production volume of the market in 2014.

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In 2014, our Group ranked first in terms of production volume amongst the cold-rolled steel processors in Guangdong Province, the PRC, with our production volume amounting to approximately 419,000 tonnes and representing approximately 5.5% of the total production volume of that market in 2014.

Competitive advantages of our Group

For details of our competitive strengths, please refer to the paragraph headed “Business — Our Competitive Strengths” in this prospectus.

Barriers of entry

Technology barrier, sales network and customer bases, capital investment and logistics support are the major entry barriers of the steel processing industry in Guangdong Province.

<i>Processing know-how</i>	Steel processing requires a certain level of technical know-how in processing techniques, in particular to converting hot-rolled steel to cold-rolled steel and meeting the required metal properties, thickness and surface finish.
<i>Sales Network and Customer Base</i>	Most processors have established reliable and stable sales channels with well-selected customers, which are difficult for new entrants to develop.
<i>Capital Investment</i>	Initial investment and operating capital in the steel processing is substantial in order to cover the cost of processing machinery, environmental protection facilities and raw material procurement.
<i>Logistics Support</i>	Product delivery is a crucial part in the value chain of the steel processing industry. Processors need to set up a well-functioning logistics system or outsource it to a reliable operator, which may hinder new entrants to catch up.

Market opportunities

Raw material cost saving

Excess capacity contributed to a considerable inventory and price pressure to traditional large-scale steel producers. Steel price has dropped considerably in recent years, which has made consumer products using steel as production materials become more affordable, thereby demanding growing needs for steel processing. Although the steel price has been on an upward trend since February 2016, such price is still considered to remain at a relatively low level and hence affordable to downstream manufacturers.

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Export expansion

Exports of Chinese cold-rolled carbon steel products, especially to Southeast Asian markets, have been increasing in recent years, mainly because of competitive price and stable quality. Along with the establishment of the Asian Infrastructure Investment Bank promoting economic activities amongst countries in Asia, foreign demands are expected to expand further, which provides a great opportunity for the development of domestic cold-rolled carbon steel processors.

Demand for customised products

As market competition among manufacturers in light industries continues to be intense, cold-rolled carbon steel processors are facing increasing demand from downstream customers for customised products. Incumbents who are capable of delivering products of various specifications will find themselves in a more advantageous position for competition.

Demand for high-end products

There is an increasing demand for high-end steel products due to the continual product upgrades in home appliance, automobile, hardware and construction industry. The high-end steel products include zinc coated steel which has superior features including corrosion resistance and polished surface that make it a good substitute to stainless steel which is more expensive. As a result, zinc coated steel products have become increasingly popular in the recent years.

Market threats

Migration of downstream industries

Many domestic manufacturers in light industries, such as home appliance and furniture, move their production base to foreign countries like Vietnam and Philippines in order to achieve lower labour and operating costs. Such uncertainties from downstream industries may pose a challenge to the incumbent cold-rolled carbon steel processors.

Rising labour cost

Steel processing is labour intensive and thus requires huge human capital. As a result, inflating labour cost in the PRC may pose a challenge to the steel processing industry and reduce processors' profit margins.

MARKET LANDSCAPE OF THE ZINC COATED STEEL INDUSTRY IN THE PRC

Zinc coating, also known as galvanising, is the process to apply a protective zinc coating to steel, to prevent corrosion or rusting. Zinc coated steel products have become increasingly popular in recent years. Due to the rising living standard and household income, continual product upgrades in the downstream industry of the zinc coated products, such as the home appliance and hardware industries, appears to be an inevitable trend. Many of the high-end home appliance and hardware products usually require zinc coated steel plates as surface material instead of cold-rolled steel plates due to the superb

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properties of zinc coated steel products such as anti-corrosion, fingerprint resistant, high strength etc. Thus, the rising living standard is likely to further promote the use of zinc coated steel in the manufacture of various downstream products.

Competitive landscape

The production volume of zinc coated steel in the PRC reached approximately 41.0 million tonnes in 2014 and according to Frost & Sullivan, the production volume will maintain a CAGR of 6.5% from 2014 to 2020. Further, for the year ended 31 December 2014, the production volume of zinc coated steel in Guangdong Province reached approximately 4.3 million tonnes.

The zinc coated steel market is fragmented in Guangdong Province and nationwide. There are a number of zinc coated steel manufacturers, including large-scale steel manufacturers and steel processors of different sizes. However, most of the zinc coated steel processors in Guangdong Province are small in size and there is no dominant market player. In 2014, the three largest zinc coated steel manufacturers accounted for approximately 6.6%, 4.2% and 3.9% of the total production volume of zinc coated steel in Guangdong Province, respectively.

Many of the small-scale zinc coated steel processors often fail to strictly comply with the relevant environment protection standards in the coating process. Faced with increasingly stringent environment protection standards imposed by the PRC Government, the operating environment has become more difficult for the small-scale processors. Furthermore, without their own capacity in certain steel processing steps, such as cold-rolling, slitting and cutting or have limited capacity in these areas, these small-scale zinc coated steel processors have limited capability in serving diversified clientele. Therefore, large-scale zinc coated steel manufacturers, ideally with its own in-house processing capabilities, are in a more favourable position to benefit from the growing market demands for zinc coated steel products by customers.

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Price analysis of zinc coated steel

Average Price of Zinc Coated Steel in the PRC, January 2010–October 2015^{Note}



Note: The above price chart shows the general market price for zinc coated steel of 1.0mm thickness, which is usually used for construction purposes. However, the zinc coated steel produced by our Group is expected to be mainly used in the home appliances industry, which normally requires zinc coated steel with a thickness of around 0.4mm to 0.6mm. The manufacturing costs of zinc coated steel with such thickness is generally higher, resulting in an additional RMB300 to RMB600 per tonne as compared to the price of 1.0mm thickness zinc coated steel shown in the chart above.

The average price of zinc coated steel decreased from over RMB5,500 per tonne in January 2010 to about RMB3,000 per tonne in October 2015. However, similar to the price trend in relation to the other steel products, the average price of zinc coated steel gradually recovered to about RMB3,500 per tonne in March 2016. It is expected that the average price of zinc coated steel will experience a stable increase in the short term.

Future opportunities

The prevailing industry landscape in Guangdong Province favours those sizeable steel manufacturers and processors which operate integrated production lines that allow product customisation, to further expand their product offering to include zinc coated steel products. Such sizeable steel manufacturers and processors can produce their own cold-rolled steel for further processing into zinc coated steel products.

Further, China has become a net exporter of zinc coated products since 2010. It is estimated that, in the near future, some countries in less developed areas such as Southeast Asia and Africa, are likely to be the major customers of Chinese zinc coated steel processors as these countries have high infrastructure construction demands. Further overseas business opportunities are expected to be explored and created from zinc-coated steel export trade in addition to the opportunities available in the domestic market.

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Eco-friendly concept promoted by the PRC Government

According to a notice published by the PRC Government in 2012 in relation to its environmental related policy titled “Twelfth Five-Year Plan for Energy Saving and Environmental Friendly Industry Development Plan” (“十二五”節能環保產業發展規劃”), the PRC Government has listed energy saving products as one of its main target areas of development. In particular, the PRC Government encouraged utilisation of energy saving technology in the manufacture of home appliances such as air-conditioners and refrigerators, as well as energy saving lighting products, automobiles and construction materials.

As it is believed that home appliances with zinc coated steel plates as surface material tend to be of higher quality and possess qualities such as higher resistance to corrosion, resistance to fingerprints, higher endurance and hence, generally have longer lifespan, downstream home appliances and automobile manufacturers are expected to be increasingly willing to adopt zinc coated steel plates as opposed to other types of steel as surface material for their products. The use of zinc coated steel products as surface materials of home appliance products and automobiles to increase their lifespan is in line with the sustainable and ecofriendly concept promoted by the PRC Government.

Threats and challenges

The highly fragmented zinc coated steel market in Guangdong Province has brought about a number of issues in the industry. Vicious price competition amongst small players often happens which sometimes creates disorders in the market price and is not conducive to the healthy development of the industry. Secondly, production pollution is commonly seen amongst small players’ operations, which is harmful to the surrounding environment.

The zinc coated steel manufacturers and processors have to continue their research and development efforts to broaden the usage of zinc coated steel in product manufacturing. For instance, anti-bacterial zinc coated steel plates have been used in the manufacture of home appliances. Continuous technical innovation is required amongst manufacturers and processors in order to satisfy the needs of its customers and maintain the market share.

Barriers of entry

The major entry barriers for zinc coated steel business are similar to those for cold-rolled carbon steel industry which is set out in the paragraph headed “Competitive Landscape of the Cold-rolled Carbon Steel Industry — Barriers of entry” in this section.

GENERAL MARKET LANDSCAPE OF STEEL INDUSTRY IN MALAYSIA

Malaysia was the fourth largest steel consuming country in Southeast Asia in 2014, with a domestic steel consumption of approximately 10 million tonnes. The local steel consumption market is expected to grow in the coming few years due to the Malaysian government’s initiative in accelerating its infrastructure projects.

Malaysia lacks raw materials for steel production. Most of Malaysia’s domestic steel producers are small in scale whose production and automation level are relatively low. Besides, the rise in electricity and gas tariffs in recent years has driven up their operating cost. The business environment for local

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steel producers was further aggravated by the shrinking steel prices in recent years due to the general global over-supply and import of steel products at cheaper prices, particularly from the PRC. Therefore, price competitiveness and performance of local steel producers have been declining, resulting in higher reliance on imported steel products to support local steel consumption. Malaysia imported approximately 7.7 million tonnes of steel in 2014, representing approximately 75% of its total consumption for the year. Import from the PRC in 2014 amounted to approximately 2.7 million tonnes, representing approximately 34.2% of Malaysia's total steel import volume and making the PRC the largest steel exporting country to Malaysia. Most exported steel from the PRC to Malaysia are low-end steel products that were directly in competition with domestic steel products of Malaysia.

In early 2000s, the Malaysian government imposed duty on import of steel products to protect the local steel industry from the competition of overseas steel market. In order to enhance the competitiveness of the local industry as well as to support the growth of the manufacturing and construction sectors, the Malaysian government implemented revised policy for iron and steel industry on 1 August 2009. Pursuant to the revised policy, the Malaysian government, among other measures, grants import duty exemption to steel service centres (i.e. steel processor) on import of certain steel products, while trading companies are not eligible for import duty exemption of flat steel products (i.e. hot-rolled and cold-rolled steel coil). The general direction of the revised policy is to protect the local steel processing industry, by encouraging local steel consumers to purchase import steel products through local steel processors. Malaysia is expected to rely heavily on import steel to satisfy its consumption in the near future.

FROST & SULLIVAN REPORT

We have commissioned Frost & Sullivan, an independent market research company, to analyse and report on among other things, information on the trend of cold-rolled carbon steel industry in the PRC and Guangdong Province at a fee of RMB750,000 and our Directors consider that such fee reflects market rates. The market research process for this study has been undertaken through detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers. Frost & Sullivan has given its consent to quote from the Frost & Sullivan Report and to include information contained in the Frost & Sullivan Report in this prospectus. Our Directors confirm that Frost & Sullivan, including all of its subsidiaries, divisions and units, are Independent Third Parties.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in the PRC includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

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Assumptions and parameters

Frost & Sullivan's report was compiled based on the below assumptions:

- The PRC's economy is likely to maintain steady growth in the next decade;
- The PRC's social, economic, and political environment is likely to remain stable in the forecast period;
- Market drivers like rapid economic and disposable income growth, accelerating urbanisation, rising investment in manufacturing are likely to drive the growth of the PRC's steel market;
- Market drivers like steady development of Chinese economy, stable demand from downstream industries, supporting incentives on cold-rolled carbon steel industry from Chinese government, industry consolidation of cold-rolled carbon steel are expected to drive the growth of the PRC's cold-rolled carbon steel market.

Reliability of the information and future forecast in the Frost & Sullivan Report

We are of the view that sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent market research company with extensive experience in their profession. Some of the analytical conclusions extracted from the Frost & Sullivan Report cover future forecasts. We and the Sole Sponsor consider the future forecasts, and the associated major bases and assumptions to be reliable, accurate and not misleading after taking into account that Frost & Sullivan is an independent market research company with extensive experience in their profession. Our Directors confirm that, to the best of their knowledge and after taking reasonable care, there is no material adverse change in market information contained in this section since the finalisation of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

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Our Company mainly engages in the manufacture of metal products through Jiangmen Huajin and Jiangmen Huamu, our subsidiaries in the PRC (the “**PRC Subsidiaries**”). This section sets out a summary of certain aspects of the regulations and requirements that are material to our Company’s current and/or future business operations in the PRC and Hong Kong.

FOREIGN INVESTMENT

The major Chinese official policy governing foreign investment in the PRC is *the Guidance Catalogue of Industries for Foreign Investment* (《外商投資產業指導目錄》) (the “**Catalogue**”) jointly promulgated and amended from time to time by the National Development and Reform Commission of the PRC (the “**NDRC**”) and the Ministry of Commerce of the PRC (the “**MOC**”). The latest Catalogue was amended in 2015 and came into force from 10 April 2015, according to which, foreign investment industries are classified into the following four categories:

1. **Encouraged industries:** foreign investment enterprises (the “**FIEs**”) engaged with encouraged industries are often permitted to be operated in the form of wholly foreign owned enterprises (the “**WFOEs**”);
2. **Restricted industries:** foreign investment projects falls into the scope of restricted category generally are subject to higher-level governmental approvals, and a certain proportion of industries under the restricted category are limited to equity joint venture (the “**EJV**”) or contractual joint venture (the “**CJV**”), and in some cases the Chinese partner is required to be the majority shareholder of the EJV or CJV;
3. **Prohibited industries:** industries under the prohibited category are inaccessible to foreign investment; and
4. **Permitted industries:** industries other than those under the foregoing three categories are permitted industries; they are accessible to foreign investment but not explicitly set out under the Catalogue.

Based on the business licences of the PRC Subsidiaries, the business engaged by the PRC Subsidiaries falls into the scope of encouraged category.

Being the FIEs, the PRC Subsidiaries shall be subject to relevant laws and regulations on foreign investment enterprises. Basically FIEs can take many forms such as WFOE, EJV, CJV and foreign invested partnership enterprise. WFOEs are governed by *the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法》) promulgated on 12 April 1986 and amended on 31 October 2000, *the Implementation Regulation of the Wholly Foreign-owned Enterprise Law* (《中華人民共和國外資企業法實施細則》), promulgated on 12 December 1990, amended on 12 April 2001 and 1 March 2014 (collectively the “**Foreign Enterprises Law**”), and *the Company Law of the PRC* (《中華人民共和國公司法》) promulgated on 29 December 1993, amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively with the latest amendment came into effect on 1 March 2014. In light of the foregoing statutes, establishment of a WFOE shall be approved by the MOC or its delegated authorities, and after the MOC grants the WFOE an approval, the WFOE shall apply for a business licence with the State Administration for Industry and Commerce (or its delegated authorities) (the “**AIC**”) prior to commencing its business operation.

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MERGERS & ACQUISITIONS ON DOMESTIC ENTERPRISES

The PRC Subsidiaries were converted from PRC domestic companies to FIEs through mergers and acquisitions approved by the Department of Commerce of Guangdong Province on 15 February 2015 (details please refer to the section headed “History, Reorganisation and Group Structure — Corporate Development” section in this prospectus) and such conversion shall comply with relevant laws and regulations governing mergers & acquisitions (“M&A”) on domestic enterprises.

In light of *the Regulations for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly adopted by the MOC, the State Administration of Foreign Exchange (the “SAFE”) and other four ministries on 8 August 2006, became effective on 8 September 2006 and amended on 22 June 2009, “mergers and acquisitions of domestic enterprises by foreign investors” refers to:

1. a foreign investor converts a non-foreign invested enterprise (domestic company) to a FIE by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company; this is defined as “**equity merger and acquisition**”; or
2. a foreign investor establishes a FIE to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or
3. a foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a FIE for the purpose of operation of such assets; this is defined as “**assets merger and acquisition**”.

Mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOC or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOC for approval and any circumvention on the this requirement including domestic re-investment of a FIE is not allowed.

The M&A Rules also provides that an offshore special purpose vehicle established for listing purposes and directly or indirectly controlled by any PRC company or individual shall obtain approvals from the China Securities Regulatory Commission prior to its listing and trading of the securities of such special purpose vehicle on an overseas stock exchange. On 22 June 2009, the MOC issued *the Amendments to Regulations for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於修改〈關於外國投資者併購境內企業〉的規定〉的決定》), under which relevant provisions on the anti-monopoly review for mergers and acquisitions of domestic enterprises by foreign investors have been amended.

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PRODUCTION SAFETY AND SPECIAL EQUIPMENT

- **Production Safety**

Pursuant to latest amended *the Production Safety Law of the PRC* (the “**Production Safety Law**”) (《中華人民共和國安全生產法》) came into force on 1 December 2014, (a) the State Administration of Work Safety is the regulatory authority on overall administration of production safety; (b) any entity engaged in manufacture shall meet the national or industry standards on safety production and provide relevant working conditions as required by the laws, administrative rules and the national or industry standards; (c) any entity engaged in manufacture shall withdraw and use production safety fees specially for improvement of production safety conditions according to the Production Safety Law; (d) any entity engaged in manufacture activities must install prominent warning signs at or on relevant dangerous operation sites, facilities and equipment; and (e) the design, production, instalment, use, test, repair, upgrade and disposal of safety equipment must comply with the national or industry standards.

As the PRC Subsidiaries conduct manufacture metal products in the PRC, they shall provide safe production conditions and work safety education & training to their employees accordingly and comply with the provisions of the Production Safety Law in all aspects.

- **Special Equipment**

According to the latest amended *Regulations on Safety Supervision over Special Equipment* (《特種設備安全監察條例》) came into force from 1 May 2009 and *the Administrative Measures on the Registration of Application of Boiler and Pressure Vessels* (《鍋爐壓力容器使用登記管理辦法》) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on 14 July 2003 and became effective on 1 September 2003, boilers fall into the scope of special equipment which concerns to life safety and bears relatively high risks; any entity using boilers shall make registration and apply for a Registration Certificate for Use of Special Equipment with local administration on quality and technical supervision before its use of the boilers or within 30 days after the use of the same, failing to do the foregoing may cause a penalty ranged from RMB2,000 to RMB20,000, or to be ordered to suspend its use of the boilers or its business operations in case of severe breach.

Our PRC Legal Adviser confirms that our PRC Subsidiaries have duly registered the boilers they currently use and obtain the Registration Certificate for Use of Special Equipment granted by local administration on quality and technical supervision.

PRODUCT QUALITY AND CONSUMER PROTECTION

The metal products of the PRC Subsidiaries shall reach the standards prescribed under relevant PRC laws and regulations on product quality, any personal injury or property damage caused by any defect in their metal products may let to consumer’s claims against the PRC Subsidiaries.

- **Product Quality**

The principal legal provisions governing product liability are set out under *the Product Quality Law of the PRC* (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) promulgated on 22 February 1993 and amended on 8 July 2000. This Product Quality Law is applicable to manufacture and

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distribution of any product within the territory of the PRC, and both the manufacturer and the distributor shall be liable for failing to meet the prescribed quality standards. Violations of the Product Quality Law may result in fines and the violator will be ordered to suspend its operations, or its business licence will be revoked and criminal liability may be incurred if the non-compliance incidents are matters of a serious nature.

According to the Product Quality Law, consumers or other victims who suffer from personal injury or property losses due to product defects may claim compensation against either the manufacturer or the distributor. Where the liability lies with the manufacturer, the distributor shall, after settling the compensation with the victims, have the right to recover the compensation paid to the victims from the manufacturer or vice versa.

● Consumer Protection

Under the *Law of the PRC on Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》) (the “**Consumer Law**”) was promulgated on 31 October 1993 and respectively amended on 27 August 2009 and 25 October 2013, “consumers” is defined as any person who purchases or uses commodities for the purpose of consumption or receives services, and all manufacturers, distributors and service providers are required to ensure that their products or services will not cause any personal injury or property damage to consumers.

ENVIRONMENTAL PROTECTION

To alleviate or prevent environmental pollution derived from production activities, all the PRC manufacture enterprises including the PRC Subsidiaries shall comply with a variety of laws and regulations on environmental protection. The major PRC laws and regulations on environmental protection include the followings laws adopted by the Standing Committee of the National People’s Congress (the “NPC”)

1. *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) promulgated on 26 December 1989, amended on 24 April 2014 and became effective on 1 January 2015;
2. *Air Pollution Prevention of the PRC* (《中華人民共和國大氣污染防治法》) amended on 29 August 2015 and came into force on 1 January 2016;
3. *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》) amended on 28 February 2008 and became effective on 1 June 2008 and its implementing regulations promulgated and became effective on 20 March 2000; and
4. the latest amended *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》) promulgated on 24 April 2015.

Pursuant to the above laws and regulations stated, the Ministry of Environmental Protection of the PRC (formerly known as “State General Administration of Environmental Protection of the State Council” and “State Administration of Environmental Protection of the State Council”) formulates the

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national guidelines for discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may formulate their own guidelines for discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise caused environmental pollution and discharged other polluting materials that endanger the public shall 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, and adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures shall be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by any entity. Any company or enterprise discharged environmental pollutants shall report and register such discharge with relevant bureaus of environmental protection and pay any fines imposed for the discharge, fees may also be imposed on the entity for the cost of any work required to restore the environment to its original status.

Any entity which has caused severe pollution to the environment is required to restore the environment or remedy the impact of the pollution within a prescribed time limit. If any entity fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Any entity which fails to restore the environment or remedy the impacts of the pollution within the prescribed time will be penalised or have its business licences to be revoked. Any entity which has polluted and endangered the environment must bear the responsibility for remedying the danger and impact of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

IMPORTATION AND EXPORTATION OF GOODS

During the Track Record Period, the PRC Subsidiaries have entrusted independent trading companies to export a certain proportion of products overseas. The major PRC laws and regulations governing import and export of goods are *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”), *Regulations of the PRC on the Administration of Import and Export of Goods* (《中華人民共和國貨物進出口管理條例》) (the “**Regulations on Import and Export of Goods**”), *Administrative Provisions of the Customs of the PRC over Registration of Declaration Entities* (《中華人民共和國海關對報關單位註冊登記的管理規定》) and *Customs Law of the PRC* (《中華人民共和國海關法》).

In light of the Foreign Trade Law promulgated by the Standing Committee of the NPC on 12 May 1994, amended on 6 April 2004 and came into force on 1 July 2004, save as otherwise provided by laws, administrative regulations and the competent department of foreign trade under the State Council of the PRC, foreign trade operators engaging in goods or technology import and export shall go through the record-filing registration formalities with the competent department of foreign trade under the State Council of the PRC or its authorised institutions, failing to do the same, the customs shall refuse to process the declaration and clearance of goods imported or exported submitted by such foreign trade operators. A legally registered foreign trade operator is entitled to act as other parties' agent to handle foreign trade businesses within its business scope.

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Pursuant to Regulations on Import and Export of Goods issued by the State Council of the PRC and became effective on 1 January 2002, the State Council of the PRC shall allow free import and export of goods, and maintain fair and orderly import and export trade in goods except for goods which is explicitly prohibited or restricted by laws or administrative regulations. In addition, under the latest *Catalogue of Goods Subject to State-operated Export Trade Administration* (《出口國營貿易管理貨物目錄》) and *Catalogue of Goods Subject to Export Designed Trade Administration* (《出口指定經營管理貨物目錄》), the PRC has removed state-operated trade controls and designated trading on the export of textile products.

According to *Administrative Provisions of the Customs of the PRC over Registration of Declaration Entities* (《中華人民共和國海關報關單位註冊登記管理規定》), which was issued by the General Administration of Customs of the PRC and became effective on 6 January 2005, a consignee or consignor of imported or exported goods shall register with the customs at the domicile of such consignee or consignor. A duly registered consignee or consignor of imported or exported goods is entitled to make customs declarations through its declarants, or through an entrusted declaration agent whose registration is approved by the customs.

Under the *Customs Law of the PRC* (《中華人民共和國海關法》) which was adopted by the NPC on 22 January 1987 and amended on 8 July 2000 and 29 June 2013 respectively, the consignee of import goods shall go through the customs formalities with the Customs at the place where the goods enter the territory of the PRC, while the consignor of export goods shall go through the customs formalities with the Customs at the place where the goods depart from the territory of the PRC. If approved by relevant Customs, the consignee of import goods may go through the customs formalities for import goods at a designed place where a Customs is established, and the consignor of export goods may go through the same at the departure place of the goods where a Customs is established. Transportation of the goods under the foregoing customs transit shall comply with the control requirements of the customs.

TAXATION

Under current PRC tax laws and regulations, the PRC subsidiaries shall be subject to the enterprise income taxes and value-added tax (the “VAT”) on the basis of their respective business activities, the foreign investor of the PRC subsidiaries shall be subject to the withholding tax for the profits therefrom, and indirect transfer of the PRC Subsidiaries’ equity interest by their overseas holding companies may incur imposition of enterprise income tax on the transferor.

- **Enterprise Income Tax**

All enterprises registered in the PRC shall pay enterprise income tax for the income obtained from their production and business operations. For the period prior to 1 January 2008, the applicable enterprise income tax rate applicable to PRC Subsidiaries was 33% according to the Provisional Regulations of the People’s Republic of China On Enterprises Income Tax (《中華人民共和國企業所得稅暫行條例》), which had effectiveness between 1 January 1994 and 31 December 2007.

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On 1 January 2008, the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) and its implementation rules (collectively the “**New Income Tax Law**”) was implemented, where income tax rates applicable to both domestic enterprises and FIEs have been unified at 25%.

During the Track Record Period and as at the Latest Practicable Date, the applicable enterprise income tax rate applicable to the PRC Subsidiaries was 25%.

- **Value-Added Tax**

Under the *Provisional Regulations of the PRC Concerning Value Added Tax* (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council of the PRC, came into effect on 1 January 1994, amended on 5 November 2008 and came into force on 1 January 2009, and its latest implementation rules came into force on 28 October 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayer of VAT and shall pay the VAT in accordance with the Regulation.

VAT payable in the PRC is charged on an aggregated basis at either 13% or 17% (depending on the type of goods involved) of the full price collected for the goods sold or, in the case of taxable services provided, at 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of VAT included in the price or charges, and less any deductible VAT already paid by the taxpayer on purchase of goods and services in the same financial year. The VAT rate for those engaging export of goods save for otherwise provided by the State Council of the PRC is zero.

During the Track Record Period and as at the Latest Practicable Date, the applicable VAT rates of the PRC Subsidiaries were 17%.

- **Withholding Tax**

With the effectiveness of the New Income Tax Law since 1 January 2008, profits derived by a foreign investor, which is deemed as non-resident enterprise, from a PRC enterprise with foreign investment shall pay income tax at the rate of 20%. However, the Implementing Regulations of the Enterprise Income Tax Law of PRC reduced the rate from 20% to 10% since 1 January 2008, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a lower withholding tax.

The PRC government and the Hong Kong government has enter into 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》) on 21 August 2006, under which, dividends repatriated from a PRC entity to a Hong Kong tax resident would be entitled to the reduced withholding tax rate of 5% subject to certain conditions.

REGULATORY OVERVIEW

- **Tax for Overseas Indirect Transfer of PRC Equity Interests**

On 10 December 2009, the State Administration of Taxation (the “SAT”) issued the *Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer* (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “Circular 698”), which retrospectively became effective on 1 January 2008. The Circular 698 clarified how the capital gains should be calculated regarding the direct or indirect equity transfer of a resident enterprise by non-resident enterprises.

On 3 February 2015, the SAT issued *the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises* (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “Circular 7”) which replaced certain provisions of Circular 698. According to the Circular 7, where a non-resident enterprise indirectly transfers equities and other properties of a Chinese resident enterprise to evade its obligation of paying enterprise income tax by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall, in accordance with the provisions of Article 47 of the EIT Law, be re-identified and recognised as a direct transfer of equities and other properties of the Chinese resident enterprise.

The indirect transfer of Chinese taxable property refers to the transaction which produces a result identical or substantially similar to direct transfer of Chinese taxable property by a non-resident enterprise through transfer of equities and other similar interests (the “Equities”) of foreign enterprises directly or indirectly holding Chinese taxable properties (excluding Chinese resident enterprises registered outside the PRC) (the “Foreign Enterprises”), including changes in Foreign Enterprises’ shareholders due to restructuring of the non-resident enterprise. A non-resident enterprise indirectly transferring Chinese taxable property is known as an equity transferor. Where the proceeds from indirect transfer of real estate or equities are subject to enterprise income tax according to the Notice, the entity or individual that has the direct liability for the relevant payment obligation to the equity transferor according to the relevant laws and regulations or contracts shall be identified as the withholding agent. Where the withholding agent fails to withhold the tax due or withhold the tax due in full, the equity transferor shall declare to the competent tax authority for payment of such tax within seven days after the tax payment obligation comes into being, and shall provide information relevant to the calculation of equity transfer income and tax.

TRANSFER PRICING

- **The PRC**

In light of the New Income Tax Law and the *Implementation Regulations for Special Tax Adjustments (Trial)* (《特別納稅調整實施辦法(試行)》) (the “STA Rules”), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are defined as related party transactions.

According to the New Income Tax Law and STA Rules, related party transactions should comply with the arm’s length principle and if the related party transactions fail to comply with arm’s length principle results in the reduction of the enterprise’s taxable income, the tax authority has the power to

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make an adjustment following certain procedures. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form to the supervising tax authority, but enterprises which meet one of the following standards are exempted from preparing further contemporaneous documents report: (a) the annual amount of related party purchase/sales is lower than RMB200 million and the annual amount of other related party transactions is lower than RMB40 million; (b) related party transactions are involved in the performance of arrangements for advance pricing; or (c) foreign shareholding percentage is lower than 50% and the related party transactions only incur among domestic associated parties.

Notwithstanding the foregoing, in light of the *Notice of the State Administration of Taxation on Strengthening the Monitoring and Investigation of Transnational Affiliated Transactions* (《國家稅務總局關於強化跨境關聯交易監控和調查的通知》) (No. Guo Sui Han [2009] 363), if a PRC enterprise (which is established by a foreign entity and undertakes the mere function of production (processing with supplied or imported materials), distribution, contractual research and development or any other limited function and bears the risks relating thereto) encounters a loss, then no matter such PRC enterprise meets related party transaction thresholds mentioned above or not, it must prepare contemporary data and other relevant data of the year of the occurrence of the loss and submit such data to the competent taxation authority by 20 June of the subsequent year. Except as otherwise stipulated by the STA Rules, enterprises should complete the preparation of contemporaneous documents for the current year before 31 May of the following year and submit the documents within 20 days upon request from tax authorities.

- **Hong Kong**

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”) and the comprehensive double taxation agreements (the “**DTAs**”) concluded between Hong Kong and other countries or territories, including the PRC, provide for the laws and regulations governing transfer pricing for enterprises resident in Hong Kong.

Section 20(2) of the IRO enables the Inland Revenue Department, HKSAR (the “**IRD**”) to nullify the effect of pricing arrangements where profits arising in HK by a non-resident person with a “closely connected” resident person are less than what would be expected from an arm’s length transaction. The IRD would deem the business of the non-resident as a business carried in HK, with liability for assessment and would charge tax from the resident person, as if the resident person were its agent.

Section 61A of the IRO supplements section 61 of the IRO, and empowers the IRD to recompute profits based on the arm’s length principle in abusive profit shifting transactions. It stipulates that where it would be concluded that person(s) entered into or carried out transactions for the sole or dominant purpose to obtain a tax benefit (which means the avoidance or postponement of the liability to pay tax or the reduction in the amount thereof), liability to tax of the relevant person(s) will be assessed (a) as if the transaction or any part thereof had not been entered into or carried out; or (b) in such other manner as the supervising authority considers appropriate to counteract the tax benefit which would otherwise be obtained.

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In April 2009, the IRD issued Departmental Interpretation and Practice Notes No. 45 — Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments which makes it available that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the tax treaty between Hong Kong and that country (countries entered into tax arrangements with Hong Kong includes the PRC).

In March 2012, the IRD issued Departmental Interpretation and Practice Notes No. 48 — Advance Pricing Arrangement which provides guidance for enterprises seeking an advance pricing agreement, a voluntary mechanism which enable enterprises to reach agreement with the Inland Revenue Department on the method of applying the arm's length principle to deal with transfer pricing issues in advance.

The DTAs contain provisions mandating the adoption of the arm's length principle for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for the transactions between associated enterprises. The basic rule for DTA purposes is that profits tax charges or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm's length principle had been applied instead of the actual price transacted between the enterprises.

FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

● Foreign Exchange

Due to the foreign exchange control policy of the PRC, cross border money transactions of our Company's PRC Subsidiaries in their business activities and dividend distribution to the foreign investors of the PRC Subsidiaries shall comply with various administration of foreign exchange in the PRC.

The principal regulation governing foreign exchange in the PRC are *the Foreign Exchange Administration Rules of the PRC* (《中華人民共和國外匯管理條例》) which were issued by the State Council of the PRC on 29 January 1996, became effective on 1 April 1996 and were amended on 14 January 1997 and 5 August 2008. Under these rules, the current account incomes of foreign exchanges can be retained or sold to financial authorities which manage exchange settlement and sale and purchase of foreign exchange. However, approval from SAFE is required for the relevant capital account transactions of the FIEs, such as the capital increase and decrease. FIEs may purchase foreign exchange without the approval of SAFE for trade and service related foreign exchange transactions by providing documents evidencing such transactions. In addition, foreign exchange transactions involving direct investment, loans and investment in securities outside the PRC are subject to limitations and require approvals from SAFE.

In light of *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**Circular 13**”) promulgated by the SAFE on 13 February 2015 and became effective on 1 June 2015, to improve the efficiency on foreign exchange management, the SAFE has cancelled (a) confirmation of foreign exchange registration under domestic

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direct investment and confirmation of foreign exchange registration under overseas direct investment; (b) registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for acquisition of the equity interests of the Chinese side; (c) filling of overseas re-investment; and (d) annual inspection on direct investment foreign exchange.

According to the *Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**Circular 19**”) promulgated on 30 March 2015 and came into force on 1 June 2015, the SAFE loses the controls on settlement of foreign exchange capital by allowing FIEs to settle their foreign exchange capital according to real business needs, and removes the restriction that foreign exchange capital of the FIEs shall not be settled and used for domestic equity investment, the foreign exchange capital can be directly settled in RMB and transferred by the FIEs to the designated accounts of the invested enterprises after the invested enterprises have made domestic re-investment registration with the SAFE. Whilst, FIEs are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the FIEs or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans or repay loans between enterprises; (d) purchase real estate’s not for self-use purposes (save for real estate enterprises)

- **Dividend Distribution**

According to *Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Service Trade* (《國家外匯管理局關於印發服務貿易外匯管理法規的通知》) promulgated by the SAFE on 18 July 2013 and came into force on 1 September 2013, remittance of profits, dividends and bonuses shall fall into the scope of current foreign exchange receipts and payments under trade in services, and shall subject to the regulations of foreign exchange of trade in services; the State imposes no restriction on international payments under trade in services.

For external payments of profits, dividends and bonuses in an amount equivalent to or over US\$50,000, relevant financial institution shall review and retain (a) financial auditor’s reports of the relevant years issued by accounting firms to FIEs; (b) resolutions of the board of directors on the distribution of profits; and (c) the capital verification report of the latest period of FIEs.

- **Circular 75 and Circular 37**

In terms of the *Notice on the Relevant Issues about Foreign Exchange Administration of the Financing and Return Investment of Domestic Residents through Overseas Special Purpose Vehicles* (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**Circular 75**”) promulgated by the SAFE on 21 October 2005 and came into force on 1 November 2005, (a) before establishing or controlling special-purpose vehicles (the “**SPVs**”) for financing for overseas equity, PRC residents shall register with the local branch of the SAFE; (b) if the PRC resident injects the assets or equity of domestic enterprises it possesses to the SPVs, or financing for overseas equity after the injection, the said PRC resident shall change registration of foreign exchange concerning equity of net assets and its changes of SPVs with the local branch of the SAFE; (c) if any significant asset change (such as change of share capital or M&A) occurs in overseas SPVs outside the PRC, PRC

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residents shall register relevant changes with the local branch of the SAFE within 30 days after occurrence of the said change. Circular 75 has been repealed by the Circular 37 defined as below on 14 July 2014.

On 4 July 2014, the SAFE promulgated *the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents Through Overseas Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”), according to which, (a) “SPVs” is defined as “offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institution and individual resident) with their legally owned assets or equity of domestic enterprises, or legally owned offshore assets or equity, for the purpose of offshore investment and financing; (b) a domestic resident must register with the SAFE before he or she contributes assets or equity interests to SPVs; (c) following the initial registration, any major changes such as change in the overseas SPV’s domestic resident shareholders, names of the overseas SPVs and terms of operation or any increase or reduction of the overseas SPV, registered capital, share transfer or swap, merger or division, or similar development, shall be report to the SAFE for registration in time, and failing to comply with the registration procedures as set out in Circular 37 may result in penalties.

EMPLOYMENT AND SOCIAL SECURITIES

The regular business operation of the PRC Subsidiaries relies on the daily work of their employees; and employment of such employees shall comfort to relevant PRC labour laws and regulations as set out below.

- **Employment**

Law of the PRC on Labour Contracts (《中華人民共和國勞動合同法》) promulgated by the Standing Committee of National People’s Congress of the PRC on 29 June 2007, amended on 28 December 2012 and came into force from 1 July 2013, and its Implementation Rules promulgated by the State Council on 18 September 2008 (collectively called the “**Labour Contract Law**”) establishes the provisions of the conclusion, performance, amendment, termination or ending of employment contracts.

An employer’s employment relationship with an employee is established on the date it starts deploying the employee. If an employer fails to conclude a written employment agreement with an employee more than a month but less than a year after the date on which the employer starts deploying the employee, it shall pay the employee twice his or her wages each month from the second month of his or her employment term. However, the ceiling for such payment is eleven (11) months.

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● Social Securities

The Chinese social security system basically comprised of five major types of social insurances, namely maternity insurance, endowment insurance, medical insurance, unemployment insurance and industrial injury insurance, and each company in the PRC is required to contribute social insurance for its employees. Prior to the effectiveness of the *Law of Social Insurance of the PRC* (《中華人民共和國社會保險法》) (the “**Social Security Law**”) on 1 July 2011, each type of social insurance is governed by particular regulations as follows:

1. *Maternity Insurance: Provisional Measures for the Maternity Insurance for Enterprise Employees* (《企業職工生育保險試行辦法》), which came into force from 1 January 1995;
2. *Endowment Insurance Decision of the State Council on Establishing a Unified Basic Endowment Insurance System for Enterprises Employees* (《國務院關於建立統一的企業職工養老保險的決定》), came into force from 16 July 1997; *Guiding Opinion of the State Council on Implementing the Pilot of Endowment Insurance of Urban Employees* (《國務院關於開展城鎮居民社會養老保險試點的指導意見》), which came into force from 7 June 2011;
3. *Medical Insurance Decision of the State Council on Establishing a Basic Medical Insurance System for Urban Employees* (《國務院關於建立城鎮職工基本醫療保險制度的決定》), which came into force 14 December 1998; *Guiding Opinions of the State Council on Implementing the Pilot of Urban Resident Basic Medical Insurance* (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》), which came into force on 10 July 2007.
4. *Unemployment Insurance Regulations on Unemployment Insurance* (《失業保險條例》), which came into force from 22 January 1999; and
5. *Injury Insurance: Regulations on Industrial Injury Insurance* (《工傷保險條例》), which came into force from 1 January 2004 and were amended on 20 December 2010.

And there are several major regulations governing the administration of social insurance collection and payment as well as the liabilities on any incompliance of social insurance regulations as follows:

1. *Provisional Regulations on Collection and Payment of Social Insurance Contributions* (《社會保險費徵繳暫行條例》) which came into force from 22 January 1999;
2. *Administration of Declaration and Payment of Social Insurance Premiums* (《社會保險費申報繳納管理規定》), which came into force from 1 November 2013; and
3. *Auditing Measures for Social Insurance* (《社會保險稽核辦法》) which came into force from 1 April 2003.

The Social Securities Law, which was promulgated on 28 October 2010 and came into force from 1 July 2011, has combined substantial contents of the above regulations into a single enactment without significantly changing the existing social security system of the PRC. The Social Securities Law has

REGULATORY OVERVIEW

higher hierarchy than all of the foregoing regulations because it was formulated by the Standing Committee of the National People's Congress of the PRC. Further, it has adopted more severe measures to supervise the payment of social insurance.

Under article 63 of the Social Securities Law, in the event any company fails to fully pay the social insurance premiums, relevant administration authority on social insurance premiums collection (the “**Administrator on Collection**”) shall order such company to fully pay the outstanding social insurance premiums within a time limit, failing to do so, the Administrator on Collection is entitled to check its deposit account with banks or other financial institutions, and will order the opening bank of such company or other financial institutions in writing to settle the outstanding social insurance premiums with the money in such company's bank account subject to the decision of relevant administrative department on or above the state level. If the balance of the company's deposit account is lower than the amount of the social insurance premiums payable, Administrator on Collection is entitled to require such company to provide guarantee and enter into an agreement in relation to late payment of social insurance premiums. Provided such company fails to fully pay the social insurance premiums and has not provided any guarantee, Administrator on Collection is entitled to apply to the people's court to detain, seal up and auction such company's property, and the income from the auction will be appropriated by Administrator on Collection to pay up the outstanding social insurance premiums.

- **Housing Provident Fund**

According to *the Regulation Concerning the Administration of Housing Provident Fund* (《住房公積金管理條例》), implemented since 3 April 1999 and amended on 24 March 2002, employers in the PRC must register with the housing provident fund management centre. Employers will then need to open housing fund accounts with specified banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

Any entity failing to make payment & deposit registration of housing provident fund or go through the formalities for opening housing provident fund account for its employees will be ordered by the housing provident management centre to process the foregoing within prescribed period, otherwise it will be imposed a fine ranged from RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or have shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the people's court.

INTELLECTUAL PROPERTIES

- **Patents**

The PRC Subsidiaries have submitted patent applications with the State Intellectual Property Office of the PRC (the “**SIPO**”) for their intended patents in relation to its business operation, and the patents applied were created by their current employees. Further details of the patent registered or applied by the PRC Subsidiaries are set out in “Appendix IV — Statutory and General Information” in this prospectus.

REGULATORY OVERVIEW

In light of *Patent Law of the PRC* (《中華人民共和國專利法》)(the “**Patent Law**”) promulgated on 12 March 1985 and amended on 27 December 2008 and its implementation rules came into force on 1 July 2001, provided a service invention-creation is made by an employee in execution of his/her work tasks assigned by the employer or mainly by utilising the material conditions of the employer, the right to apply for a patent on this service invention-creation shall vest in the employer, who will be the patent right holder upon the completion of patent registration application.

For the purpose of the Patent Law, “service invention-creation made by an employee in execution of his/her work tasks assigned by the employer” refers to: (a) any service invention-creation made in the course of performing his/her own working duty; (b) any service invention-creation made in execution of any working task assigned by the employer other than his/her own working duty; (c) any service invention-creation made within one year after his/her resignation, retirement or position change that relates to his/her own work duty or any other work task assigned to him/her by his/her former employer.

- **Trademarks**

The PRC Subsidiaries own registered trademarks and submitted trademark applications with the Trademark Bureau of the AIC (the “**Trademark Bureau**”) for the intended trademarks in relation to its business operation. The registered trademarks are intangible assets of the PRC Subsidiaries that are material to their business operation. Further details of the trademarks owned and applied by the PRC Subsidiaries are set out in “Appendix IV — Statutory and General Information” in this prospectus.

According to *the Trademark Law of the PRC* (《中華人民共和國商標法》) which came into force from 1 March 1983 and amended on 27 October 2001 and 30 August 2013 respectively, and its implementation regulations promulgated on 3 August 2002, the Trademark Bureau shall be responsible for the registration and administration of trademarks throughout the country. No trademark application will be accepted if the intended trademark is similar or identical to any prior registered trademark or any trademarks completed preliminary examination, in the same or similar class. A public announcement shall be made upon completion of a preliminary examination of the trademark pending for registration by the Trademark Bureau, and any person may file an opposition against the foregoing trademark pending for registration within three months from the date of the publication. The Trademark Bureau will grant a certificate of trademark registration to the trademark applicant if no objection has been received upon expiry of the above period.

The valid period of a registered trademark is ten years subject to renewal from the date of the approval for registration. During this period, a trademark registrant is entitled to enjoy an exclusive right to use the trademark and authorise other persons to use his/her registered trademark by signing a trademark licence contract.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OVERVIEW OF HISTORY

The history of our Group can be traced back to July 2005 when Jiangmen Huajin was established, principally engaged in steel processing business. Jiangmen Huajin was founded by Mr. Xu, who owned as to 90.0% equity interest of Jiangmen Huajin, using his own financial resources. As at the date of establishment, Jiangmen Huajin was owned as to 10.0% by Mr. Ou.

As at the Latest Practicable Date, our production were conducted through our two PRC operating subsidiaries, namely Jiangmen Huajin and Jiangmen Huamu, which operated three production workshops located in Jiangmen, the PRC, with an annual processing capacity of 750,000 tonnes.

For further information of our production facilities and scale of business, please refer to the paragraph headed “Business — Production — Production facilities and equipment.” in this prospectus.

As at the Latest Practicable Date, we completed the construction work of Workshop No. 4 for the production of zinc coated steel products which is expected to commence operation in mid 2016.

For further details of Workshop No. 4, please refer to the paragraph headed “Business — Zinc Coated Steel Products and Workshop No. 4” in this prospectus.

Since our establishment in July 2005, our senior management team has been led by Mr. Xu, our chairman and our executive Director. Mr. Luo, our chief executive officer, joined our senior management team in May 2010 and has been responsible for our overall operation and management since then. For further details of the experience and qualification of our senior management team, please refer to the section headed “Directors and Senior Management” in this prospectus.

The following table outlines our key business development milestones:

Year	Events
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2005	Jiangmen Huajin was established and commenced operations in Jiangmen, the PRC.
2006	Jiangmen Huamu was established in Jiangmen, the PRC.
2008	Jiangmen Huajin obtained ISO9001:2008 certification in relation to its quality management system.
2010	Jiangmen Huamu commenced operations in Jiangmen, the PRC.
2013	Inter Consortium was incorporated in Hong Kong to facilitate the ongoing expansion of our export business by coordinating with overseas customers and banks for sales and payment arrangements.
2015	Jiangmen Huamu obtained ISO9001:2008 certification in relation to its quality management system.

Construction of production facilities for zinc coated steel products commenced.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE DEVELOPMENT

Set out below are the history and development of our operating subsidiaries:

Jiangmen Huajin

Jiangmen Huajin is principally engaged in steel processing and was established in Jiangmen, the PRC on 11 July 2005 with an initial registered capital of RMB3,000,000. As at the date of establishment, Jiangmen Huajin was owned as to 90% by Mr. Xu and 10% by Mr. Ou Zhiyang (區志陽) (“**Mr. Ou**”). Mr. Ou, is independent from Mr. Xu and not a connected person of our Company.

The registered capital of Jiangmen Huajin was increased from RMB3,000,000 to RMB10,088,888.88 on 7 December 2005, after which Jiangmen Huajin remained owned as to 90% by Mr. Xu and 10% by Mr. Ou. The registered capital of Jiangmen Huajin was further increased to RMB30,000,000 on 20 April 2012, with the increase amount of RMB19,911,111.12 contributed by Mr. Xu, after which Jiangmen Huajin was owned as to 96.64% by Mr. Xu and 3.36% by Mr. Ou.

On 28 April 2012, Mr. Luo acquired 10.64% and 1.36% equity interest in Jiangmen Huajin from Mr. Xu and Mr. Ou respectively, for a consideration of RMB3,191,112 and RMB408,888 respectively. On the same date, Mr. Chen acquired 1% equity interest in Jiangmen Huajin from Mr. Ou for a consideration of RMB300,000. Such considerations were determined with reference to the corresponding amounts of registered capital of Jiangmen Huajin representing the transferred equity interest. Upon completion of such transfers of equity interest, Jiangmen Huajin was owned as to 86% by Mr. Xu, 12% by Mr. Luo, 1% by Mr. Ou and 1% by Mr. Chen.

On 18 January 2015, Mr. Ou entered into an equity transfer agreement with Famous Stand, a limited company incorporated under the laws of Hong Kong and wholly-owned by Mr. Xu Songman, pursuant to which Famous Stand agreed to purchase 1% equity interest in Jiangmen Huajin from Mr. Ou, at a consideration of RMB718,000, which was determined based on the valuation conducted by an independent valuer. The transaction was approved by the Department of Commerce of Guangdong Province (廣東省商務廳) on 15 February 2015 and was completed on 4 March 2015 upon which Jiangmen Huajin became a sino-foreign equity joint venture and was owned as to 86% by Mr. Xu, 12% by Mr. Luo, 1% by Mr. Chen and 1% by Famous Stand respectively. Such transfer has been fully settled by Famous Stand using Mr. Xu Songman’s own financial resources.

Jiangmen Huamu

Jiangmen Huamu is principally engaged in steel processing and was established in Jiangmen, the PRC on 27 November 2006 with an initial registered capital of RMB2,000,000. As at the date of establishment, Jiangmen Huamu was owned as to 90% by Mr. Xu and 10% by Mr. Ou.

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On 13 May 2010, Mr. Luo acquired 10% equity interest in Jiangmen Huamu from Mr. Ou at a consideration of RMB200,000. Such consideration was determined with reference to the amount of registered capital of Jiangmen Huamu representing the transferred equity interest. Upon the completion of such transfer of equity interest, Jiangmen Huamu was owned as to 90% by Mr. Xu and 10% by Mr. Luo.

The registered capital of Jiangmen Huamu was increased from RMB2,000,000 to RMB30,000,000 on 17 May 2010, after which Jiangmen Huamu remained owned as to 90% by Mr. Xu and 10% by Mr. Luo.

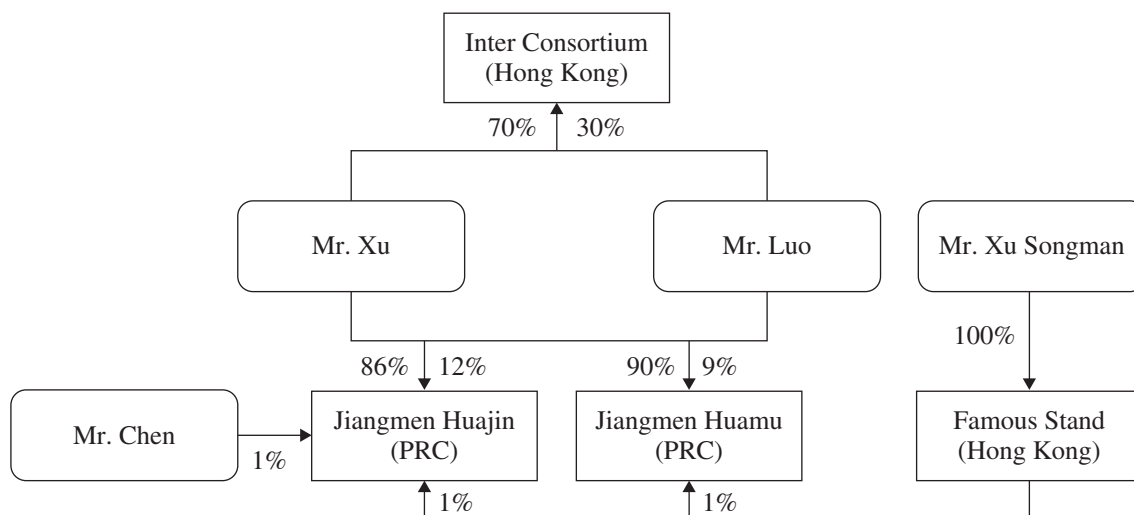
On 18 January 2015, Mr. Luo entered into an equity transfer agreement with Famous Stand, pursuant to which Famous Stand agreed to purchase 1% equity interest in Jiangmen Huamu from Mr. Luo, at a consideration of RMB638,000, which was determined based on the valuation conducted by an independent valuer. The transaction was approved by the Department of Commerce of Guangdong Province (廣東省商務廳) on 15 February 2015 and was completed on 4 March 2015 upon which Jiangmen Huamu became a sino-foreign equity joint venture and was owned as to 90% by Mr. Xu, 9% by Mr. Luo and 1% by Famous Stand. Such transfer has been fully settled by Famous Stand using Mr. Xu Songman's own financial resources.

Inter Consortium

Inter Consortium is a trading company incorporated under the laws of Hong Kong on 5 April 2013. At the time of its incorporation, Mr. Xu and Mr. Luo respectively held 7,616,000 and 3,264,000 shares in Inter Consortium, representing 70% and 30% of the issued share capital of Inter Consortium respectively.

REORGANISATION

The following diagram illustrates our corporate structure before the Reorganisation:



HISTORY, REORGANISATION AND GROUP STRUCTURE

Incorporation of our Company and our offshore subsidiaries

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 March 2015 to act as the holding company of our Group for the Listing. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 13 March 2015, one subscriber Share was issued and allotted to the initial subscriber, who on the same day transferred that one Share to Haiyi; additional 99 Shares were issued and allotted to Haiyi, our Controlling Shareholder.

Huajin Investments was incorporated in the BVI on 10 March 2015 with limited liability, which is authorised to issue 50,000 shares with a par value of US\$1.00 each. On 14 March 2015, Huajin Investments issued and allotted 100 subscriber shares to our Company, pursuant to which Huajin Investments became a wholly-owned subsidiary of our Company.

On 15 October 2015, Huajin Investments further issued and allotted an aggregate of 100 shares, as instructed by Mr. Xu and Mr. Luo, to our Company, as the consideration of the assignment to Huajin Investments the debts in an aggregate amount of HK\$150,654,566 due from Inter Consortium to Mr. Xu and Mr. Luo.

Acquisition of Inter Consortium

On 30 April 2015, Huajin Investments acquired all the shares in Inter Consortium from Mr. Xu and Mr. Luo, as consideration, Huajin Investments further issued and allotted 100 shares to our Company as instructed by Mr. Xu and Mr. Luo. Upon completion of such shares transfer, Inter Consortium became an indirect wholly-owned subsidiary of our Company.

On 14 December 2015, Inter Consortium issued and allotted 120,000 shares to Huajin Investments pursuant to the capitalisation of the sum of HK\$150,654,566 due from Inter Consortium to Huajin Investments.

Acquisition of Jiangmen Huajin and Jiangmen Huamu

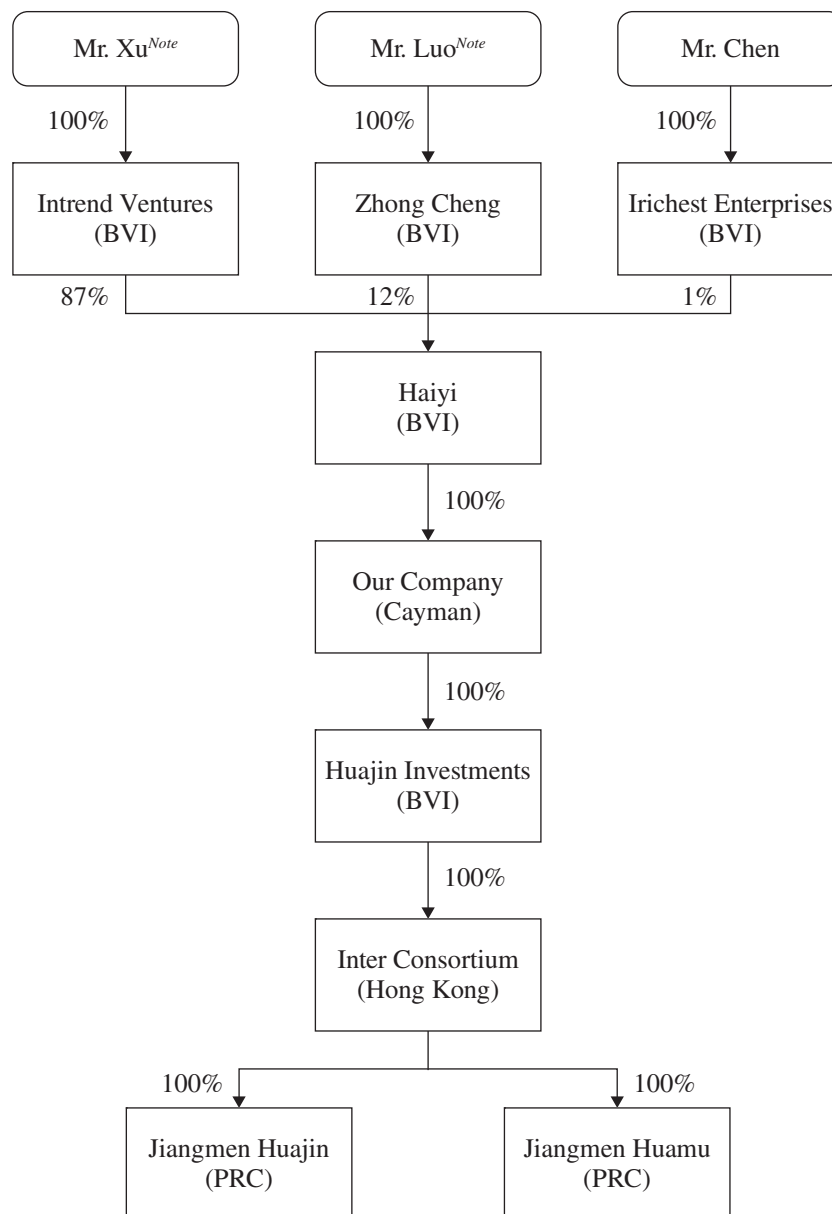
On 13 May 2015, Inter Consortium as purchaser entered into an equity transfer agreement with each of Mr. Xu, Mr. Luo, Mr. Chen and Famous Stand as vendors, pursuant to which Inter Consortium acquired all the equity interest in Jiangmen Huajin held by Mr. Xu, Mr. Luo, Mr. Chen and Famous Stand respectively. The aggregate consideration for the acquisition of the entire equity interest in Jiangmen Huajin by Inter Consortium from Mr. Xu, Mr. Luo, Mr. Chen and Famous Stand was approximately RMB71.54 million, which was determined based on valuation conducted by an independent valuer. With approvals granted by competent authorities, such transfers of equity interest were completed on 20 May 2015, upon which Jiangmen Huajin became a wholly-owned subsidiary of Inter Consortium.

On 13 May 2015, Inter Consortium as purchaser entered into an equity transfer agreement with each of Mr. Xu, Mr. Luo and Famous Stand as vendors, pursuant to which Inter Consortium acquired all the equity interest in Jiangmen Huamu held by Mr. Xu, Mr. Luo and Famous Stand respectively. The aggregate consideration for the acquisition of the entire equity interest in Jiangmen Huamu by Inter Consortium from Mr. Xu, Mr. Luo and Famous Stand was approximately RMB63.84 million, which was

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determined based on valuation conducted by an independent valuer. With approvals granted by competent authorities, such transfers of equity interest were completed on 20 May 2015, upon which Jiangmen Huamu became a wholly-owned subsidiary of Inter Consortium.

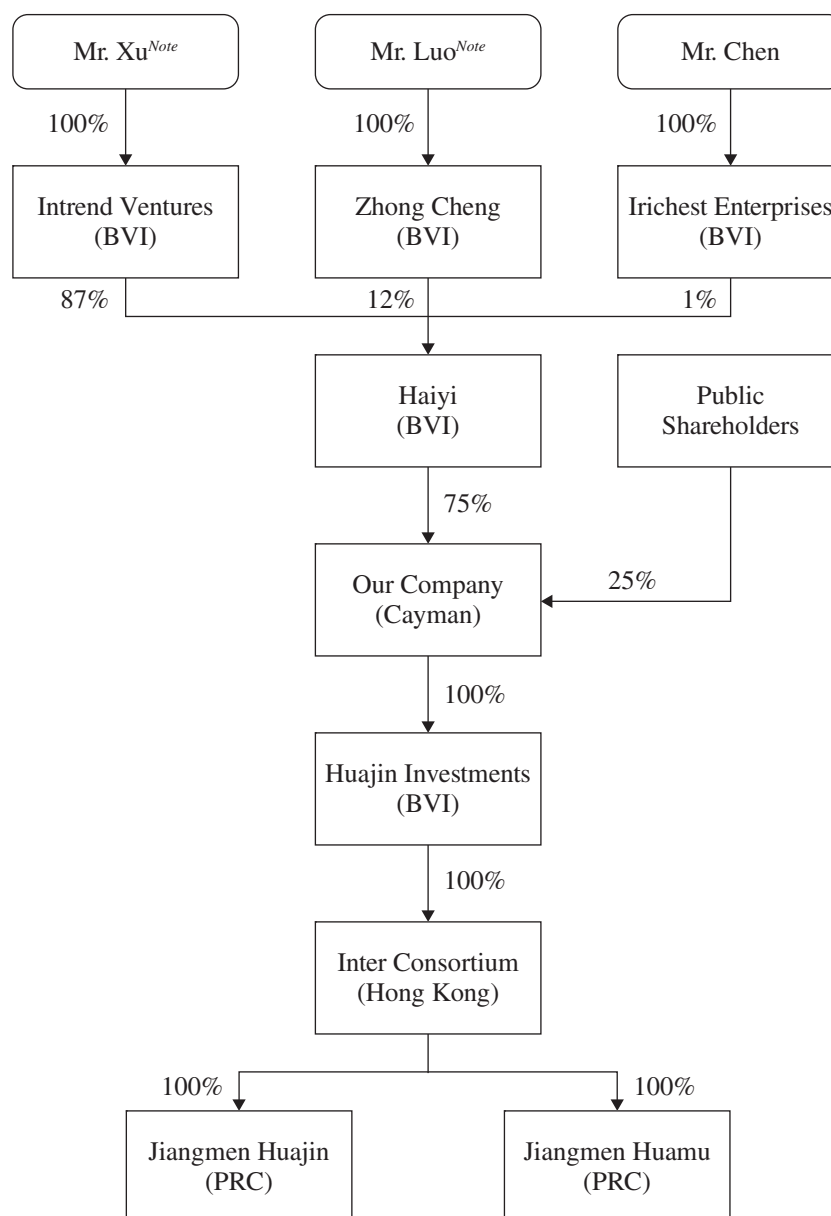
CORPORATE STRUCTURE AFTER REORGANISATION



Note: On 4 January 2016, Mr. Xu and Mr. Luo entered into the Acting in Concert Agreement. For details, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Controlling Shareholders” in this prospectus.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE GLOBAL OFFERING



Note: On 4 January 2016, Mr. Xu and Mr. Luo entered into the Acting in Concert Agreement. For details, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Controlling Shareholders” in this prospectus.

PRC LEGAL COMPLIANCE

Compliance with the Regulations for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”)

Under the M&A Rules, a foreign investor is required to obtain approvals from competent authorities when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from the MOC is required.

As mentioned in the paragraphs headed “Jiangmen Huajin” and “Jiangmen Huamu” in this section, Famous Stand acquired 1% equity interest in each of Jiangmen Huajin and Jiangmen Huamu in January 2015 (the “1% Acquisitions”). Our PRC Legal Adviser advised that the 1% Acquisitions are subject to the relevant approval and filing requirements set out in the M&A Rules. As confirmed by our PRC Legal Adviser, all the requisite approvals, permits and licences in relation to the 1% Acquisitions had been obtained pursuant to applicable laws and regulations in the PRC and the 1% Acquisitions were in compliance with the M&A Rules and had been duly approved by competent regulatory authorities in accordance with the M&A Rules, based on the follows:

- (i) the 1% Acquisitions do not constitute transactions requiring approvals from the MOC and the CSRC under the M&A Rules and the reporting requirement under Article 11 of the M&A Rules does not apply, due to the facts that (a) at the time when the 1% Acquisitions took place, Mr. Xu Songman was a holder of nationality of the United Kingdom of Great Britain and Northern Ireland and was not a domestic natural person under the M&A Rules; and (b) the 1% Acquisitions were not related acquisitions under the M&A Rules;
- (ii) on 15 February 2015, the approvals regarding the 1% Acquisitions and the establishment of Jiangmen Huajin and Jiangmen Huamu as a sino-foreign joint venture enterprises were issued by the Department of Commerce of Guangdong Province (廣東省商務廳, the “**Guangdong MOC**”), the local counterpart of the MOC in Guangdong Province, and the relevant approval certificates, stating the type of business (企業類型) as sino-foreign joint venture (percentage of foreign investment less than 25%) (中外合資企業 (外資比例小於25%)), were granted by the People’s Government of Guangdong Province (廣東省人民政府);
- (iii) Guangdong MOC is the competent authority for the approval of the 1% Acquisitions under the M&A Rules; and
- (iv) the revised business licences of Jiangmen Huajin and Jiangmen Huamu were issued by the Jiangmen Bureau of Administration Industry and Commerce (江門市工商行政管理局) on 4 March 2015, which stated the type of corporation of Jiangmen Huajin and Jiangmen Huamu

HISTORY, REORGANISATION AND GROUP STRUCTURE

as “limited liability company (joint venture of Taiwan, Hong Kong, Macau and the PRC) (percentage of foreign investment less than 25%)” (有限責任公司(台港澳與境內合資) (外資比例小於25%)).

As for the acquisition of 100% equity interest in each of Jiangmen Huajin and Jiangmen Huamu by Inter Consortium in May 2015, our PRC Legal Adviser advised that such acquisitions are transfer of equity interest in foreign invested enterprises as Jiangmen Huajin and Jiangmen Huamu had become sino-foreign joint ventures at the time of the acquisitions, and thus the M&A Rules is not applicable and approval from the MOC and/or the CSRC is not required. Instead, such acquisitions shall comply with the FIE Rules and are subject to approval of the original approving authority, i.e. the Guangdong MOC.

Compliance with the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents Through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“Circular 37”)

As confirmed by our PRC Legal Adviser, Mr. Xu, Mr. Luo and Mr. Chen, being ultimate individual shareholders of our Company, have completed the foreign exchange registration with Guangdong Branch Bureau of SAFE on 22 April 2015 pursuant to the Circular 37.

Our PRC Legal Adviser further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation and equity interests transfer in respect of the PRC subsidiaries in our Group as set out in this section have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations.

OVERVIEW

We are a leading cold-rolled carbon steel processor in Guangdong Province, the PRC, principally engaged in providing cold-rolled carbon steel strips, sheets and welded steel tubes customised to the specifications of our customers. We pride ourselves on our capability to serve a diversified customer base covering manufacturers in a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. According to Frost & Sullivan, we ranked first in terms of production volume in 2014 amongst the cold-rolled carbon steel processors in Guangdong Province, the PRC, with our production volume representing approximately 5.5% of the total production volume of that market in 2014. During the Track Record Period, we sold approximately 383,801 tonnes, 412,870 tonnes and 607,476 tonnes of processed steel products, respectively, representing a CAGR of approximately 25.8% over the same period. Our Directors believe that our strong growth during the Track Record Period was attributable to the business objective we have adopted, which has also enabled us to become the preferred supplier of our customers.

Our business objective

Our business objective is to enable our customers to source processed steel products specially catered to their needs for the manufacture of various end products. To this end, we maintain close collaboration with our customers to understand their respective manufacturing needs in order to provide them with steel products that satisfy their specific requirements on dimensions and quality. Secondly, we always aim to assist our customers to control material cost in manufacturing. According to Frost & Sullivan, steel processing is capital-intensive in nature, which increases production costs if undertaken in-house and deters the end users from carrying out steel processing by themselves. Thirdly, we assist our customers to maintain adequate inventory level as we are able to fulfil our customers' procurement requirements on a just in time basis with our own fleet of delivery vehicles.

Our steel processing

According to Frost & Sullivan, large-scale state-owned steel producers are dominant in the supply of mainstream and standardised steel products, which are often not ready for use in the production process of downstream light industrial manufacturers. Downstream end users have increasingly sought to purchase steel from steel processors to take advantage of the lower costs, shorter lead times and more flexible deliveries and steel processors, such as our Group, which are able to meet precise specifications of the end users of steel in respect of thickness, width, shape and finish characteristics therefore emerged in the market to bridge this gap. Our Directors believe that we are well-positioned in the steel industry supply chain between these large-scale state-owned steel producers and the end users of steel to capture such increasing market demand as we are able to process the hot-rolled carbon steel products purchased from these large-scale state-owned steel producers into cold-rolled carbon steel products in different surface finish with various thicknesses and widths and welded steel tubes in different shapes and diameters to support a variety of customer-specific requirements.

Our annual processing capacity for cold-rolling processes as at 31 December 2015 amounted to approximately 750,000 tonnes. As at the Latest Practicable Date, we completed the construction work of Workshop No. 4 which is expected to commence operation in mid 2016 and would have a maximum designed annual processing capacity for zinc coating process of approximately 250,000 tonnes. As zinc

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coated steel is highly resistant to corrosion but generally commands a lower selling price as compared to stainless steel, our Directors are confident that zinc coated steel should be well received by our customers.

Our location

Our processing activities are currently carried out at three production workshops located in close proximity to each other in Jiangmen, Guangdong Province, the PRC. Our strategic location near the manufacturing hub in South China also enables us to reach out to a large number of manufacturers in Guangdong Province, the PRC and to arrange for timely delivery of our products to our customers. During the Track Record Period, over 85% of our products were sold to customers in Guangdong Province, the PRC.

Our procurement policy and our pricing strategy

Our procurement policy on steel has been that we only purchase steel raw materials after we have received confirmed purchase orders from our customers. Hence, we are not exposed to any material risk in price fluctuation in relation to our steel raw materials inventory. We adopt a “cost-plus” pricing strategy for our products, taking into consideration the prevailing market price of our raw materials, our processing costs and our envisaged gross profit amount with reference to market demand, historical sales data and prices of our competitors’ products.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are crucial to our success and essential for our future growth:

Economies of scale resulting from our large-scale operations and wide range of product offerings

We pride ourselves on our capability to offer a broad portfolio of customisable processed steel products including cold-rolled carbon steel strips/sheets in different surface finish with various thicknesses ranging from 0.2 mm to 3.0 mm and widths ranging from 200.0 mm to 1,300.0 mm and welded steel tubes in different shapes and diameters ranging from 8.0 mm to 80.5 mm to support a variety of customer-specific requirements.

As a result of our expanding processing scale and our increasing average utilisation rate for our production equipment, we managed to achieve economies of scale in respect of our business operations whereby our production unit cost had been reducing continuously during the Track Record Period. For instance, the unit cost for utilities also decreased from approximately RMB213.5 per tonne in 2013 to RMB210.2 per tonne in 2014 and further to RMB153.1 per tonne in 2015.

Furthermore, we can achieve less wastage of the steel raw materials during our production process as we also produce welded steel tubes. As confirmed by our Directors, any unused portion of steel sheet/plate raw materials with a width of not less than 20mm can be utilised by us to produce welded steel tube, instead of being disposed of as scrap.

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According to Frost & Sullivan, the annual production volume of the entire steel processing industry in Guangdong Province, the PRC was approximately 7.7 million tonnes in 2014 whilst our Group achieved an annual production volume of approximately 419,000 tonnes in the same year. We ranked first amongst the cold-rolled carbon steel processors in Guangdong Province, the PRC, with our production volume representing approximately 5.5% of the total production volume of that market in 2014.

Our large-scale operations have resulted in economies of scale that our Directors believe cannot be easily replicated by our competitors. A new entrant, or an existing producer looking to expand into our market, might not have sufficient demand for their products or the wide range of products similar to our Group to reach our economies of scale. Without reaching our economies of scale they will face, or continue to face, a cost disadvantage for not being able to purchase raw materials in bulk or spread overhead costs to a larger volume of products. As a result, we believe our economies of scale and entrenched production base have created significant barriers to entry and can ensure our profitability for the foreseeable future.

We believe that our large scale operations benefit us in the following respects:

- enables us to achieve economies of scale, in particular through sourcing raw materials in bulk; and
- enables us to process and offer a diverse mix of processed steel products with a range of specifications.

Strategically located near the manufacturing hub in South China

Our production facilities are strategically located in Jiangmen, Guangdong Province, one of the manufacturing hubs in South China, which allows us to reach out a large number of manufacturers in Guangdong Province. According to Frost & Sullivan, Guangdong Province is one of the major light industry bases in the PRC including the manufactures of light industrial hardware, home appliances and furniture. According to Frost & Sullivan, there were approximately 23,600 light industrial manufacturers in Guangdong Province as at 31 December 2014 with a gross industrial output value of approximately RMB4.4 trillion in 2014.

Our production workshops are also in close proximity to important highways and ports along Xi Jiang (西江) which allows for timely and cost-efficient transportation of our products to our customers, both within Guangdong Province and other provinces of the PRC. Most of our customers are located within a radius of approximately 350 kilometres and hence, the transport range between our production sites and their production plants is normally within three hours. As at the Latest Practicable Date, our Group maintained a fleet of 34 delivery vehicles to deliver our products to the designated places by our customers. As a result, our strategic location affords us logistical advantages which allow us to benefit from low transportation costs and short transportation time for our customers.

In addition, we have easy access to suppliers in Guangdong Province. Since the principal raw materials used in the production of our products are hot-rolled carbon steel coils, which are bulky in terms of size and weight, our geographical proximity to our suppliers allows us to lower the transportation costs for the raw materials we purchase.

Diversified customer base across different industries and established relationships with our key customers

We believe our ability to offer customisable and flexible processing solutions positions us favourably for continued success because this enables us to satisfy multiple end-market product requirements and the diverse specifications of our customers in different industries.

During the Track Record Period, we served approximately 700 to 800 customers per year across a variety of industries including the light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. Revenue derived from our five largest customers during the three years ended 31 December 2013, 2014 and 2015 merely accounted for approximately 17.5%, 17.3% and 18.3% of our total revenue, respectively. Hence, we have a broad and diversified customer base which allows us to capture growth in various industries while at the same time reduces our business concentration risk from any unanticipated downturn in a particular industry.

We have also managed to maintain long business relationship with our key customers. Majority of our five largest customers during the Track Record Period have established business relationships with us for over four years.

Long-standing strategic business relationship with key steel raw material suppliers

We have established stable and long-standing business relationship with our key steel raw material suppliers. The change in our five largest suppliers during the Track Record Period is due to our approach to purchase supplies of equal quality at the most favourable price available. Notwithstanding such change, our Directors consider that our Group had maintained a stable relationship with our key suppliers given our large-scale operations and the resultant demand for their products. In this regard, out of the 20 largest suppliers in 2013, we continued to make purchases from 15 and eight of them in 2014 and 2015, respectively. Further, three of our steel raw material suppliers remained as our 10 largest suppliers throughout the Track Record Period and we have established long-standing relationship of almost 10 years with Supplier A and steady business relationships of at least two to four years with most of our 10 largest suppliers during the Track Record Period. Our close business relationships with our suppliers enable us to have ready access to different grades of steel raw materials. As a result of the long-standing business relationship with our major steel suppliers and also our bulk purchase volume, we have been offered by some of our suppliers favourable pricing terms.

In order to leverage our suppliers' in-depth understanding of the industry and market trends, we closely communicate and collaborate with our major suppliers to obtain the latest market information in anticipation of our customers' future needs. We believe that our long-standing and stable relationship with our suppliers have also helped us to strengthen our relationship with our key customers and maintain our competitiveness.

Furthermore, due to the overcapacity in the PRC steel market in the recent years, steel producers have been actively reaching out to large-scale customers with high purchasing capacity and offering such customers more favourable price, which was generally around 3% to 5% lower than that offered by steel trading companies. Our Group, as the largest cold-rolled carbon steel processor in terms of

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production volume in Guangdong Province, has been taking advantage of these opportunities and saving costs in procurement of raw materials. For details of our procurement policies, please refer to the paragraph headed “Raw Materials, Procurement and Suppliers — Procurement” in this section.

Our Directors believe that such favourable price is not available to small-scale steel processors which have to procure steel from steel trading companies at higher costs. The ability of our Group to source raw materials at more favourable price enhances our competitiveness in the market.

Extensive processing techniques which give us the capability to enhance existing products

With over 10 years of history and accumulated experience in the steel processing industry, we have developed extensive processing techniques and experiences. These technologies and experiences give us the capability to develop new products in terms of shapes and physical properties and enhance existing products as well as our production process to meet the specific requirements of our customers. For instance, we are able to supply processed steel parts for the manufacture of LED light bulbs, which required a high degree of precision in term of evenness in thickness and uniformity in shapes as well as strong tensileness.

Our research and development team, comprising six members primarily from the production department as at 31 December 2015, is led by Mr. Zhu Huaqing, who has over 38 years of experience in the steel processing industry in the PRC. Prior to joining our Group, Mr. Zhu served as research director, department head and engineer at Anshan Research Institute of Thermo-Energy, Ministry of Metallurgical Industry (冶金工業部鞍山熱能研究院) from October 1977 to May 1988. Mr. Zhu was graduated from Northeastern University of Technology (東北工學院) (currently known as Northeastern University (東北大學)) with a bachelor’s degree in physical chemistry of metallurgy in September 1977.

As a result of the continuous effort by our dedicated research and development team, we had 31 utility patents and three pending invention patent applications in the PRC as at the Latest Practicable Date. The three invention patent applications are a real time adjustment equipment for the roller of levelling machine (一種拉矯機直軋實時調整裝置), cold-rolled carbon steel sheet surface texturing process optimisation (冷軋碳素薄鋼板表面毛化優化工藝), control system and method to adjust the speed, frequency and supply of lubricant in rolling machines (軋機變速變頻變量乳化液供液控制系統及控制方法). These invention patents, as confirmed by our Directors, could in general improve the surface quality of our products and also enhance our production efficiency. For details of these patents, please refer to the paragraph headed “Product Design, Research and Development” in this section.

Stringent quality control

We place top priority on the quality of our products. As such, we have developed and implemented stringent quality control procedures to ensure that every stage of production adheres to our high quality standards, including tests on raw materials, semi-finished as well as finished products. Our products are required to pass our internal quality tests before reaching to our customers. Each of Jiangmen Huajin and Jiangmen Huamu has obtained ISO 9001: 2008 certifications in relation to their quality management systems since 2008 and 2015, respectively.

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As a result of our refined quality control management system, we have managed to maintain a relatively low product return rate. For each of the three years ended 31 December 2013, 2014 and 2015, the average product return rate (in terms of quantities sold) of our products was approximately 0.14%, 0.19% and 0.23%, respectively. Our Directors consider that our refined quality control management system and low product return rate are the key contributing factors for us to receive recurring purchase orders from our existing customers and maintain long-term business relationship with our customers.

Experienced and dedicated management team with a proven track record of generating growth

We have an experienced management team with extensive operational expertise and in-depth knowledge of the steel processing industry in the PRC. Mr. Xu, who is our Chairman, has over 18 years of experience in the steel-related industry. Mr. Luo, who is our executive Director and primarily responsible for the overall operation, management and raw material procurement of our Group, has over 12 years of experience in the trading industry. For details, please refer to the section headed “Directors and Senior Management” in this prospectus. The combination of their in-depth knowledge and experience in the steel processing industry in the PRC have enabled our Directors and senior management to develop sustainable business strategies, assess and manage risks and capture profitable market opportunities. We believe that the vision, experience and entrepreneurial spirit of our management team, together with their strong focus on customer needs, have been pivotal to the success of our business.

OUR BUSINESS STRATEGIES

Our objective is to continue to attain profitable growth by continuing our investment in broadening our product offerings, increasing our processing capacity, optimising our customer mix and increasing training opportunities for our employees.

In order to achieve this, we have put the following strategies in place:

Broaden our product offerings to meet the changing requirements of our customers

According to Frost & Sullivan, there is an increasing demand for high-end or customised cold-rolled carbon steel products due to the technical innovation and products upgrade by the downstream users of cold roll steel, such as manufacturers of home appliances. As a result, high-end cold-rolled steel, such as mirror finish steel and zinc coated steel, which requires more sophisticated processing, has become increasingly popular. In response to the increasing demand for high-end or customised cold-rolled carbon steel products in our downstream industries, we intend to further broaden our product offerings and enhance our product mix to capture the growing demand.

Currently, our Group has been offering high-end products, including advanced high strength cold-rolled carbon steel, mirror finish cold-rolled carbon steel and deep drawing cold-rolled carbon steel. We plan to increase the portion of these high-end and more value-added steel products in our product mix. As at the Latest Practicable Date, our Group completed the construction work of Workshop No. 4, which would have a maximum designed annual processing capacity for zinc coating process of approximately 250,000 tonnes. Workshop No. 4 is situated adjacent to Workshop No. 3 and is expected to commence operation in mid 2016. We believe the increase in the portion of our existing high-end steel products and the addition of zinc coated steel in our product mix will allow us to further improve

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our profitability and strengthen our customer base, which in turn will enhance our competitive position. Our Group will continue to observe the latest market developments and identify new products to be included in our offerings.

Increase our processing capacity by purchasing more production machinery and equipment

According to Frost & Sullivan, the production volume of cold-rolled carbon steel in Guangdong Province increased from approximately 6.1 million tonnes in 2010 to approximately 7.7 million tonnes in 2014, with a CAGR of 6.0%. Frost & Sullivan estimates that the market of cold-rolled carbon steel in Guangdong Province will have a strong growth in the coming years, reaching approximately 12.8 million tonnes in 2020, with a CAGR of 8.9% from 2014 to 2020. The expected increase in demand for cold rolled steel provides incentive for steel processors to expand their processing capacity. For each of the three years ended 31 December 2013, 2014 and 2015, the annual processing capacity of our cold-rolling platform was approximately 750,000 tonnes, 750,000 tonnes and 750,000 tonnes, with an average utilisation rate of approximately 49.9%, 55.9% and 83.2%, respectively.

In view of the growing demand for cold-rolled carbon steel in Guangdong Province, we plan to expand our processing capacity by purchasing more production machinery and equipment including, among others, cutting and slitting machines. Our total capital expenditure towards the purchase of more production machinery and equipment is expected to be approximately HK\$62.4 million, which will be funded by the net proceeds from the Global Offering. Subject to the prevailing market conditions and our financial resources, we may further expand the scale and processing capacity of our production base in the future.

Optimise our customer mix to increase the proportion of customers with more refined requirements

Our Directors believe that increasing the proportion of customers with more refined requirements are crucial to our business strategy to increase our product offerings and thus the continuous development of our Group. We believe through delivering products which can meet customers' more refined requirements, we can increase the stickiness of our customers. To such end, we plan to devote more resources to our sales and marketing activities in order to increase the number of our customers in industries that need steel products with more refined requirements, such as LED and lighting. Our sales and marketing department aims to retain our existing high-value customers and capture new customers with more refined product requirements by continuing to communicate with our major customers and reaching out to prospective customers to better understand their needs and requirements relating to specifications of steel products, inventory management and delivery needs.

Continue to strengthen our sales and operating capabilities by enhancing our ERP system

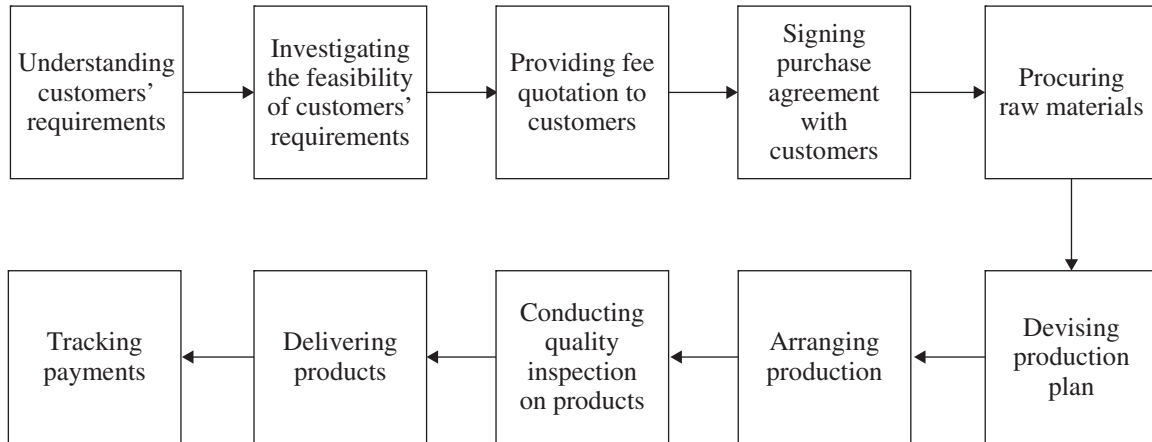
To better support our future business expansion, we plan to upgrade our ERP system to enhance our operating efficiency. These upgrades are aimed to enhance the management of our customer database and sales and marketing activities, thereby enabling us to offer better services to our customers and strengthen our business relationships with them, and enabling us to enhance the accuracy and efficiency of our production plan, reduce production lead time and improve our product development

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cycle. The upgrades will also allow us to perform real-time management of our financial data and enhance our cost management, reduce logistical bottlenecks as well as enhance the collaboration between our procurement team and sales team.

OUR BUSINESS MODEL

The following diagram illustrates the typical work flow of our business:



OUR PRODUCTS

We are principally engaged in providing cold-rolled carbon steel strip/sheet and welded steel tube to customers for their end-use applications which require different specifications, such as those in respect of thickness, hardness and surface finish. Cold-rolled steel products have a smoother appearance and shiny finish. In contrast, hot-rolled steel products have a scaly grey finish. Hence, cold-rolled carbon steel products are more ideal for applications where smoother appearance is required. Our products are generally used in the following end markets, namely light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting.

Following commencement of operation of Workshop No. 4 our product offerings will be further extended to zinc coated steel products. For further information of our expansion plan in relation to zinc coated steel strip/sheet, please refer to the paragraph headed “Zinc Coated Steel Products and Workshop No. 4” in this section.

Processed steel strip/sheet

We produce our products by processing hot-rolled carbon steel coil. Depending on our customers' specifications, we apply different processes to the hot-rolled carbon steel coil to produce steel strip/sheet with different physical properties.

Hot-rolled carbon steel has an oxidised layer on its surface. One of the products we offer to our customers is processed steel strip/sheet with the oxidised layer removed through a pickling process.

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Our main product is cold-rolled carbon steel strip/sheet which is mainly produced by cold-rolling and annealing the hot-rolled carbon steel coil which has undergone the pickling process. Further processes which can be applied to the cold-rolled carbon steel strip/sheet include degreasing, annealing, polishing, levelling and cutting. Through these processes, cold-rolled carbon steel strip/sheet with different physical properties can be produced, for example, cold-rolled carbon steel strip/sheet with high strength, mirror finish or high formability for deep drawing. Examples of main application of these processed steel strips/sheets include the production of electronic rice cookers, ovens, metallic frame for LED light bulbs, kitchen utensil and stationery.

Welded steel tube

Our processed steel strip/sheet can be used to weld steel tubes that come in different shapes, including but not limited to square, rectangle, round and oval. Examples of its main applications include the production of lighting fixture, furniture and motorcycle/bicycle accessories.

The following table sets out the breakdown of our total sales volume by product types during the Track Record Period:

	Year ended 31 December					
	2013		2014		2015	
	Sales volume (tonnes)	% to total sales volume (%)	Sales volume (tonnes)	% to total sales volume (%)	Sales volume (tonnes)	% to total sales volume (%)
Processed steel strips/ sheets	339,291	88.4	363,777	88.1	540,258	88.9
Welded steel tubes	<u>44,510</u>	<u>11.6</u>	<u>49,093</u>	<u>11.9</u>	<u>67,218</u>	<u>11.1</u>
Total	<u>383,801</u>	<u>100.0</u>	<u>412,870</u>	<u>100.0</u>	<u>607,476</u>	<u>100.0</u>

ZINC COATED STEEL PRODUCTS AND WORKSHOP NO. 4

We are expanding to the production of zinc coated steel products (the “**New Segment**”) by establishing Workshop No. 4, a new zinc coating workshop located next to our existing production facilities. As at the Latest Practicable Date, the construction work of Workshop No. 4 was completed. The expected total gross floor area for Workshop No. 4 is approximately 16,714.7 square metres. Workshop No. 4 is expected to commence operation in mid 2016 and its maximum designed annual processing capacity for zinc coating process is 250,000 tonnes.

Reasons for expanding to the New Segment

Our Directors consider that the expansion to the New Segment and establishment of Workshop No. 4 are appropriate and necessary on the following observations in the Frost & Sullivan Report and commercial rationales:

1. there is increasing market demand for high-end or customised cold-rolled carbon steel products such as zinc coated steel due to its good surface quality and resistance to corrosion that facilitate products upgrade by the downstream users of cold-rolled steel;
2. the PRC Government has been promoting eco-friendly materials;
3. there are technical and investment entry barriers for zinc-coating industry;
4. our Group can achieve investment and operating costs advantages by capitalising our Group's existing production technology and machinery when we expand to the New Segment;
5. the selling price and gross margin for zinc coated steel products are generally higher; and
6. our Group can further diversify our product mix to include higher end products.

In view of the above, our Directors expect that the New Segment will contribute a significant amount of revenue and profit to our Group in the future.

Application of zinc coated steel products

Zinc coated steel products have wide applications in many downstream industries including, inter alia, home appliances, motorcycle accessories, lighting, industrial hardware and construction materials due to its superior features such as better surface quality and higher resistance to corrosion.

Target customers of the New Segment

The target customers of the New Segment are manufacturers of end products in industries where the consumers demand higher product quality in terms of appearance and endurance.

Many of our Group's existing customers are manufacturers of consumer products such as home appliances, furniture, motorcycle accessories and lightings or hardware for various industrial products. Based on the understanding of our Directors, our existing customers need zinc coated steel materials for the manufacture of some of their products. Hence, these existing customers are our target customers for the New Segment and are expected to purchase both cold-rolled steel products and zinc coated steel products from our Group. On the other hand, our Group will also explore new customers who are reputable manufacturers in their respective industries.

Production process of the New Segment

The production process of the New Segment is similar to that of our existing cold-rolled steel products, except that the semi-processed steel, after going through the cold-rolling and annealing process, has to go through additional processes for zinc coating, which include hot-dip galvanisation,

cooling and fingerprint resistant surface treatment. During the hot-dip galvanisation process, the semi-processed steel is coated with a layer of zinc by being immersed in a bath of hot molten zinc. Any zinc that does not form a coating on the cold-rolled steel remains in the bath for further re-use. After such processes, the zinc coated steel will go through other processes that are also applied to the existing cold-rolled steel products such as polishing, levelling, slitting and cutting in the existing facilities of Workshop No. 1, Workshop No. 2 and Workshop No. 3. For details of the production process, please refer to the paragraph headed “Production — Production process” in this section.

Environmental protection measures

The waste and pollutants generated during the additional production processes for zinc coating, such as hot-dip galvanisation, cooling and fingerprint resistant surface treatment, are mainly in liquid form. In addition, some solid residues, which mainly consist of zinc and iron (“**Zinc Residue**”), will be generated in the molten zinc bath during the hot-dip galvanisation process. Our Directors are not aware of any toxic chemical generated by the additional production processes for zinc coating which may materially impact the environment.

We will take the following environmental protection measures to address the wastes and pollutants generated in the zinc coating process:

1. the Zinc Residue generated in the hot-dip galvanisation process will be recovered for recycling; and
2. the liquid wastes and pollutants generated during the hot-dip galvanisation, cooling and fingerprint resistant surface treatment processes will be properly treated by our existing sewage systems of Workshop No. 3 which is adjacent to Workshop No. 4 before disposal, whilst those generated from the rest of the production processes in other workshops will be treated by the decontamination facilities in the respective workshops where the processes take place. For further details of the environmental protection measures that we have adopted for our existing production processes, please refer to the paragraph headed “Environmental Protection” in this section.

Our Directors believe that the above environmental protection measures can adequately and effectively prevent and control pollution to the environment that may be caused by the production of zinc coated steel.

Therefore, we do not expect to incur any material additional cost in relation to environmental protection for the New Segment. Furthermore, Workshop No. 4 will be inspected and approved by the relevant environmental protection bureau that it has fulfilled the requirements of relevant laws and regulations before it can commence commercial operation. We will also monitor the operations of Workshop No. 4 to ensure due compliance with applicable environmental laws and regulations from time to time.

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Licences required for the construction and operation of Workshop No. 4

As at the Latest Practicable Date, we obtained the following licences, permits and/or approvals in relation to Workshop No. 4:

1. our Group completed project filing with the local development and reform bureau and was granted a certificate of project filing (No. 2015-440705-33-03-001045) on 26 March 2015;
2. our Group was granted an approval (No. “新環建[2015]155”) on 30 June 2015 on its expansion project environmental impact report;
3. our Group was granted the construction site planning permit (建設用地規劃許可證) on 8 January 2013, construction project planning permit (建設工程規劃許可證) on 6 July 2015 and construction project work permit (建設工程施工許可證) on 2 September 2015; and
4. our Group obtained the building ownership certificate (No. “粵房地權證江門字第0200102065號”) on 4 February 2016.

Based on the above, our PRC Legal Adviser confirms that we obtained all prior necessary licences for the construction of Workshop No. 4; upon the completion of the construction of Workshop No. 4 and prior to its formal production, further licences/permits/approvals for the operation of Workshop No. 4 including but not limited to the approval on environmental protection inspection and fire inspection, will be required. In the event that Workshop No. 4 needs to increase its aggregate discharge of sewage or discharge harmful substances in the course of its production, we will be required to apply to increase our quota on sewage discharge and/or to dispose of the harmful substances according to the relevant regulations. Our PRC Legal Adviser further confirms that there is no substantive legal impediment for our Group to obtain such licences/permits/approvals.

Further information in relation to the New Segment and Workshop No. 4

Further information in relation to Workshop No. 4 is set out below:

Estimated total investment costs	approximately RMB101.0 million
Amount incurred as at the Latest Practicable Date	approximately RMB66.9 million (out of which, RMB47.6 million had been incurred as at 31 December 2015)
Source of fund	internally generated fund and net proceeds of the Global Offering
Breakeven period	six to nine months after commencement of operation
Investment payback period	three to four years after commencement of operation

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In order to better understand the market, we have started to process and sell zinc coated steel strips/sheets by cutting and slitting the zinc coated steel strips/sheets purchased from suppliers in 2015. The following table sets out further financial information in relation to the sales of zinc coated steel products up to 31 December 2015:

Revenue	Approximately RMB3.3 million
Gross profit	Approximately RMB0.3 million
Gross profit margin	8.4%
Sales volume	1,173 tonnes
Average selling price	RMB2,840 per tonne

Implementation plan and current status

As at the Latest Practicable Date, the construction work of Workshop No. 4 was completed.

The total sum payable by us pursuant to executed contracts as at 31 December 2015 amounted to approximately RMB87.2 million, in which approximately RMB25.9 million and RMB61.3 million were in relation to building construction contracts and machinery purchase contracts, respectively. As at 31 December 2015, we had incurred approximately RMB22.1 million, which is equivalent to approximately 85.3% of the total sum payable for executed building contracts, and RMB25.5 million, which is equivalent to 41.6% of the total sum payable for executed machinery purchase contracts.

Separate market for zinc coated steel products and cold-rolled steel products

Cold-rolled steel products and zinc coated steel products are not close substitutes for each other. The difference between cold-rolled steel products and zinc coated steel products, such as their respective sturdiness, resistance to corrosion and appearance, allows us to cater the needs of a wider variety of customers. For instance, customers looking for materials with higher resistance to corrosion tend to select zinc coated steel products; whereas customers looking for materials with higher resistance to pressure may opt for cold-rolled steel products as zinc coated steel products have a lower resistance to pressure. Due to their differing qualities, cold-rolled steel products and zinc coated steel products serve different purposes and therefore cannot be seen as substitutes. Furthermore, zinc coated steel products generally commands a higher selling price than cold-rolled steel products. Product manufacturers have to take into account the respective metal properties and the cost element to determine the most suitable metal materials for the manufacture of their final products.

Further, products of our customers can be divided into two categories, namely high-end products and ordinary products. Zinc coated steel products are used in high-end products; whereas cold-rolled steel products are used in producing ordinary products. Hence, our Directors do not expect that purchases by our existing customers would shift from cold-rolled steel products to zinc coated steel products.

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In light of the reasons above, our Directors believe that our business expansion into the New Segment will not have any material adverse impact on the sales of our cold-rolled steel products.

Furthermore, as we will be able to offer a wider variety of products to our customers following the expansion into the New Segment, our Directors believe that this will strengthen the loyalty of our customers towards our Group and hence, benefit our Group in terms of source of revenue.

PRODUCTION

Production facilities and equipment

As at the Latest Practicable Date, our production facilities are located in Xinhui District, Jiangmen City, Guangdong Province, the PRC. Our production facilities consist of three production workshops, namely Workshop No. 1, Workshop No. 2 and Workshop No. 3. As at 31 December 2015, we had 695 staff and workers in the production department for the operation and monitoring of our production facilities.

The following table sets out further information about our three production workshops:

Workshop	Principal products produced and specifications
Workshop No. 1	Cold-rolled carbon steel strips/sheets with width from 200mm to 685mm and thickness from 0.35mm to 3mm and welded steel tubes in shapes of square, rectangle, round and oval
Workshop No. 2	Cold-rolled carbon steel strips/sheets with width from 670mm to 890mm and thickness from 0.25mm to 3mm, welded steel tubes in shapes of square, rectangle, round and oval
Workshop No. 3	Cold-rolled carbon steel strips/sheets with width from 900mm to 1,300mm and thickness from 0.2mm to 3mm

Our production equipment is principally sourced from the PRC. All these items of equipment are owned by us. Our new Workshop No. 4 will be installed with equipment such as electrolytic cleaning machine, annealing furnaces, galvanising pot, etc.

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The following table sets out further information of our major production equipment currently in use:

Type of production equipment	Quantity ^{Note}			Principal usage
	Workshop No. 1	Workshop No. 2	Workshop No. 3	
Pickling line (酸洗線)	3	1	1	Pickling of hot-rolled steel raw materials
Cold-rolling machine (冷軋機)	5	2	2	Processing the pickled hot-rolled steel sheets into cold-rolled steel sheets with specific thickness
Annealing furnace (退火爐)	21	10	14	Restoring or altering the physical properties of cold-rolled steel sheets
Temper mill (平整機)	2	2	1	Polishing cold-rolled steel sheets
Leveller (拉矯機)	1	1	1	Straightening cold-rolled steel sheets
High frequency steel tube welding line (高頻焊管線)	7	1	Nil	Welding steel tubes from cold-rolled steel sheets
Slitting and cutting machine	6	5	4	Cutting cold-rolled steel sheets into different widths and lengths

Note: The same type of production equipment in different workshops may have different processing capacity and hence, a larger number of production equipment in a workshop does not necessarily correspond to a higher processing capacity in such workshop as compared to the other workshops.

Equipment maintenance

Major maintenance and repair work of our production equipment is generally conducted on a monthly basis. The average schedule downtime for maintenance and repair was approximately two days per month. Our production equipment, when properly maintained, can be used for up to around 10 years.

As at 31 December 2015, about 83% of the machinery and equipment of our Group in terms of total cost of machinery has remaining useful lives ranging from five to 10 years; and the rest has remaining useful lives within five years.

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Utilisation rate

Most of our processed steel products are required to go through the cold rolling process and our Directors also consider that cold rolling process is the most crucial step in our production process. The following table sets out our Group's annual processing capacity, actual processing volume and average utilisation rate of our cold-rolling platforms during the Track Record Period:

	Number of cold-rolling machines <i>(units)</i>	Annual processing capacity ^{Note 1} <i>(tonnes)</i>	Actual processing volume <i>(tonnes)</i>	Average utilisation rate ^{Note 2} <i>(%)</i>
Year ended 31 December 2013	Nine	750,000	374,000	49.9%
Year ended 31 December 2014	Nine	750,000	419,000	55.9%
Year ended 31 December 2015	Nine	750,000	624,000	83.2%

Notes:

1. The designed annual processing capacity of our cold-rolling machines is determined based on the following: (a) our cold-rolling platforms comprise different cold-rolling machines designed for processing carbon steel raw materials of different width ranging from 240mm to 1300mm; (b) the commonly used carbon steel raw materials have a thickness of around 3mm; (c) the thickness of the processed carbon steel ranges from 0.5mm to 1.2mm; (d) the weight of carbon steel raw material being processed ranges from 3 tonnes to 23 tonnes; and (e) the cold-rolling machines operate for 330 days per year with two 10-hour shifts per day, after having taken into account the 2-day downtime for maintenance per month.
2. Average utilisation rate is derived by dividing the actual production volume by the designed processing capacity in the relevant year/period.

The continuous increase in the average utilisation rate of our cold-rolling platform during the Track Record Period is primarily attributable to the increasing demand for customised cold-rolled carbon steel by downstream light industrial manufacturers and the corresponding increase in the purchase orders from our customers.

We currently intend to apply 21.3% of the net proceeds from the Global Offering to purchase production machinery and equipment including, among others, rolling mills, cold-rolling machines, pickling lines and polishing lines for increasing the processing capacity of our existing production facilities.

The reasons for expanding the processing capacity of our existing production facilities are set out below:

1. the utilisation rate of our cold-rolling platforms reached 83.2% for the year ended 31 December 2015;
2. the production of zinc coated steel will also utilise the existing cold-rolling platforms. For details of the production process of zinc coated steel, please refer to the paragraph headed "Zinc Coated Steel Products and Workshop No.4" in this section; and

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3. it takes approximately five months from ordering, delivery and installation to trial running of new machinery.

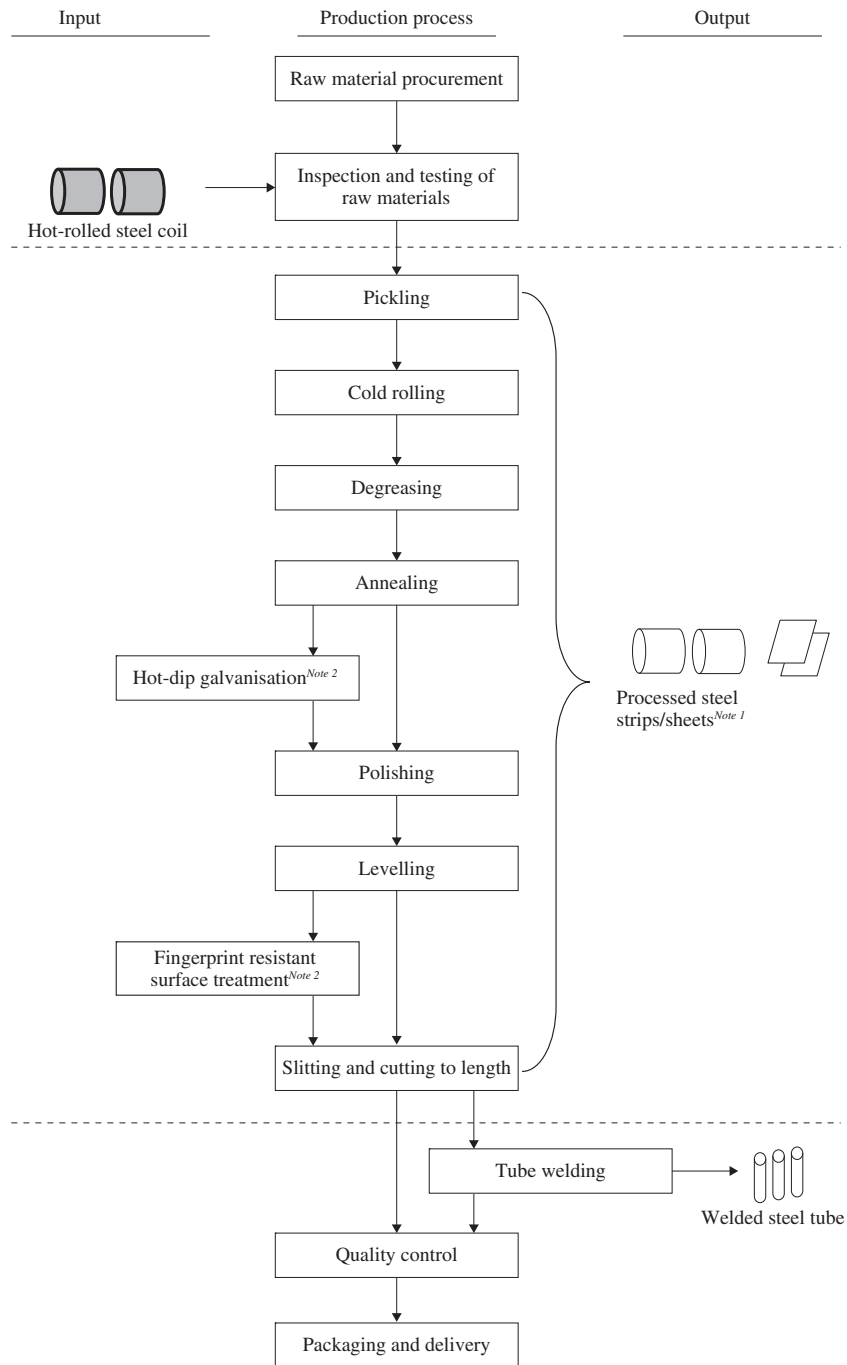
In view of the above, our Directors expect to place purchase order for new machinery in the third quarter of 2016 and the newly purchased machinery will come into operation in the first quarter of 2017.

Production process

Generally, the time required to carry out our production process ranges from approximately 16 days for the production of processed steel strips/sheets to approximately 20 days for the production of welded steel tubes.

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The following chart illustrates the typical production process of our steel products:



Notes:

1. Depending on the number of processes applied, processed steel strips/sheets with different physical properties can be produced.
2. These production processes are only required for the production of zinc coated steel products to be carried out in Workshop No. 4 when it commences operation and are not required for the production of our existing processed steel products.

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Procurement of raw materials and ancillary materials

Our procurement department will procure hot-rolled carbon steel raw materials according to the purchase orders received by our sales department. We also purchase ancillary materials for the production process such as cold-rolling oil and non-production process such as packaging materials. Steel raw materials are procured as soon as our sales team receives confirmed purchase orders, being no more than five days thereafter.

Inspection and testing of raw materials

We in general conduct inspection of the incoming raw materials at the pier. Upon transferring the raw materials back to our factories, we take samples for laboratory testing on the chemical contents in order to ensure their quality meets their respective specifications. The time required for this process is approximately one day.

Pickling (酸洗)

Our raw materials have undergone hot working processes in our suppliers' factories, leaving a discolouring oxide layer on the surface of the hot-rolled carbon steel raw materials. Pickling is a metal surface treatment used to remove impurities, such as stains, inorganic contaminants, rust or scale from the surface of the hot-rolled carbon steel raw materials. We spray pickle liquor, which contains strong acids, onto the hot-rolled carbon steel raw materials in order to remove the surface impurities and then wash them with hot water so as to remove the acids. The average time required for the pickling process is approximately two days.

Cold-rolling (冷軋)

Rolling is a metalworking process in which steel strips/sheets are passed through one or more pairs of rolls to reduce their thickness and to make their thickness uniform. If the rolling is conducted below the metal's recrystallisation temperature (usually at room temperature), it is called cold-rolling. We pass the pickled hot-rolled carbon steel through our cold-rolling machines to achieve the thickness requested by our customers. Different techniques and specifications are used during the cold-rolling process in order to produce cold-rolled carbon steel strips/sheets of different nature for further processing into other more advanced types of steel strips/sheets. The average time required for this process is approximately two days.

Degreasing (脱脂)

During the cold-rolling process, lubricants are used to reduce friction. In order to remove the fat and oil on the surface of the cold-rolled carbon steel sheets, they are passed through our degreasing lines, which contain alkaline solutions. The average time required for the degreasing process is approximately two days.

Annealing (退火)

After repeated rolling processes, the cold-rolled carbon steel sheets will be hardened and their physical properties will be changed. Therefore, we apply a heat treatment called annealing to the cold-rolled carbon steel sheets in order to restore or alter their physical properties such as ductility and hardness according to our customers' requirements. The annealing process involves heating the cold-rolled carbon steel sheets in an annealing furnace filled with hydrogen and then let them cool down slowly to room temperature. The average time required for the annealing process is approximately three days.

Hot-dip galvanisation (熱鍍)

This is the process of zinc coating by immersing the steel in a bath of molten zinc in a galvanising pot. A layer of zinc will form on the surface of the steel upon cooling and can protect the steel underneath from corrosion. Any zinc that does not form a coating on the cold-rolled steel remains in the bath for further use. This production process is only required for zinc coated steel products to be produced in Workshop No. 4 but not required for our existing processed steel products.

Polishing (平整)

After undergoing the above production processes, the surface of the cold-rolled carbon steel sheets will be uneven. The polishing process can remove the imperfections on the surface of the cold-rolled carbon steel sheets such as creases and scratches. The average time required for the polishing process is approximately one day.

Levelling (拉矯)

The purpose of levelling is to achieve better shape control. The cold-rolled carbon steel sheets can be straightened after passing through the levellers. The average time required for the levelling process is approximately one day.

Fingerprint resistant surface treatment (耐指紋表面處理)

The purpose of the fingerprint resistant surface treatment is to enhance the ability of the zinc coated steel to resist corrosion and to extend the lifespan of the products. A coat of fingerprint resistant liquid will first be applied onto the zinc coated steel which will then go through an air drying process by a hot air dryer. This production process is only required for zinc coated steel products to be produced in Workshop No. 4 but not required for our existing processed steel products.

Slitting and cutting to length (分條(縱及橫向剪))

Slitting involves the slitting of the cold-rolled carbon steel sheets by cutting them into different widths according to customers' requirements. Cutting to length involves the cutting of the cold-rolled carbon steel sheets into the lengths specified by our customers. The time required for this process is approximately three days.

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Tube welding

Steel tube can be welded from the cold-rolled carbon steel strips/sheets by using our high frequency steel tube welding line. The time required for this process is approximately four days.

Packaging and delivery

Our processed steel products will be packaged and moved to our storage area. The time required for packaging is approximately one day.

We provide delivery services to most of our customers. The cost of delivery services, if required, is generally included in the purchase price that we charge to our customers. Some of our customers take delivery of our products at our production plants or make their own transportation arrangements.

RAW MATERIALS, PROCUREMENT AND SUPPLIERS

Raw materials

The raw materials used in our production include steel and other ancillary materials such as cold-rolling oil and packaging materials. The primary raw material used in our production is low-carbon steel. During the years ended 31 December 2013, 2014 and 2015, purchases of steel amounted to approximately RMB1,487.0 million, RMB1,175.9 million and RMB1,188.6 million, accounting for approximately 98.5%, 97.8% and 95.8% of the total purchases of raw materials, respectively. During the same period, we purchased approximately 457,000 tonnes, 402,000 tonnes and 600,000 tonnes of steel raw materials, respectively.

The following table sets out the breakdown of our total purchases of raw materials during the Track Record Period:

	Year ended 31 December					
	2013		2014		2015	
	Purchase amount (RMB'000)	% to total purchases of raw materials (%)	Purchase amount (RMB'000)	% to total purchases of raw materials (%)	Purchase amount (RMB'000)	% to total purchases of raw materials (%)
Steel raw materials	1,486,996	98.5	1,175,854	97.8	1,188,577	95.8
Ancillary materials ^{Note}	23,196	1.5	26,771	2.2	52,734	4.2
Total	<u>1,510,192</u>	<u>100.0</u>	<u>1,202,625</u>	<u>100.0</u>	<u>1,241,311</u>	<u>100.0</u>

Note: Ancillary raw materials mainly include cold rolling oil and packaging materials.

Procurement

Our procurement department consists of 13 members as at 31 December 2015 and is led by Mr. Luo, our executive Director. The staff in our procurement department possess technical knowledge about our products and the raw materials.

Our procurement policy on steel has been that we only purchase steel raw materials after we have received confirmed purchase orders from our customers. This procurement policy allows us to minimise price risks associated with the value of our steel inventory. As for other ancillary materials, we in general maintain an inventory level sufficient for our production purpose for one month.

During the Track Record Period, our procurement team purchased the requisite steel raw materials within five days after the receipt of confirmed purchase orders from our customers, given that the steel price quotations provided by suppliers were usually valid for two to three days after issuance. Such procurement practice stayed unchanged, despite the mild increase in the price of hot-rolled carbon steel during February 2016, as the validity period of price quotations provided by suppliers remained the same like the past.

However, due to the hefty rise of steel price in the PRC since early March 2016, the steel price quotations provided by some of our suppliers have become only valid within the date of issuance. As such, our procurement team had adopted a more prudent procurement course by purchasing the requisite steel raw materials on the same day upon receiving confirmed purchase orders from our customers based on the steel price quotations provided by our suppliers valid for that same day. As confirmed by our Directors, we did not experience any intra-day adjustment made by our steel raw material suppliers in relation to the purchase price of steel raw materials which had materially and adversely affected our envisaged gross profit amount during the Track Record Period and up to the Latest Practicable Date.

We purchase steel for production mainly from two types of steel suppliers, namely, (i) steel producers or their agents, and (ii) steel trading companies which in general maintain a certain amount of steel inventory in their warehouses for sale to purchasers. The major factors affecting our procurement decisions are (i) the price offered by the relevant supplier, and (ii) whether or not the delivery time fits our production schedule.

According to Frost & Sullivan, due to the lack of a centralised market and the pricing strategy of different steel producers, there always exist varied steel prices for the same type of carbon steel. Therefore, our procurement team needs to monitor closely the steel prices as offered by different suppliers in the market in order to minimise our procurement cost.

Procurement from steel producers or their agents

During the Track Record Period, we entered into framework agreement with some steel producers or their agents and committed in the framework agreements to purchase fixed quantities of steel within stipulated periods ranging from one quarter to one year. The prices of the steel raw materials had not been fixed at the time of the signing of the framework agreements and pursuant to such framework agreements, the actual purchases by our Group were only carried out after our Group had received confirmed purchase orders from our customers. Our Group did not reach the stipulated purchase commitments pursuant to some of the framework agreements during the Track Record Period. The

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shortfall in the agreed purchase amounts amounted to approximately 46,220 tonnes, 70,000 tonnes and 12,200 tonnes, respectively, during the Track Record Period. We obtained written confirmations from the relevant suppliers that they would not enforce the purchase commitments or the respective penalties against us pursuant to the relevant framework agreements. Our PRC Legal Adviser confirms that such written confirmations are valid and effective under the relevant laws and regulations of the PRC.

In light of the excessive supply of steel in the PRC steel market, we have decided to cease entering into framework agreements with our suppliers since 2016. Our Directors believe that our Group will continue to have stable supply of steel from our suppliers even without entering into framework agreements with our suppliers.

Procurement from steel trading companies

Steel trading companies are involved in the trading of steel for profits. Since steel trading companies in general maintain a certain level of inventory in their warehouses, the supply of their steel is more readily available and the delivery time is generally shorter than the steel producers which are mainly located in Northern China. We purchase steel from steel trading companies generally when (a) we need steel for production in a short period of time, and (b) the price offered by them are more favourable as compared to the price offered by steel producers or their agents. However, since the PRC steel market has been experiencing overcapacity for steel production in recent years, the price offered by steel trading companies, the operations of which are generally smaller in scale with fixed operating overheads, is often less favourable than that offered by steel producers or their agents.

For each of the three years ended 31 December 2013, 2014 and 2015, our purchase amount of steel from steel producers or their agents represented approximately 61.5%, 78.9% and 84.5% of our total purchase amount of steel, respectively. The increase in the portion of purchases from steel producers or their agents was mainly due to the overcapacity of steel production in the PRC, which resulted in steel producers or their agents offering more favourable pricing terms to customers with large-scale operations such as our Group, which was generally around 3% to 5% lower than that offered by steel trading companies. The following table sets out the respective purchase amounts of steel through the two procurement channels:

Procurement channels	Year ended 31 December					
	2013		2014		2015	
	Purchase amount	Percentage to total purchase amount	Purchase amount	Percentage to total purchase amount	Purchase amount	Percentage to total purchase amount
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Steel producers or their agents	914,296	61.5	928,188	78.9	1,004,461	84.5
Steel trading companies	<u>572,700</u>	<u>38.5</u>	<u>247,666</u>	<u>21.1</u>	<u>184,116</u>	<u>15.5</u>
Total	<u>1,486,996</u>	<u>100.0</u>	<u>1,175,854</u>	<u>100.0</u>	<u>1,188,577</u>	<u>100.0</u>

Our suppliers

As at 31 December 2015, we had approximately 100 steel raw material suppliers. Our major suppliers are primarily steel producers and their agents, and steel trading companies located in the PRC. Although we had over 100 steel raw material suppliers during the Track Record Period, over 70% of the total steel purchases during the Track Record Period were made from our 20 largest steel raw material suppliers. We made steel raw material purchases in relatively smaller quantities with the rest of the non-core suppliers mainly when we were required to handle purchase orders from customers on short notice or we required steel raw materials of special specifications for our production.

We have an assessment and selection procedure for selecting our suppliers. Our procurement team in general conducts a background assessment which covers various aspects including scale of operation, quality control, delivery time and reputation in the industry on each potential supplier before their admission to our approved supplier list. It is our procurement policy that we only purchase raw materials from approved suppliers to ensure the quality of our raw materials. We also carry out evaluation and assessment of our existing suppliers from time to time. Suppliers that fail to meet our requirements will be removed from our approved supplier list.

Our trading company suppliers in general grant us a credit period of up to 30 days upon delivery of raw materials to us whilst steel producers or their agents in general require us to make full payment prior to delivery of raw materials to us. As our suppliers are primarily based in the PRC, we primarily paid our suppliers in RMB by telegraphic transfer or bank acceptance bills.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in identifying alternate suppliers for our raw materials and we do not anticipate any difficulties in this regard in the foreseeable future. Furthermore, during the same period, we did not experience any material dispute with our suppliers, nor any disruption, shortage or delay in the supply of our raw materials which may materially and adversely affect our operations and financial conditions.

Our five largest suppliers

For each of the three years ended 31 December 2013, 2014 and 2015, the total purchases of raw materials from our five largest suppliers in aggregate accounted for approximately 41.7%, 52.8% and 60.0%, respectively, of our total purchases. During the same period, the total purchases from our largest supplier accounted for approximately 12.1%, 26.1% and 27.6%, respectively, of our total purchases of raw materials. Majority of our five largest suppliers during the Track Record Period have established business relationship with us for over two years.

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The following table sets out further information of our five largest suppliers and our business relationship with them during the Track Record Period:

Year ended 31 December 2013					
Supplier	Main business activities of the suppliers	Country in which the suppliers were located	Year of business relationship with our Group	Amount of steel raw materials purchased by us (RMB'000)	% to total purchases by our Group (%)
Supplier A ^{Note 1}	Agent of steel producer	PRC	nine	182,378	12.1
Supplier B	Agent of steel producer	PRC	one	139,150	9.2
Supplier C	Agent of steel producer	PRC	two	130,520	8.6
Supplier D	Agent of steel producer	PRC	four	108,897	7.2
Supplier E ^{Note 2}	Steel producer	PRC	two	<u>68,724</u>	<u>4.6</u>
				<u><u>629,669</u></u>	<u><u>41.7</u></u>

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Year ended 31 December 2014

Supplier	Main business activities of the suppliers	Country in which the suppliers were located	Year of business relationship with our Group	Amount of steel raw materials purchased by us (RMB'000)	% to total purchases by our Group (%)
Supplier E ^{Note 2}	Steel producer	PRC	two	313,636	26.1
Supplier F	Agent of steel producer	PRC	three	103,343	8.6
Supplier A ^{Note 1}	Agent of steel producer	PRC	nine	86,665	7.2
Supplier D	Agent of steel producer	PRC	four	74,650	6.2
Supplier G	Agent of steel producer	PRC	three	56,811	4.7
				<u>635,105</u>	<u>52.8</u>

Year ended 31 December 2015

Supplier	Main business activities of the suppliers	Country in which the suppliers were located	Year of business relationship with our Group	Amount of steel raw materials purchased by us (RMB'000)	% to total purchases by our Group (%)
Supplier E ^{Note 2}	Steel producer	PRC	two	342,243	27.6
Supplier H	Steel producer	PRC	two	124,425	10.0
Supplier I	Agent of steel producer	PRC	one	111,988	9.0
Supplier F	Agent of steel producer	PRC	three	88,190	7.1
Supplier J	Agent of steel producer	PRC	eight	77,896	6.3
				<u>744,742</u>	<u>60.0</u>

BUSINESS

Notes:

1. Supplier A remained as one of our suppliers in 2015. Our purchases from Supplier A in 2015 amounted to RMB22.4 million, representing approximately 1.8% of our total purchases of steel raw materials. As the terms of the other suppliers are better as compared to those offered by Supplier A, we made fewer purchases of raw materials from Supplier A in 2015.
2. We purchased steel raw materials from different group companies of Supplier E.

As confirmed by our Directors, the change in our five largest suppliers during the Track Record Period was primarily due to the fierce price competition amongst the steel raw material suppliers during that period. In particular, due to the favourable pricing terms offered by Supplier E following its establishment of a steel manufacturing base in Guangdong Province, purchases of steel raw materials from Supplier E amounted to approximately 26.1% and 27.6% of our total purchases for the years ended 31 December 2014 and 2015, respectively.

All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest suppliers during the Track Record Period.

Entities that were both customers and suppliers

During the Track Record Period, we sold some of our products to, and purchased some of our raw materials from, the same entity from time to time. Most of these entities are steel trading companies.

According to Frost & Sullivan, it is not uncommon for steel trading companies to engage in both the sale of steel raw materials to steel processors and the purchase of processed steel products from steel processors to manufacturers of end-industry manufacturers.

As confirmed by our Directors, (i) negotiations of the terms of our sales to and purchases from these entities were conducted on individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other; (ii) during the Track Record Period, the products we purchased from these entities were not sold back to them; and (iii) the terms of transactions with these entities are similar to those transactions with our other customers and suppliers.

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Set out below are the entities that were our customers and also suppliers with material transaction amounts, during the Track Record Period:

Name of entity	Principal business activities	Goods purchased by us	Amount of purchases by us and percentage to our total purchases during the Track Record Period	Goods sold by us	Amount of sales by us and percentage to our total revenue during the Track Record Period	Gross profit from sales and gross profit margin during the Track Record Period
Hua Bao'an Trading	Trading of steel-related products	Raw materials	2013: RMB8.6 million (0.6%)	Processed steel products	2013: nil (nil)	2013: N/A
			2014: RMB5.0 million (0.4%)		2014: RMB83,000 (0.01%)	2014: RMB5,000 (6.0%)
			2015: RMB0.7 million (0.1%)		2015: RMB45.5 million (2.4%)	2015: RMB3.4 million (7.4%)
Entity A	Trading of steel-related products	Carbon steel purchased for production purposes	2013: nil (nil)	Processed steel products	2013: RMB2.8 million (0.2%)	2013: RMB0.1 million (2.67%)
			2014: RMB17.2 million (1.4%)		2014: RMB5.9 million (0.4%)	2014: RMB0.6 million (9.7%)
			2015: RMB4.9 million (0.5%)		2015: RMB5.7 million (0.3%)	2015: RMB0.8 million (14.6%)
Entity B	Trading of steel-related products	Carbon steel purchased for production purposes	2013: RMB25.4 million (1.7%)	Processed steel products	2013: nil (nil)	2013: N/A
			2014: RMB1.4 million (0.1%)		2014: nil (nil)	2014: N/A
			2015: nil (nil)		2015: RMB14.7 million (0.8%)	2015: RMB1.4 million (9.7%)

Hua Bao'an Trading is owned by the brother of Mr. Luo, one of our executive Directors, as to 90.0% and hence, it is a connected person of our Company. For details of our sales transactions with Hua Bao'an Trading, please refer to the paragraph headed "Sales, Customers and Marketing — Our customers" in this section.

Save as disclosed above, during the Track Record Period, there were no other entities that were both our major customer and our major supplier and the amount we sold to and purchased from them were material for disclosure in this prospectus.

SALES, CUSTOMERS AND MARKETING

As at 31 December 2015, our sales team consists of 54 personnel and is headed by Mr. Xu Songman, our executive Director. We have nine sales divisions by products and regions: two designated sales divisions focusing on mirror finish steel strips/sheets and welded steel tube respectively; six sales divisions handling other products for different regions of the Guangdong Province and also other provinces of the PRC; and one sales division focusing on overseas sales.

Our sales team is also responsible for formulating marketing strategies by analysing market information regarding the steel processing industry, our customers, their product requirements and our competitors. Our sales team maintains close communications with our existing customers by visiting them so as to better understand their business and needs.

When our customers make sales enquiries, we investigate the feasibility of customers' requirements and provide price quotations on a "cost-plus" basis, comprising the price of the raw materials, the processing costs (including labour costs and utilities costs) and our envisaged gross profit amount with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. The time required from order to delivery generally takes around 35 days.

We tend to record higher sales in the fourth quarter than other quarters in each year. We believe this is because manufacturing customers generally try to complete their outstanding orders on hand prior to the Chinese New Year holidays. Sales tend to be relatively low in the first quarter primarily as a result of the reduced business activities around the Chinese New Year holidays and the advance purchases by our customers in the last quarter of the previous year. Our sales in the fourth quarter of 2013, 2014 and 2015 accounted for approximately 29.8%, 34.9% and 27.9%, respectively, of the total revenue in the same year whilst our sales in the first quarter of 2013, 2014 and 2015 accounted for approximately 18.6%, 17.6% and 21.2%, respectively, of the total revenue in the same year.

Sales network/geographic coverage

Our geographical coverage includes Guangdong Province, other provinces of PRC and Southeast Asian countries, mainly Malaysia and Singapore.

Our customers are mainly manufacturers, agents for manufacturers and trading companies. Our revenue attributable to our domestic sales in the PRC amounted to approximately RMB1,426.3 million, RMB1,437.3 million and RMB1,636.7 million, representing approximately 88.4%, 88.1% and 87.3% of our total revenue, for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

During the Track Record Period, we conducted our overseas sales primarily through Jiangmen Huajin and Inter Consortium, our subsidiaries in the PRC and Hong Kong. As confirmed by our Directors, Inter Consortium was incorporated in Hong Kong in 2013 with the primary purpose of facilitating the ongoing expansion of our export business by coordinating with overseas customers and banks for sales and payment arrangements. Our Directors also believe that with market presence in Hong Kong, it would be easier for us to establish business relationship with and to obtain financing from banks in Hong Kong. In order to cover the operating cost of Inter Consortium, the pricing policy for sales by our PRC subsidiaries to Inter Consortium is to enable Inter Consortium to achieve an average margin of 2.5% when it on-sold our products to its customers during the Track Record Period.

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Our tax consultant has conducted transfer pricing analysis on the sales transactions of each of our PRC subsidiaries with their closely connected non-resident customers, including Inter Consortium which showed that there are no significant potential transfer pricing adjustments and PRC enterprise income tax provision in relation to the sales transactions with Inter Consortium for each of 2013, 2014 and 2015, as the relevant intra-group transactions were considered to have satisfied the arm's length principle based on the prevailing transfer pricing regulations.

Revenue attributable to our overseas sales amounted to approximately RMB187.9 million, RMB193.3 million and RMB238.5 million, representing approximately 11.6%, 11.9% and 12.7% of our total revenue, for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

The following table sets out a regional geographic breakdown^{Note 1} of our revenue for the periods indicated:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	% to total revenue	RMB'000	% to total revenue	RMB'000	% to total revenue
PRC	1,426,333	88.4	1,437,299	88.1	1,636,643	87.3
Guangdong Province	1,422,169	88.1	1,416,844	86.9	1,616,267	86.2
Other provinces	4,164	0.3	20,455	1.2	20,376	1.1
Southeast Asian countries ^{Note 2}	<u>187,861</u>	<u>11.6</u>	<u>193,342</u>	<u>11.9</u>	<u>238,476</u>	<u>12.7</u>
Total	<u>1,614,194</u>	<u>100.0</u>	<u>1,630,641</u>	<u>100.0</u>	<u>1,875,119</u>	<u>100.0</u>

Notes:

1. We categorise our revenue geographically based on the destination of goods delivered.
2. Mainly include Singapore and Malaysia.

Our customers

Our customers are primarily manufacturers of different industrial products which purchase our processed steel products for the manufacture of end products, agents for manufacturers, and steel trading companies.

During the Track Record Period, we served approximately 700 to 800 customers per year across a variety of industries in the PRC including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. Our customers include steel trading companies which on-sell our products to their own customers across different industries similar to our own customers. These trading companies can in general aggregate the relatively smaller purchase orders from various buyers, which we were not prepared to otherwise serve on a cost and benefit analysis. In addition, some of the buyers for our processed steel products request credit terms on their purchases and we would refer such buyers to those trading companies with which we had business relationship.

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With a broad and diversified customer base, we are not dependent on any single customer, group of customers or any particular industry and are able to capture growth in various industries. Majority of our five largest customers during the Track Record Period have established business relationships with us for over four years.

The following table sets out the breakdown of our revenue attributable to sales of processed steel products by end market segments of our customers during the Track Record Period:

End market segment of our customers	Year ended 31 December					
	2013		2014		2015	
	<i>% to total revenue attributable to sales of processed steel</i>	<i>% to total revenue attributable to sales of processed steel</i>	<i>% to total revenue attributable to sales of processed steel</i>	<i>% to total revenue attributable to sales of processed steel</i>	<i>% to total revenue attributable to sales of processed steel</i>	<i>% to total revenue attributable to sales of processed steel</i>
	<i>RMB'000</i>	<i>products</i>	<i>RMB'000</i>	<i>products</i>	<i>RMB'000</i>	<i>products</i>
Light industrial hardware	510,920	32.0	522,996	32.4	571,569	31.0
Home appliances	422,549	26.4	433,736	26.9	448,301	24.3
Trading ^{Note 1}	322,005	20.2	273,513	16.9	379,956	20.6
Furniture	184,444	11.5	225,236	13.9	269,299	14.6
Motorcycle/bicycle accessories	60,330	3.8	60,212	3.7	59,917	3.3
LED	10,965	0.7	12,778	0.8	23,037	1.3
Lighting	11,413	0.7	10,103	0.6	19,027	1.0
Others ^{Note 2}	74,968	4.7	76,263	4.8	71,577	3.9
Total	<u>1,597,594</u>	<u>100.0</u>	<u>1,614,837</u>	<u>100.0</u>	<u>1,842,683</u>	<u>100.0</u>

Notes:

- This includes our sales to Hua Jin Trading, our related party and a company incorporated in Singapore, which to the best knowledge of our Directors after having made all reasonable enquiries, on-sold our processed steel products to a manufacturer of cabinet and shelving system for offices and department stores in Malaysia, in the amount of approximately RMB73.7 million, RMB29.4 million and RMB146.2 million, respectively, during the Track Record Period and also a steel processor in Malaysia, in the amount of approximately RMB6.9 million, RMB43.1 million and RMB11.6 million, respectively, during the Track Record Period. For details about the fluctuations in Hua Jin Trading's sales of processed steel products to these two parties in Malaysia, please refer to the paragraph headed "Business — Sales, Customers, and Marketing — Our five largest customers — Hua Jin Trading" in this prospectus.

If sales to both of these Malaysian parties were excluded from the trading segment, revenue attributable to the trading segment would decrease to approximately RMB241.4 million, RMB201.0 million and RMB222.1 million, representing approximately 15.1%, 12.4% and 12.1% of our total revenue attributable to sales of processed steel products during the Track Record Period, respectively.

- Others primarily include baby stroller, stationary and other equipment.

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During the Track Record Period, our sales volume in all the end market segments, except others, recorded healthy growth and our sales mix by end market segment was relatively stable. Revenue derived from the light industrial hardware segment remained the largest segment, accounting for over 30% of our total revenue attributable to sales of processed steel products throughout the Track Record Period. The light industrial hardware segment mainly covered the manufacture of slideway, shelves and racks, office cabinets, machinery containers, elevator parts, etc. In terms of growth in volume, the light industrial hardware segment also recorded the largest increase in the amount of approximately 100,710 tonnes between 2013 and 2015. In terms of growth in percentage, the LED segment recorded the largest increase in the percentage of approximately 161% between 2013 and 2015. According to Frost & Sullivan, both the light industrial hardware segment and the LED segment in the PRC recorded strong growth from 2010 to 2014. During the same period, the sales value of light industrial hardware industry in the PRC increased from RMB1,960 billion to RMB3,640 billion at a CAGR of 16.7%; whilst the sales value in the LED industry in the PRC increased from RMB123.0 billion to RMB347.6 billion at a CAGR of 29.7%.

During the Track Record Period, we accepted purchase orders from our trading company customers when we had available processing capacity after satisfying our downstream manufacturer customers' orders subject to commercially acceptable terms. As a result of the increased purchases from downstream manufacturer customers, the revenue attributable to trading company customers (excluding the sales by Hua Jin Trading to two Malaysian customers) represented approximately 15.1%, 12.4% and 12.1% of our total revenue attributable to sales of processed steel products during the Track Record Period, respectively.

Our five largest customers

For the three years ended 31 December 2013, 2014 and 2015, revenue from our five largest customers in aggregate accounted for approximately 17.5%, 17.3% and 18.3%, respectively, of our revenue. During the same period, revenue from our largest customer accounted for approximately 5.5%, 5.0% and 8.7%, respectively, of our revenue.

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The following table sets out further information of our five largest customers and our business relationship with them during the Track Record Period:

Year ended 31 December 2013						
Customer	Main business activities of the customers	Country in which the customers were located	Steel products sold by us	Year of business relationship with our Group	Amount of steel products sold (RMB'000)	% to total revenue (%)
Hua Jin Trading	Steel trading	Singapore	Processed steel strips/ sheets and welded steel tubes	six	88,097	5.5
Customer A	Production of water heater and electric appliances for kitchen	PRC	Processed steel strips/ sheets	four	51,164	3.2
Customer B	Production of furniture	PRC	Processed steel strips/ sheets	seven	48,584	3.0
Customer C	Steel trading	Malaysia	Processed steel strips/ sheets	five	47,754	3.0
Customer D	Trading	PRC	Processed steel strips/ sheets	five	44,702	2.8
					<u>280,301</u>	<u>17.5</u>

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Year ended 31 December 2014

Customer	Main business activities of the customers	Country in which the customers were located	Steel products sold by us	Year of business relationship with our Group	Amount of steel products sold (RMB'000)	% to total revenue (%)
Hua Jin Trading	Steel trading	Singapore	Processed steel strips/sheets and welded steel tubes	six	81,242	5.0
Customer A	Production of water heater and electric appliances for kitchen	PRC	Processed steel strips/sheets	four	55,298	3.4
Customer E	Production and sale of coated metal products	PRC	Processed steel strips/sheets	three	48,733	3.0
Customer F	Trading	PRC	Processed steel strips/sheets	nine	48,667	3.0
Customer G	Production of hardware	PRC	Processed steel strips/sheets	seven	47,582	2.9
					<u>281,522</u>	<u>17.3</u>

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Year ended 31 December 2015

Customer	Main business activities of the customers	Country in which the customers were located	Products sold by us	Year of business relationship with our Group	Amount of steel products sold (RMB'000)	% to total revenue (%)
Hua Jin Trading	Steel trading	Singapore	Processed steel strips/sheets and welded steel tubes	six	162,213	8.7
Customer H	Production of home appliance	PRC	Processed steel strips/sheets	four	48,737	2.6
Hua Bao'an Trading	Trading	PRC	Processed steel strips/sheets	four	45,482	2.4
Customer I	Trading	PRC	Welded steel tubes	one	43,067	2.3
Customer A	Production of water heater and electric appliances for kitchen	PRC	Processed steel strips/sheets	four	42,900	2.3
					<u>342,399</u>	<u>18.3</u>

Hua Jin Trading

Hua Jin Trading was set up in Singapore by Mr. Xu in 2009 to engage in steel trading. It is owned by Mr. Xu as to 95.0% and by an Independent Third Party as to 5.0%. The primary reason for Mr. Xu to set up Hua Jin Trading was related to his application for permanent residency in Singapore in the capacity as a foreign investor. He was required to invest in a Singapore-incorporated company with active business during the term of his residency and Hua Jin Trading was set up in this connection. Apart from trading our products, Hua Jin Trading sourced steel products from other suppliers. Prior to the incorporation of Hua Jin Trading, our PRC subsidiaries had already been engaged in exporting steel products to Malaysia. Subsequent to the establishment of Hua Jin Trading, certain portion of our export sales to Malaysia was conducted through Hua Jin Trading and hence, our customers in Malaysia purchased steel products from Hua Jin Trading as well as from our PRC subsidiaries. Our customers in Malaysia were offered the same prices regardless of whether they purchased from Hua Jin Trading or our PRC subsidiaries.

The pricing policy for our sales to Hua Jin Trading was to allow Hua Jin Trading to attain an average margin of approximately 3% to 7% when it on-sold our products to its customers, such that Hua Jin Trading can cover its shipping charges and part of its operating expenses. We required Hua Jin Trading to pay us in full when it placed purchase orders with our PRC subsidiaries for its on-selling to customers. Therefore, depending on its cashflow situation and/or availability of its own banking

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facilities, Hua Jin Trading might from time to time need to direct customers to purchase steel products directly from our PRC subsidiaries. In such case, customers had to issue letter of credit to our PRC subsidiaries when placing orders with them.

Hua Jin Trading was our largest customer for each of the three years ended 31 December 2013, 2014 and 2015. To the best knowledge of our Directors after having made all reasonable enquiries, approximately 90.0% of our sales to Hua Jin Trading during the Track Record Period were sold to its two major customers in Malaysia. One of them is a manufacturer of cabinet and shelving systems for offices and department stores in Malaysia and the other one is a steel processor in Malaysia. According to Frost & Sullivan, the Malaysian government provided special incentives such as import duty exemption to local steel processors in order to promote the local steel processing industry. Such import duty exemption is not available to trading companies. As such, we and Hua Jin Trading exported cold-rolled steel products to our steel processing customer in Malaysia who then performed additional processing steps such as polishing, levelling, slitting and cutting onto the imported steel coils before on selling the processed steel parts to its own customers.

In order to eliminate competition with our Controlling Shareholders and to simplify the operational structure after Listing, Mr. Xu had ceased the steel trading operation of Hua Jin Trading in December 2015 and decided not to include Hua Jin Trading in our Group. Given that the two major customers of Hua Jin Trading in Malaysia are also our customers, we plan to continue our export sales to these two customers primarily through our subsidiary in Hong Kong, Inter Consortium, in the future. Our Directors are of the view that the cessation of steel trading operation by Hua Jin Trading will not have any material adverse effect on our business or financial performance.

Set out below are the amounts of processed steel products purchased by the above two parties in Malaysia from our PRC subsidiaries and from Hua Jin Trading during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
	<i>(RMB' million)</i>		
<i>Manufacturer of cabinet and shelving system</i>			
Purchased from:			
Our PRC subsidiaries	17.1	13.1	40.7
Hua Jin Trading	73.7	29.4	146.2
	90.8	42.5	186.9

Note: This cabinet and shelving system manufacturer reduced its purchases from us significantly in 2014. To the best knowledge of our Directors after having made all reasonable enquiries, the main reason for such decrease was that this customer changed the degree of ductility and strength of the steel parts, which they used to source from us in the past, for the manufacture of its new products. However, we were unable to supply such steel products which met its requirements in 2014. In 2015, with the efforts of our production team, we managed to produce the steel products which met its requirements and as a result, this customer increased its purchases from us in 2015.

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Year ended 31 December

2013 2014 2015

(RMB' million)

Steel processor

Purchased from:

Our PRC subsidiaries	47.8	25.7	2.2
Hua Jin Trading	<u>6.9</u>	<u>43.1</u>	<u>11.6</u>
	<u><u>54.7</u></u>	<u><u>68.8</u></u>	<u><u>13.8</u></u>

Note: Given our primary focus on the PRC market and in order to control our foreign exchange exposure, we maintained our export sales at around 12% of our total revenue during the Track Record Period. In 2015, we reduced our sales to this steel processor in Malaysia substantially, as the cabinet and shelving system manufacturer mentioned above increased its purchases from us in the same year.

Taking into account the indirect sales through Hua Jin Trading, the manufacturer of cabinet and shelving systems in Malaysia would be our largest customer in 2013 and 2015, whilst the steel processor in Malaysia would be our second largest and our largest customer in 2013 and 2014, respectively.

The processed steel products required by our Malaysian customers were generally thicker and thus the extent of cold-rolling required was smaller, as compared to our PRC customers. The shorter production time in the cold-rolling process allowed us to optimise our overall production schedule by increasing the utilisation rate of the subsequent production processes, and in particular, the annealing process. Hence, we sold our processed steel products to these two Malaysian customers for the purpose of optimising our production processes.

Hua Bao'an Trading

Hua Bao'an Trading is owned by the brother of Mr. Luo, our executive Director and one of our Controlling Shareholders, as to 90.0% and by an Independent Third Party as to 10.0%. Hence, it is a connected person of our Company. Hua Bao'an Trading the core business of which was steel trading, was our third largest customer for the year ended 31 December 2015.

To the best knowledge of our Directors after having made all reasonable enquiries, Hua Bao'an Trading sourced steel products from various suppliers including steel manufacturers and steel processors such as our Group and on-sold the products to its own customers which applied the steel products for the manufacture of various consumer products, and such customers generally had smaller-scale business operation. The orders from those customers with small order sizes could not satisfy our cost and benefit analysis and as a result of our strategy to optimise our customer mix, we sold products to Hua Bao'an Trading, who were able to aggregate those small orders before placing corresponding purchases orders with us. The pricing policy for our sales to Hua Bao'an Trading was the same as that we adopted for sales to other independent customers.

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With the intention to minimise the amount of continuing connected transactions after the Listing, we have ceased our business activities with Hua Bao'an Trading after September 2015. Furthermore, as confirmed by Mr. Luo, Hua Bao'an Trading has ceased its operations in March 2016 to avoid any potential competition with us after the Listing.

Our Directors confirm that the transactions through the two related parties were not for any tax planning, nor tax saving purposes, but because of the above commercial reasons.

Our tax consultant has conducted transfer pricing analysis on the sales transactions of each of our PRC subsidiaries with their closely connected non-resident customers, including Hua Jin Trading, which showed that there are no significant potential transfer pricing adjustments and PRC enterprise income tax provision in relation to the sales transactions with Hua Jin Trading for each of 2013, 2014 and 2015, as the related party transactions were considered to have satisfied the arm's length principle based on the prevailing transfer pricing regulations.

Going forward, our finance department will conduct monthly review on all sales transactions with overseas related companies to ensure that such transactions satisfied the arm's length principle based on the prevailing transfer pricing regulations.

Save for Hua Jin Trading and Hua Bao'an Trading, all of our five largest customers during the Track Record Period are Independent Third Parties and none of our Directors, their associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest customers during the Track Record Period.

Pricing

The following table sets out the average selling price of our products during the Track Record Period:

	Years ended 31 December		
	2013	2014	2015
	<i>RMB/tonne</i>	<i>RMB/tonne</i>	<i>RMB/tonne</i>
Processed steel strips/sheets	4,146	3,897	3,010
Welded steel tubes	4,291	4,015	3,222

The price of our products is determined on a "cost-plus" basis, comprising the price of the raw materials, the processing costs (including labour costs and utilities costs) and our envisaged gross profit amount with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. As a result of our "cost-plus" pricing strategy, our Directors believe that we can generally pass on the increase in purchase costs of raw materials to our customers. Save for the occasional price increases due to price fluctuations of our raw materials, we review and adjust our prices on a monthly basis based on these factors and other general market conditions.

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The purchase price of raw materials and in particular steel is pivotal in formulating the prices of our products. In such connection, our procurement team maintains close collaboration with our sales team in the formulation of the prices of our products. It is our internal policy that our procurement team has to provide to our sales team before every 25th of each calendar month the internal steel purchase price list in the immediately following calendar month with reference to the prevailing prices of steel in the market. Upon receiving the internal steel purchase price list from our procurement team, our sales team formulates the indicative price lists of our products taking into account the steel price suggested by our procurement team and provides price quotations to our customers based on our indicative price lists. The price quotations issued by our sales team is normally valid within the date of issuance. At the same time, our procurement team would be closely monitoring the price of steel raw materials in the market, and if there is a material/abrupt fluctuation in the purchase price of any raw material during the month, and with respect to steel, a price fluctuation of more than RMB30 per tonne, our procurement team will immediately provide an updated internal steel purchase price list to our sales team for the purpose of reformulating the indicative price list of our products, which will be subject to further approval by our Chairman. Such close collaboration between our procurement team and our sales team ensured that the sales price of our finished products covers the latest price quotations provided by our suppliers.

Our Directors confirm that during the Track Record Period, no purchase orders from our customers were terminated. Our Directors believe that even if our customers terminate the purchase orders after our procurement of the requisite raw materials, we would not incur material loss as a result of such termination. This is primarily because we are generally able to utilise the raw materials and in particular, the hot-rolled carbon steel, in the production of processed steel products for other customers. In the event that we cannot locate alternative customers to take up the relevant materials and suffer a loss as a result, we are entitled to recover our loss incurred by us from the relevant customers pursuant to the terms of the purchase orders. Our Directors also believe that the above term of the purchase orders is in line with that of the industry norm.

Payment and credit terms

Our sales department completes an evaluation form to investigate the basic information of our customers in order to assess their credit risk and determine the appropriate credit period and procedures.

According to our internal sales management policy, we adopt delivery against full payment/deposit or payment on delivery, depending on the length of our business relationship with the customers and their payment history. We in general grant credit period of no longer than 90 days for repeating customers or customers with good credit history.

As most of our sales are made to customers located in the PRC, our customers generally settle payment in RMB. Our overseas customers generally settle payment in US dollar. Our Directors consider that our exchange rate risk is insignificant as the sales to our overseas customers only accounted for approximately 11.6%, 11.9% and 12.7%, respectively, of our total revenue during the Track Record Period. The payment is primarily settled by telegraphic transfer and bank acceptance bills.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any major defaults in payments or bad debts from our customers.

Delivery and logistics

We provide delivery services to most of our customers. The cost of delivery services, if required, is generally included in the purchase price that we charge to our customers. Some of our customers take delivery of our products at our production plants or make their own transportation arrangements at their own expense. Risks and titles of our products are passed to our customers when our products are collected by or delivered to our customers.

Delivery of our products to (i) domestic customers is primarily made by road transit; (ii) our overseas customers is principally on a free on board (FOB) basis and mainly made by shipment.

Prior to April 2015, in addition to using our own delivery vehicles for products delivery, we also engaged third party logistic companies for delivery of products to our domestic customers. Two of these logistic companies are owned by the spouse of Mr. Xu Songman as to 95.0% and 85.0%, respectively. In order to strengthen our own delivery capability and to reduce our reliance on the connected persons of our Company, we purchased a total of 38 delivery vehicles from these two logistic companies in 2015 at an aggregate consideration of RMB1.9 million, which was determined with reference to valuation reports prepared by an independent valuer.

As at the Latest Practicable Date, our Group maintained a fleet of 34 delivery vehicles. Delivery to destinations within Guangdong Province, which accounted for over 85% of our revenue during Track Record Period, are mainly handled by our delivery vehicles. For overseas sales delivered by shipment, we may deliver our products to the port in Jianghai District, Jiangmen (江門市江海區). As a result, our strategic location affords us logistical advantages which allow us to benefit from low transportation costs and short transportation time for our customers.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption or damage to products in the delivery process.

Product returns policy

Our product warranty typically requires us to produce products free from defects in material and workmanship and in conformity with specifications of our customers. If our products fail to meet the product requirements due to reasons attributable to us, our customers may, within 15 days, return such non-conforming products to us and we shall repair or replace such products free of charge.

As a result of our refined quality control management system and also our enforcement of strict quality control policies, we managed to maintain a relatively low product return rate during the Track Record Period. For each of the three years ended 31 December 2013, 2014 and 2015, the average product return rate (in terms of quantities sold) of our products was approximately 0.14%, 0.19% and 0.23%, respectively.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC Government or other regulatory bodies, (ii) receive any material product return requests from our customers, (iii) incur any material warranty expenses for our products, or (iv) receive any material complaints from our consumers.

PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

Our product design, research and development activities are carried out by six members primarily from the production department as at 31 December 2015, and is led by Mr. Zhu Huaiqing, who has over 40 years of experience in the steel processing industry in the PRC. For details of the biographical details of Mr. Zhu, please refer to the section headed “Directors and Senior Management” in this prospectus.

As a result of the continuous effort by our dedicated research and development team, we had 31 utility patents and three pending invention patent applications in the PRC as at the Latest Practicable Date. The three invention patent applications are a real time adjustment equipment for the roller of levelling machine (一種拉矯機直輓實時調整裝置), cold-rolled carbon steel sheet surface texturing process optimisation (冷軋碳素薄鋼板表面毛化優化工藝), control system and method to adjust the speed, frequency and supply of lubricant in rolling machines (軋機變速變頻變量乳化液供液控制系統及控制方法).

The following table sets out further information of our three invention patents under application:

Patent under application	How the processing techniques according to the patent improve our production process
1. a real time adjustment equipment for the roller of levelling machine (一種拉矯機直輓實時調整裝置)	enables the lower roller of our levelling machines to move vertically to adjust the pressure applied to the lower surface of the steel sheets, which can eliminate the creases at the lower surface more effectively thereby improving the surface quality
2. cold-rolled carbon steel sheet surface texturing process optimisation (冷軋碳素薄鋼板表面毛化優化工藝)	enables us to control the surface roughness of the polishing rollers and the roughness of the to-be-polished steel strips/sheets to be within 0.2 to 0.3 μm thereby enhancing the uniformity of the surface quality of the steel strips/sheets
3. control system and method to adjust the speed, frequency and supply of lubricant in rolling machines (軋機變速變頻變量乳化液供液控制系統及控制方法)	enables us to detect the pressure inside the tube which supplies the lubricant and to control the speed of the lubricant pump accordingly, which can improve surface quality by minimising shaking marks on the steel strips and enhance production efficiency by reducing the downtime of the lubricant pump

As our product design, research and development activities are carried out parallel to our day-to-day production activities, we do not incur substantial amount of expenses for our product design, research and development activities.

INVENTORY MANAGEMENT

Our inventory comprises raw materials, work-in-progress and finished products. Our procurement team maintains tight control over the purchase of raw materials and in particular, steel raw materials, in order to minimise price volatility risks. We only procure steel raw materials after we have received confirmed purchase orders from our customers. As for other ancillary raw materials, we in general maintain an inventory level sufficient for our production purpose for one month.

QUALITY CONTROL

Our ability to deliver consistently high quality processed steel products to our customers is critical to our business. Hence, we have been putting great emphasis on quality control and adopting stringent quality standards to ensure that our products meet the specific requirements of our customers. Each of Jiangmen Huajin and Jiangmen Huamu has obtained ISO 9001: 2008 certifications in relation to their quality management systems since 2008 and 2015 respectively.

As at 31 December 2015, we had 25 quality control personnel who are responsible for implementing our quality control procedures by inspecting the quality of raw materials, observing and checking our production process, performing tests on work-in-progress and finished products. Our quality control department is led by Mr. Zhu Huaqing, who is also responsible for supervising product design, research and development activities of our Group. For details of his biographical information, please refer to the section headed “Directors and Senior Management” in this prospectus. As our quality control procedures mostly involve basic inspection and operation of simple equipment, we in general do not need require our quality control personnel to possess any professional qualifications.

To ensure reliable product quality, our quality control team closely monitors throughout the material stages of our operation from the selection of suppliers, and the inspection of major raw materials to sample checking for semi-finished products as well as finished products. Our achievements in quality control are attributable to our strict quality control standards on each of the following stages:

Selection of suppliers

We select our suppliers according to our internal quality evaluation system and we maintain a list of approved suppliers from time to time. We only purchase raw materials from approved suppliers.

Quality control on raw materials

Income raw materials and in particular steel are inspected by our quality control personnel on a sampling basis. Our quality control staff carry out laboratory test to assess the quality of the raw materials. For instance, a stationary metal analyser is used to check the element composition of the incoming steel raw materials.

Quality control throughout the production process

Our production process control consists of a multi-point check system from the beginning to the end of our production process. Our quality control personnel sample-test our work-in-progress and in the major steps of our production process. At the end of the production process, we conduct physical and chemical on our steel products on a sampling basis to verify that their mechanical and dimensional properties check, strength and chemical composition meet our customers’ requirements.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints by our customers in respect of the quality of our products and there was no incident of failure of our quality control systems which had a material and adverse impact on our business operations.

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MAJOR CERTIFICATIONS AND AWARDS

Certifications

The following table sets out the major certifications received by us:

Date of grant	Certifications	Name of our subsidiaries	Awarding body	Date of expiry
5 May 2015	ISO9001:2008	Jiangmen Huamu	Guangdong Zhongjian Certification Co., Ltd	4 May 2018
2 September 2014	ISO9001:2008	Jiangmen Huajin	Guangdong Zhongjian Certification Co., Ltd	1 September 2017

Awards

The following table sets out the major awards received by us:

Year of grant	Awards	Awarding body	Date of expiry
2013, 2014	Meritorious Enterprise Taxpayer	The People's Government of Muzhou Town (睦州市人民政府)	N/A
2010 to 2015	A Grade Tax Payer (A級納稅人)	State Administration of Taxation of Jiangmen and Jiangmen Local Taxation Bureau (江門市國家稅務局及江門市地方稅務局)	N/A
2010 to 2014	Civilised Enterprise for Safety Production and Supervision (安全生產文明單位)	The People's Government of Muzhou Town (睦州市人民政府)	N/A
2009, 2010	Special Contribution Award for Developing Economy	The People's Government of Muzhou Town (睦州市人民政府)	N/A
2007, 2008	Top 100 Enterprise Taxpayer in Jiangmen	State Administration of Taxation of Jiangmen (江門市國家稅務局)	N/A

MARKET AND COMPETITION

PRC's cold-rolled carbon steel market is populated with more than 400 players which include steel producers and processors. Majority of the market players are small-to-medium size private companies. Large-scale state-owned steel producers are dominant in the supply of mainstream and standardised steel products, whilst steel processors are more willing and able to provide tailor-made products by meeting the precise specifications of the end users of steel in respect of thickness, width, shape and finish characteristics. In 2014, the production volume of cold-rolled carbon steel from large-scale steel

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producers accounted for approximately 74.0% of the total market volume. Going forward, with the increasing demand for customised cold-rolled carbon steel by downstream industries, steel processors are expected to play a more important role in the market.

According to Frost & Sullivan, we ranked first amongst the cold-rolled carbon steel processors in Guangdong Province, the PRC in terms of annual production volume in 2014, with our production volume representing approximately 5.5% of the total production volume of that market in 2014. The cold-rolled steel market in Guangdong Province was highly fragmented as the aggregate production volume of the five largest cold-rolled carbon steel processors only accounted for approximately 16.8% of the total production volume of that market in 2014.

Majority of the customers for cold-rolled carbon steel products are engaged in the following six industries, namely (i) furniture; (ii) motor vehicle; (iii) home appliances; (iv) lighting; (v) light industrial hardware; and (vi) LED.

The cold-rolled carbon steel market in the PRC observed stable growth from 2010 to 2014, with the production volume increased from approximately 66.7 million tonnes in 2010 to approximately 104.8 million tonnes in 2014, representing a CAGR of approximately 12.0% over the same period. The market is expected to grow at a CAGR of approximately 8.9% from 2014 to 2020, and the production volume is expected to reach approximately 174.8 million tonnes in 2020.

The cold-rolled carbon steel market in Guangdong Province grew at a slower rate as compared to the whole of the PRC market between 2010 and 2014. The production volume increased from approximately 6.1 million tonnes in 2010 to approximately 7.7 million tonnes in 2014, representing a CAGR of approximately 6.0% over the same period. The market is expected to grow at a faster pace in the next five years. The production volume is expected to reach approximately 12.8 million tonnes in 2020, achieving a CAGR of approximately 8.9% from 2014 to 2020.

Major entry barriers of the cold-rolled carbon steel industry include processing know-how, sales network and customer bases, capital investment and logistics support.

We believe that the key differentiators between competitors in the cold-rolled carbon steel market are product quality, pricing, timely delivery and customer service standards. With our competitive strengths set out in the paragraph headed “Our Competitive Strengths” in this section and our business strategies set out in the paragraph headed “Our Business Strategies” in this section, we believe that we will continue to maintain our market position in midst of market competition from our competitors.

For details of the market landscape of the PRC cold-rolled carbon steel market, please refer to the section headed “Industry Overview” in this prospectus.

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EMPLOYEES

As at 31 December 2013, 2014 and 2015, we had a total of 759, 813 and 1,094 full-time employees, respectively. An analysis of our employees by department as at 31 December 2015 is set out below:

Department	Number of employees
Senior management	7
Procurement	13
Production	695
Sales and marketing	54
Quality control	25
Delivery and logistics	148
Finance and accounting	59
Administration	83
Human resources	<u>10</u>
Total:	<u><u>1,094</u></u>

Remuneration

The remuneration packages of our employees include salary, bonuses and allowances. In general, we determine employee's salaries based on their respective qualification, experience, position and performance.

Our Directors believe that we have generally maintained a good working relationship with our employees. We did not experience any significant employee or labour disputes that have disrupted our normal business operations during the Track Record Period and up to the Latest Practicable Date.

Training programmes

To ensure the quality of our employees and to train up future generations of our management personnel, we provide in-house training to our employees to enhance their knowledge in operation and safety practice as well as training to individual employees according to specific job requirements. The goal of the in-house training is to train our employees and to identify talent, with the aim of providing promotion opportunities within our Company and fostering employee loyalty.

Recruiting

We believe we are hiring high-quality employees in the market by offering competitive wages and benefits, training and internal promotion opportunities. We have adopted initiatives to facilitate recruitment of our employees, such as advertisement on the Internet. We believe our continuous efforts will help us to attract suitable personnel.

Social insurance contribution

As required under the applicable PRC laws and regulations, we are obliged to participate in the social welfare schemes which provide pension insurance, medical insurance, work injury insurance, maternity insurance and unemployment insurance for our employees based on the actual wages of employees. For further information, please refer to the paragraph headed “Legal Proceedings and Compliances” in this section.

Housing provident fund

We are also required under the applicable PRC laws and regulations to provide our employees in the PRC with the social welfare schemes covering housing provident funds and housing benefits based on the actual wages of employees. For further information, please refer to the paragraph headed “Legal Proceedings and Compliances” in this section.

OCCUPATIONAL HEALTH AND WORK SAFETY

We are subject to the PRC laws and regulations on labour, safety and work-related incidents. We provide safety protection to our employees working in our production facilities, which includes the distribution of protective work gear to our employees. We have in place safety guidelines and operating manuals setting out safety measures for our production process. We also provide our employees with training programmes on work safety to ensure that all of our employees are aware of our safety procedures and policies, which includes guidelines for safety management, emergency situations, proper operation and usage of equipment and machinery and accident reporting rules.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents or complaints that would materially and adversely affect our operations.

As confirmed by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we complied with the PRC workplace safety regulatory requirements in all material respects.

ENVIRONMENTAL PROTECTION

We are subject to the PRC national and local environmental laws, regulations and rules including, among others, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Our PRC Legal Adviser confirms that we are not required to comply with any special legal or regulatory requirements other than those applicable to all manufacturers in the PRC.

Our production process generates noise, liquid waste, industrial waste water and metropolitan waste water. We consider protection of the environment to be important and have implemented measures such as neutralising the waste water before disposal and recycling of the waste water. Our Directors believe that we have adopted effective measures to prevent and control pollution to the environment. During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaint from our customers or any other parties in respect of any environmental protection issues, and we have

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not experienced any material environmental incidents arising from our production activities. During the same period, no material administrative sanctions or penalties were imposed upon us for the violation of environmental laws or regulations which had an adverse impact on our operations.

Our PRC legal Adviser further confirms that our Group has obtained the environmental permit necessary to conduct our business and has complied with the relevant environmental laws and regulations in the PRC in all material respects and we have not been subject to any penalty for failure to comply with the applicable environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date. Our operations are subject to regulation and periodic monitoring by local environmental authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations.

Our cost of compliance with the applicable environmental protection laws and regulations for each of the three years ended 31 December 2013, 2014 and 2015 was approximately RMB0.9 million, RMB1.1 million and RMB3.2 million, respectively. Going forward, we expect to incur increasing amount of costs in the near future in accordance with the expanding processing capacity and additional workshops, subject to any future changes in applicable environmental laws and regulations which may arise.

INSURANCE

During the Track Record Period, the insurance policies maintained by our Group primarily include property all-risk, environmental pollution liability, goods in transit, cash and cash equivalent and employer's liability insurance. The insurance premium paid by our Group for each of the three years ended 31 December 2013, 2014 and 2015 amounted to approximately RMB0.6 million, RMB0.8 million and RMB0.7 million, respectively.

We believe that our insurance coverage is adequate in the context of our business and in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we did not make or were the subject of any material insurance claims.

INTELLECTUAL PROPERTY RIGHTS

Our production know-how in the production process is crucial to our success. We rely on a combination of laws and regulations including but not limited to patent and trademark laws, as well as agreements entered into between our Group and our employees involved in research and development, to protect our intellectual property rights. Pursuant to such agreements, the intellectual property rights of all inventions, technology and products created by the research and development staff during their term of employment shall belong to our Group and they are required to keep all such information relating to our products, technology and intellectual property rights in strict confidence during their term of employment and ending on the five anniversary year from their cessation of employment. Our PRC Legal Adviser confirms that such obligations imposed on our employees are enforceable and legally-binding under the PRC laws.

As at the Latest Practicable Date, we were the registered owner of 31 utility patents and had three pending invention patent applications in the PRC. As at the same date, we were also the registered owner of six trademarks and filed six trademark applications in the PRC.

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As at the Latest Practicable Date, we were the registered owner of two trademarks in Hong Kong, which are material to our business. At the same time, we had applied for the registration of five trademarks in Hong Kong.

Detailed information of our intellectual property rights is set out in the paragraph headed “Statutory and General Information — 5. Further Information about our Business — B. Our intellectual property rights” in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors after having made all reasonable enquiries, we did not infringe or were not alleged to infringe any intellectual property rights owned by third parties and we had not been subject to any material intellectual property claims against us or involved in any material intellectual property dispute.

PROPERTIES

Our existing production facilities are located on several parcels of land (the “**Land**”) with a total site area of approximately 277,148 square metres in Muzhou Town, Xinhui District, Jiangmen, Guangdong Province, the PRC comprising production plants, ancillary facilities, offices and dormitories with a total gross floor area of approximately 141,707 square metres.

Owned properties

Land Use Rights

As at the Latest Practicable Date, we held the state-owned land use right certificates to occupy five parcels of land and a collective-owned land use right certificate to occupy one parcel of land in Muzhou Town, Xinhui District, Jiangmen, Guangdong Province, the PRC, with a total site area of approximately 236,726 square metres.

Buildings

As at the Latest Practicable Date, we held 22 building ownership certificates for the buildings located in the parcels of land owned by our Group with a total gross floor area of approximately 107,919 square metres.

All our owned properties are held for our own use. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As at 31 December 2015, no single property interest that forms part of non-property activities has a carrying amount of 15.0% or more of our total assets. Accordingly, this prospectus is exempt from compliance with the requirements under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include a property valuation report. Pursuant to Rule 5.01A of the Listing Rules, a prospectus is exempt from the requirement if the carrying amount of a listing applicant’s non-properties are below 15.0% of its total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, with respect of the requirement under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Properties not owned by our Group

During the Track Record Period and up to the Latest Practicable Date, Mr. Xu and Jiangmen Huazhi respectively granted to our Group at nil consideration the right to use two parcels of land and six buildings (the “**Mr. Xu Properties**”) and three buildings (the “**Jiangmen Huazhi Properties**”), which are primarily used as workshops, storage facilities, offices and dormitories, with an aggregate gross floor area of 30,047 square metres and 5,374 square metres respectively. Jiangmen Huazhi is our connected person as it is owned as to 60.0% by Mr. Xu and 40.0% by Mr. Chen. Pursuant to an agreement dated 4 January 2016, we agreed to acquire and Mr. Xu agreed to transfer the Mr. Xu Properties currently used by our Group at an aggregate consideration of RMB45.0 million, which was determined after arm’s length negotiation between Mr. Xu and Jiangmen Huajin with reference to the market value of the Mr. Xu Properties as determined by the valuation report of Greater China Appraisal Limited, an independent property valuer. A RMB4.5 million deposit, representing 10% of the total consideration, was paid to Mr. Xu on 4 January 2016. The balance of the consideration will be settled by the net proceeds from the Global Offering. Pursuant to a lease agreement dated 4 January 2016, we have agreed to rent and Jiangmen Huazhi has agreed to let the Jiangmen Huazhi Properties for an initial term of three years commencing from the Listing Date at an aggregate monthly rent of RMB 28,000. For further information, please refer to the section headed “Connected Transactions” in this prospectus. As at the Latest Practicable Date, we had two leased properties in Hong Kong, one was for office use and the other one for staff accommodation use.

LEGAL PROCEEDINGS AND COMPLIANCES

Our Directors confirm that, to their best knowledge after making all reasonable enquiries, there was no litigation or arbitration proceeding pending or threatened against us or any of our Directors which would have a material adverse effect on our operations, financial condition, operating results or reputation during the Track Record Period and up to the Latest Practicable Date.

As confirmed by our PRC Legal Adviser, each of Jiangmen Huajin and Jiangmen Huamu obtained all requisite licences, permits and certification which are necessary for the operation of their business within the scope described in their respective business licences during the Track Record Period and up to the Latest Practicable date. Our Directors confirm, and our PRC Legal Adviser concurs, that during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any difficulties in renewing any of our licences, permits and certification necessary for our operations in the PRC.

Save for certain incidents of non-compliance set out below, our Directors are not aware of any material non-compliance of our Group with the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date:

1. Non-compliant bill financing

Overview

Our PRC subsidiaries, Jiangmen Huajin and Jiangmen Huamu, entered into bank acceptance bills arrangement with five commercial banks in the PRC. The bills issued were repayable within six months from the date of issuance and generally required a cash collateral in the range of 30% to 50% of the face amount of the bills issued.

From the beginning of the Track Record Period up to December 2014, Jiangmen Huajin and Jiangmen Huamu had applied to these five commercial banks (the “**Bill Issuing Banks**”) for issuance of bank acceptance bills to related parties which were principally engaged in steel trading business. They were involved in the said arrangements such that bank acceptance bills were issued for the settlement of steel purchase invoices, which were not backed by actual underlying transactions.

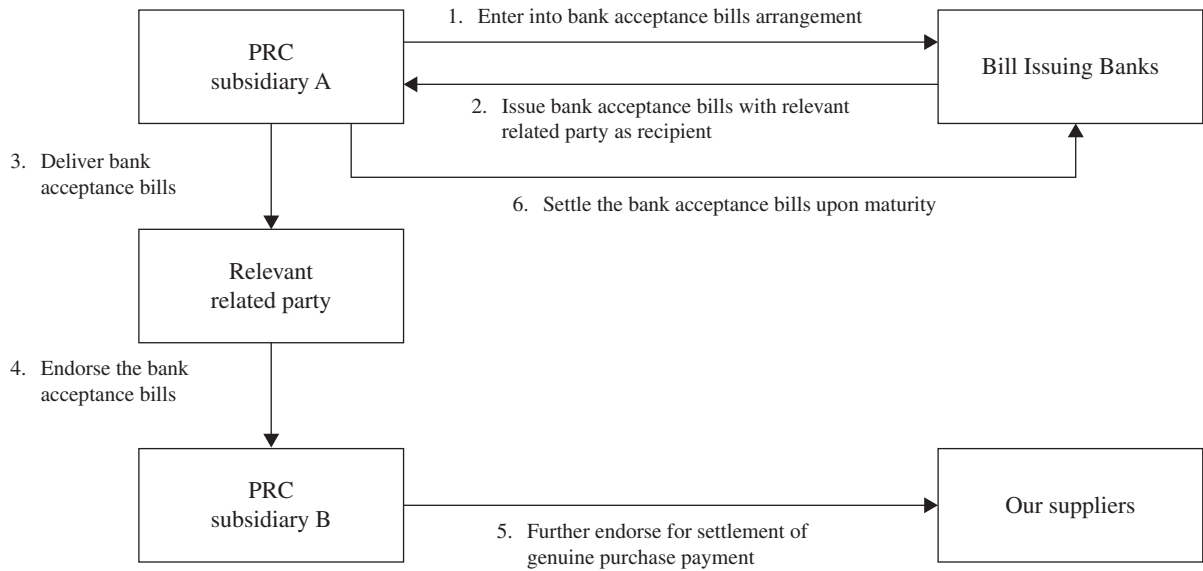
Our PRC Legal Adviser advised that bill financing arrangements without actual underlying transactions were not in compliance with the PRC Negotiable Instruments Law (中華人民共和國票據法) and certain banking regulations promulgated by PBOC, including the Circular of the People’s Bank of China on Releasing the Tentative Measures for the Administration of Commercial Draft Acceptance, Discount and Rediscount (商業匯票承兌、貼現與再貼現管理暫行辦法), the Measures for the Implementation of the Administration of Negotiable Instruments (票據管理實施辦法), the Measures for the Payment and Settlement (支付結算辦法) and the Notice of the People’s Bank of China on Certain Improvements of the Negotiable Instruments Systems (中國人民銀行關於完善票據業務制度有關問題的通知).

The non-compliant bank acceptance bills were used in two circumstances as follows:

- (1) We caused the relevant related party to endorse the relevant bank acceptance bills to one of our PRC subsidiaries (not the one which arranged the issuance of the relevant bills) for our further endorsement to our suppliers for settlement of genuine purchase payment.

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The following diagram illustrates the processes involved in this circumstance:



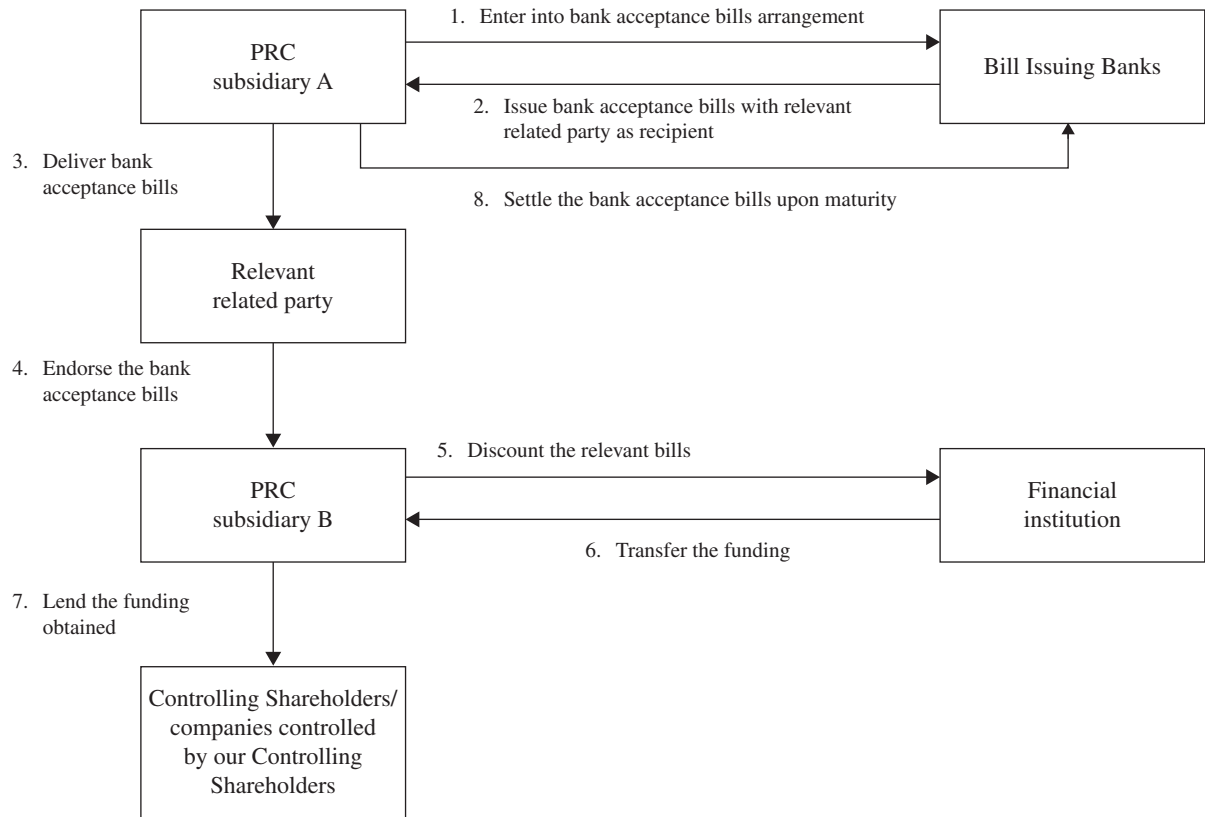
As confirmed by our Directors, whilst we, as a group, had sufficient bank acceptance bill issuance facility, the distribution of such facility within our Group did not match with the payment needs of each individual PRC subsidiary. Therefore, there were occasions where our PRC subsidiary had to settle the cost of purchase but did not have available facility amount, and needed to obtain the required facility amount from another subsidiary under this arrangement.

Following cessation of the non-compliant bill financing arrangements, we negotiated with the Bill Issuing Banks for appropriate banking facilities for each of our PRC subsidiaries, either in the form of short term working capital loan or bill issuance facility, based on their respective purchase planning in the following year.

- (2) We caused the relevant related party to endorse the relevant bank acceptance bills to one of our PRC subsidiaries (not the one which arranged the issuance of the relevant bill), which then discounted the relevant bill to a financial institution for obtaining financing for onward lending to our Controlling Shareholders or companies controlled by our Controlling Shareholders.

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The following diagram illustrates the processes involved in this circumstance:



As confirmed by our Directors, the reason for this arrangement was to take advantage of the flexibility in obtaining funding from financial institutions from time to time to finance the funding needs of those companies controlled by our Controlling Shareholders. It generally took approximately a week from the application for the issuance of a bank acceptance bill by our PRC subsidiaries to the discounting of the relevant bill.

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The following table sets out the key financial information in respect of the non-compliant bill financing:

	Year ended 31 December/ As at 31 December		
	2013	2014	2015
For settlement of our purchase payment:			
Total amount of bills issued <i>(RMB' million)</i>	103.2	83.1	nil
Year end balance of outstanding non-compliant bills issued <i>(RMB' million)</i>	35.3	11.0	nil
For onward lending to our Controlling Shareholders or companies controlled by our Controlling Shareholders:			
Total amount of bills issued <i>(RMB' million)</i>	370.6	307.7	nil
Year end balance of outstanding non-compliant bills <i>(RMB' million)</i>	212.0	126.3	nil
Interest expenses for bill discounting <i>(RMB' million)</i>	11.3	9.2	nil
Year end balance of amounts due from our Controlling Shareholders and companies controlled by our Controlling Shareholders <i>(RMB' million)</i> ^{Note 1}	389.4	306.0	122.4
Interest income received on amount due from our Controlling Shareholders and companies controlled by our Controlling Shareholders <i>(RMB' million)</i> ^{Note 1}	16.8	17.5	nil
<i>For illustrative purpose only</i>			
Total theoretical amount of interest saved in both circumstances <i>(RMB' million)</i> ^{Note 2}	3.1	2.6	nil

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Notes:

1. Amounts due from our Controlling Shareholders and companies controlled by our Controlling Shareholders were financed by both funds obtained from non-compliant bill financing and our own working capital.
2. The theoretical amount of interest saved is calculated based on the amount of funds obtained from the non-compliant bill financing arrangements multiplied by an interest rate of 6.56% per annum which was the weighted average interest rate of our bank borrowings charged by the banks in the PRC during the two years ended 31 December 2014, then minus the interest expenses for bill discounting. The theoretical interest saved from using the non-compliant bills to settle our purchase payment amounted to approximately RMB2.5 million, RMB1.7 million and nil for each of the three years ended 31 December 2013, 2014 and 2015, respectively; whereas the theoretical interest saved from using the non-compliant bills to obtain funding for onward lending to related parties amounted to approximately RMB0.6 million, RMB0.9 million and nil for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

Since the funds obtained from the non-compliant bill financing arrangements were primarily for the funding needs of the companies controlled by our Controlling Shareholders, the non-compliant bill financing arrangements were not intended for reducing our finance costs or obtaining lower costs funding for our operational needs. Our results of operations and financial position did not benefit from such arrangements. As such, the amount of interest saved as set out above is for illustrative purpose only.

Mr. Xu, our Chairman and our executive Director, oversaw all our bills arrangement during the Track Record Period and authorised our accounts and finance manager to implement the bills arrangement, including the non-compliant bill financing arrangement. Mr. Luo did not authorise and was not involved in any manner in relation to the non-compliant bill financing arrangement of our Group at all material times. We ceased the abovementioned non-compliant bill financing arrangement in December 2014 and fully settled the last outstanding non-compliant bill in May 2015.

Since the funds obtained from the non-compliant bill financing arrangements were primarily for the funding needs of the companies controlled by our Controlling Shareholders, our Directors confirm that our business and financial performance could still be sustained without such non-compliant bill financing arrangements during the Track Record Period.

Confirmation from Jiangmen Branch of PBOC

According to our PRC Legal Adviser, PBOC is responsible for monitoring bill financing activities in the PRC and the Jiangmen Central Branch of PBOC is the relevant and competent government authority for bill financing activities. On 11 November 2015, we received written confirmations from the Jiangmen Central Branch of PBOC confirming that it has not imposed any administrative penalties against our Group and the related personnel in respect of the use of bill financing arrangements by our Group.

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In addition to the written confirmations from the Jiangmen Central Branch of PBOC received on 11 November 2015, our PRC Legal Adviser verbally consulted the Jiangmen Central Branch of PBOC on 10 November 2015 and it is given to understand that the Jiangmen Central Branch of PBOC will not impose any penalties against our Group or its senior management in relation to the non-compliant bill financing arrangements. Our PRC Legal Adviser also confirms that the officer of the Jiangmen Central Branch of PBOC with whom it verbally consulted is in the position with the appropriate authority to attend the consultation and provide the above confirmation.

Our PRC Legal Adviser is of the view that the Jiangmen Central Branch of PBOC is the appropriate and competent authority having jurisdiction in relation to the non-compliant bill financing arrangements and is empowered to impose punitive or legal actions against our Group or senior management in relation to non-compliant bill financing arrangements on the following bases:

1. according to the “principle of territorial jurisdiction” as prescribed in article 20 of the Law of the PRC on Administrative Penalties (中華人民共和國行政處罰法) (the “**Administrative Penalties Law**”), except as otherwise prescribed by laws or administrative rules and regulations, administrative penalties shall be governed by an administrative organ of the local people’s government at or above the county level in the place where the illegal act is committed that is empowered to imposed administrative penalties;
2. the Guangzhou Branch of PBOC, the directly supervisory unit of the Jiangmen Central Branch of PBOC, verbally confirmed to our PRC Legal Adviser on 17 February 2016 that the Jiangmen Central Branch of PBOC shall have jurisdiction in relation to bill financing arrangement in Jiangmen; and
3. our Group received a written confirmation issued by Jiangmen supervision branch of CBRC on 25 January 2016 confirming that its scope of responsibility only covers the supervision of banks and financial institutions as well as their business activities in Jiangmen and the Jiangmen supervision branch of CBRC does not supervise the business activities of non-banking entities such as our Group.

Our PRC Legal Adviser further advises that it is not customary for the provincial level PBOC to be involved in imposing punitive and legal actions in relation to non-compliant bill financing arrangements.

Confirmations from the Bill Issuing Banks

We received confirmations in October and November 2015 from each of the Bill Issuing Banks involved in the bill financing arrangements, which state that:

- all the bank acceptance bills which had expired was fully settled;
- they had not incurred any loss as a result of bill financing arrangements;

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- there are no existing disputes associated between the bank and Jiangmen Huajin/Jiangmen Huamu; and
- they would not take any legal action against Jiangmen Huajin/Jiangmen Huamu, its directors or any relevant employees in connection with bill financing arrangements.

No fraud, bribery or other illegal activities involved in our Group's non-compliant bill financing arrangements

Our PRC Legal Adviser is of the view that the non-compliant bill financing arrangement did not constitute any fraudulent activity (including fraud as defined under Articles 102 of the PRC Negotiable Instruments Law and crime of financial fraud under Section 5, Chapter 3, Part II of the PRC Criminal Law) on the following bases:

- such non-compliant bill financing arrangement was not for the purpose of obtaining bank funds for illegal possession;
- all the outstanding bills under the non-compliant bill financing arrangement had been fully settled and the relevant Bill Issuing Banks have not incurred any loss as a result of the non-compliant bill financing arrangement; and
- the behaviour of our Group in the course of the non-compliant bill financing arrangement did not amount to fraudulent behaviour as prescribed in the PRC Negotiable Instruments Law and the PRC Criminal Law, such as (a) forging or altering a negotiable instrument or deliberately using forged or altered negotiable instruments; (b) issuing dishonourable checks or deliberately issue checks whose signature or seal does not tally with the signature or seal in the true name pre-submitted for counter-checking; (c) issuing negotiable instruments without reliable sources of funds in order to obtain money by deception; (d) making false recordings when issuing negotiable instruments in order to obtain property or money by deception; and (e) using negotiable instruments of others or deliberately use expired or voided negotiable instruments in order to obtain property and money by deception.

Our Directors consider, and the Sole Sponsor concurs that no fraud, bribery or other illegal activities were involved in our Group's non-compliant bill financing arrangements on the following bases:

- the legal opinion of our PRC Legal Adviser as set out above;
- the written confirmations from the Jiangmen Central Branch of PBOC confirming that it had not imposed any administrative penalties against our Group and the related personnel in respect of the use of bill financing arrangements by our Group;

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- the written confirmations from each of the Bill Issuing Banks involved in the bill financing arrangements confirming, amongst other things, they had not incurred any loss as a result of bill financing arrangements, they would not take any legal action against our PRC subsidiaries, their directors or any relevant employees in connection with bill financing arrangements;
- the written confirmations from our PRC subsidiaries and the related parties involved in the non-compliant bill financing arrangements that no fraud, bribery or other illegal activities were involved in our Group's non-compliant bill financing arrangements;
- the civil and criminal litigation search results against our PRC subsidiaries, Directors and senior management members obtained from an independent background search agent; and
- the interview with each of the Bill Issuing Banks confirming that they were not aware of any incidents or hearsay information from any source that our PRC subsidiaries, their directors or any relevant employees were involved in any fraud, bribery or other illegal activities in relation to our Group's non-compliant bill financing arrangements.

Opinion of our PRC Legal Adviser on the likelihood of us being penalised

Our PRC Legal Adviser is of the view that there is no legal basis for the PBOC, CBRC or any other financial departments to impose any administrative penalties on our Group, Directors or senior management due to the Non-compliant Bills Arrangement because of the following reasons:

1. neither the PRC Negotiable Instruments Law nor other PRC laws or regulations stipulate the penalties for bill financing arrangements without actual underlying transactions; and
2. article 3 of the Administrative Penalties Law provides that any administrative penalty that is not imposed in accordance with law or in compliance with legal procedures shall be invalid.

Our PRC Legal Adviser is of the view that our PRC subsidiaries, their directors or any relevant employees will not be penalised for the non-compliant bill financing arrangements by the competent authority in light of the fact that (i) each of Jiangmen Huajin and Jiang Huamu had ceased the non-compliant bill financing arrangements since December 2014; (ii) there are no existing or potential disputes among the parties associated with the non-compliant activities; (iii) no penalties or other punitive measures had been imposed against our Group, our Directors or senior management for the non-compliant bill financing arrangements; (iv) the relevant PRC government authorities and/or Bill Issuing Banks had confirmed that they would not take any punitive or legal actions against Jiangmen Huajin or Jiangmen Huamu; (v) the confirmation issued by Jiangmen Central Branch of PBOC, the competent authority empowered to impose penalties against the non-compliant bill financing arrangements in Jiangmen City, is valid under the relevant PRC laws; and (vi) there is no legal basis for the PBOC, CBRC or any other financial departments to impose any administrative penalties in relation to non-compliance bill financing arrangements.

Internal control measures in place to prevent recurrence

To prevent recurrence of this non-compliant incident, we have adopted the following internal control measures in relation to bill financing arrangements:

- the adoption of written internal control policies and procedures in relation to bill financing arrangements;
- our finance and accounting department shall keep all bank acceptance bills and record the details of such bills in our internal register;
- the discount of bills should be approved by Mr. Luo, our executive Director, and our finance and accounting department should record the details of such discounting of bills;
- bill endorsements for payment to suppliers shall be approved by Mr. Luo, our executive Director, and our finance and accounting department shall record the relevant bill and corresponding supplier contract;
- our finance and accounting department will ensure that there is no bill financing arrangement without actual underlying transactions and track the status of bill financing arrangement and bill endorsement to confirm the bill is not used for providing financing assistance to any third party or related companies;
- our internal audit department shall conduct internal reviews on our internal control system in relation to bill financing arrangements on a quarterly basis;
- our finance and accounting department may penalise the staff who breach the internal control policies and procedures in relation to bill financing arrangements or the PRC Negotiable Instruments Law;
- the prohibition of funds transfer to related parties without actual transactions; and
- training has been provided by our PRC Legal Adviser to the relevant Directors and members of the senior management, and the financial management team of our Group covering an introduction of bills and bill financing, the relevant PRC laws and regulations, the bill financing procedures and the associated risks and case study of bill financing non-compliance.

Our internal control consultant completed an initial review on our internal control system in October 2015 and identified the deficiencies about the internal control measures in relation to the bill financing arrangements. Following identification of the deficiencies by our internal control consultant, we implemented the remedial measures as suggested by the internal control consultant.

Our internal control consultant conducted a follow-up review on the above internal control measures in December 2015 by performing walk-through and control testing as well as an additional review in January 2016 to review our Group's bill financing arrangements for the period

from 3 December 2015 to 22 January 2016. Based on the foregoing follow-up reviews, our internal control consultant concurs with the view of our Directors that the remedial measures recommended for improving internal control in relation to bill arrangements have been implemented since 30 November 2015, and the revised internal control measures can address the internal control deficiencies identified in relation to the bill financing arrangements. No further deficiencies were identified by our internal control consultant in the abovementioned follow-up reviews.

In addition, we will engage our internal control consultant to assess our internal control system including bill financing arrangements and to report the review results to our Board and audit committee after Listing. Our internal control consultant will conduct two further reviews on our Group's bill financing arrangements in July 2016 and January 2017 to cover the six months ending 30 June 2016 and the six months ending 31 December 2016. We will also disclose in our first annual report after Listing any non-compliant bill financing arrangements identified during the internal and external reviews on our internal control system.

Based on the foregoing, our Directors confirm that our internal control procedures are adequate and effective in preventing future non-compliance in relation to bill financing arrangements. Further, the Sole Sponsor is of the view that our enhanced internal control measures are adequate and effective to prevent the recurrence of the Non-compliant Bills Arrangement.

Suitability for listing under Rule 8.04 of the Listing Rules and suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules

In light of the reasons set out below and also the following actions taken by us and our Directors, our Directors are of the view and the Sole Sponsor concurs that (i) the non-compliant bill financing arrangements do not affect our suitability for listing under Rule 8.04 of the Listing Rules; and (ii) our Directors involved in the non-compliant bill financing arrangements have the character, experience and integrity required of a director under Rules 3.08 and 3.09 of the Listing Rules:

- our Directors authorised such non-compliant bill financing arrangements because they did not have the relevant legal knowledge in the past that they involved any non-compliance with the PRC laws or regulations at the time when our Directors authorised them, as they were not adequately advised by professionals on matters pertaining to bill financing at that time;
- we have ceased any further non-compliant bill financing arrangements since December 2014 and fully settled all bank acceptance bills in relation to such bill financing arrangements by May 2015;
- we had worked with the Bill Issuing Banks to redistribute the aggregate facility amounts to our Group between our two PRC subsidiaries, either in the form of short-term working capital loan or bill issuance facility, based on their respective purchase planning in the following year and it is our plan to conduct such review every year;
- the funds obtained from the non-compliant bill financing arrangements were primarily for the funding needs of the companies controlled by our Controlling Shareholders;

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- our Directors confirm that neither they nor any of their associates received any amount as rebate in connection with the non-compliant bill financing arrangements during the Track Record Period;
- no fraud, bribery or other illegal activities under the PRC Negotiable Instruments Law were involved in the non-compliant bill financing arrangements. For further details, please refer to the paragraphs headed “Legal Proceedings and Compliances — 1. Non-compliant financing — No fraud, bribery or other illegal activities involved in our Group’s non-compliant bill financing arrangements” in this section;
- our Directors will procure our Group not to, engage in or permit the engagement in non-compliant bill financing arrangements in the future;
- we had obtained confirmations from the relevant PRC Government authorities and the Bill Issuing Banks as mentioned above;
- our Group has taken the remedial measures set out in the paragraph headed “Legal Proceedings and Compliances — 1. Non-compliant bill financing — Internal control measures in place to prevent recurrence” in this section; and
- our Controlling Shareholders have jointly and severally undertaken to fully indemnify us from all liabilities arising from the non-compliant bill financing arrangements.

2. Failure to make contributions on time and in full to the social insurance funds

The incident

During the Track Record Period, both Jiangmen Huajin and Jiangmen Huamu did not make contributions in full to the social insurance funds for their employees based on actual wages of employees.

For each of the three years ended 31 December 2013, 2014 and 2015, the difference in the actual amount paid by us in relation to social welfare schemes and the amount which should have been paid by us pursuant to the requisite contribution requirements were approximately RMB0.4 million, RMB1.0 million and RMB1.5 million, respectively.

Applicable laws and regulations

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant authorities may demand us to pay the difference in social insurance funds contribution based on the actual wages of employees within a stipulated deadline and we may be liable to a penalty equal to 0.05% of the difference calculated daily from the date the relevant insurance funds became payable and if we fail to make the required payment within the prescribed time limit, we may be subject to a fine of one to three times of the overdue amount.

Reasons for non-compliance

The management and human resources department of our Group had a different interpretation towards the relevant laws and regulations in respect of social insurance contributions for our employees. Moreover, some of our employees only worked in our Group for a short period of time, we were not able to attend to the account opening formalities in time before the departure of the employees concerned.

Corrective actions, current status and impact on our Group

Each of Jiangmen Huajin and Jiangmen Huamu has made social insurance contributions in full in compliance with the relevant laws and regulations since December 2015.

During the Track Record Period and up to the Latest Practicable Date, our Group has not received any orders or demands from the relevant government authorities requesting our Group to pay the unpaid housing provident fund contributions or any penalties.

We have also obtained written confirmations on 17 November 2015 from the Social Insurance Fund Administrative Bureau of Xinhui District, the relevant and competent local social insurance funds authorities as confirmed by our PRC Legal Adviser, confirming, amongst other things, that each of Jiangmen Huajin and Jiangmen Huamu has completed social insurance registration and passed the annual examinations in accordance with the law and complied with the relevant national and local laws, regulations, rules and other regulatory documents regarding labour and social security, as well as made contribution payments to the employees' pension, medical, work-related injury, unemployment and maternity insurance for the employees on a basis that is not less than the lower limit as prescribed by the local regulations of Jiangmen. The confirmations further confirm that each of Jiangmen Huajin and Jiangmen Huamu has not been penalised for violating any laws or regulations in relation to labour and social security for the period from their respective establishment date to 17 November 2015.

Provision has not been made for the unpaid amount of contributions and fines since our PRC Legal Adviser is of the view that the likelihood of us being demanded to pay the unpaid amount of contributions or penalised by the competent authority on its own initiative is remote.

Internal control measures in place to prevent recurrence

For details of the remedial measures taken to prevent recurrence of this non-compliant incident, please refer to the paragraph headed "Legal Proceedings and Compliance — 3. Failure to register with the relevant authorities and to make any contributions to the housing provident funds — Internal control measures in place to prevent recurrence" in this section.

3. Failure to register with the relevant authorities and to make any contributions to the housing provident funds

The incident

During the Track Record Period, both Jiangmen Huajin and Jiangmen Huamu did not register with the relevant authorities in respect of the housing provident funds and did not make any contributions to the housing provident funds for their employees.

For each of the three years ended 31 December 2013, 2014 and 2015, the amount of housing provident fund which should have been paid by us pursuant to the requisite contribution requirements were approximately RMB0.5 million, RMB0.9 million and RMB1.1 million, respectively.

Applicable laws and regulations

According to the Regulations on the Management of the Housing Provident Funds (住房公積金管理條例), the relevant authorities may demand us to register and establish an account for housing provident funds for its employees within a prescribed period and the relevant housing provident funds authorities may impose a penalty from RMB10,000 to RMB50,000 if we fail to do so. The relevant housing provident funds authorities may also order our relevant PRC subsidiaries to pay the outstanding amounts of the housing provident funds within the prescribed time period. If our PRC subsidiaries fail to do so, the relevant housing provident funds authorities may apply to the relevant PRC court for the enforcement of the unpaid amounts.

Reasons for non-compliance

The management and human resources department of our Group had a different interpretation towards the relevant laws and regulations in respect of housing provident funds contributions for our employees. Moreover, to the best knowledge of our Directors who made reasonable enquiries, some of our employees did not want to participate in the housing provident fund schemes as they do not want to bear their portion of contribution.

Corrective actions, current status and impact on our Group

Each of Jiangmen Huajin and Jiangmen Huamu registered with the relevant local housing provident fund authorities on 9 October 2015. We have made housing provident fund contributions in full compliance with the relevant laws and regulations since October 2015.

During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any orders or demands from the relevant government authorities requesting our Group to pay the unpaid housing provident fund contributions or any penalties.

We have also obtained written confirmations on 13 November 2015 from Jiangmen Housing Provident Funds Administration Centre Xinhui Branch, the relevant and competent local housing provident funds authorities as confirmed by our PRC Legal Adviser, confirming that each of Jiangmen Huajin and Jiangmen Huamu has established housing provident fund accounts, has not

violated any laws or regulations in relation to housing provident fund and has not been investigated or penalised by the relevant housing provident fund authorities for the period from their respective establishment date to 13 November 2015.

Provision has not been made for the unpaid amount of contributions and fines since our PRC Legal Adviser is of the view that the likelihood of us being demanded to pay the unpaid amount of contributions or penalised by the competent authority on its own initiative is remote.

Internal control measures in place to prevent recurrence

To prevent recurrence of the non-compliant incidents, in relation to contributions to social insurance fund and housing provident fund we have adopted the following internal control measures:

- all new employment contracts have specified that our employees shall peruse our employees manual which specifies that our Group and employees shall comply with the laws and regulations relating to social insurance and housing provident fund contributions;
- training had been provided to the relevant personnel in the human resources department and the finance and accounting department in our Group;
- our finance and accounting department calculates the amount of social insurance and housing provident fund contributions payable with reference to the list of employees which is prepared and updated on a monthly basis by our human resources department; and
- our human resources department and finance and accounting department are responsible for updating the information of our eligible employees on the social insurance and housing provident fund websites respectively.

The internal control consultant has reviewed the internal control measures set out above, and performed walk-through and control testing. Based on the foregoing, it concurs with the view of our Directors that we have properly designed the internal controls to address the deficiencies for the purpose of preventing non-compliance on relation to social insurance fund and housing provident funds.

4. Non-compliant loans

The incident

During the Track Record Period, we made certain loans to our related party enterprises and other enterprises who are Independent Third Party. We have ceased making such loans since October 2015.

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The following table sets out further information in relation to the non-compliant loans:

	Year ended 31 December/As at 31 December		
	2013	2014	2015
	<i>(RMB' million)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>
Total amount of non-compliant loans granted by us	1,129.5	967.7	736.3
Total amount of repayment of non-compliant loans	1,093.6	1,060.8	1,017.6
Year end balance of outstanding non-compliant loans	377.6	284.5	nil

The interests received by us in relation to these non-compliant loans during the Track Record Period amounted to approximately RMB35.8 million. As confirmed by our Directors, (i) the reason of these transactions was not to receive economic benefits but to allocate fund to meet the funding needs (as detailed below) of those companies controlled by our Controlling Shareholders; (ii) the interest received was to cover the interests expenses incurred to obtain the relevant financing; and (iii) such non-compliance was mainly due to a lack of understanding of the senior management on the restrictions on these loans under the relevant PRC laws and regulations.

The funding needs of those companies controlled by our Controlling Shareholders were primarily to:

1. finance the acquisition of industrial land parcels in Jiangmen; and
2. finance their property development business.

These companies which are controlled by our Controlling Shareholders and obtained non-complaint loans from us include the Related Metal Companies. For further details of the Related Metal Companies, please refer to the section headed “Relationship with Controlling Shareholders — Non-Competition Undertakings” in this prospectus.

Our Directors also confirm that, to their best knowledge after having made all reasonable enquiries, save for those in connection with their ordinary course of business, none of our related party enterprises to which we had made loans during the Track Record Period had any past or present fund transfers with our customers during the Track Record Period and up to the Latest Practicable Date.

Applicable laws and regulations

According to our PRC Legal Adviser, such lending activities between enterprises in the PRC did not comply with the Lending General Provisions (貸款通則) promulgated by PBOC in 1996 and the penalty which may be imposed on our Group will be one to five times of the illegal income our Group earned from the non-compliant loans. In respect of the calculation of administrative penalty which may be imposed on our Group in relation to non-compliant loans, the Lending General Provisions (貸款通則) do not explicitly prescribe the definition of income for the

calculation of the penalty and there have not been any cases where the PBOC imposed a fine on the lending party under the Lending General Provisions. Our PRC Legal Adviser advises that, in certain criminal proceedings, such income was interpreted as the net interest income received by the lender after deducting the relevant interest expenses. Should such approach be adopted, the maximum penalty which may be imposed on our Group would amount to approximately RMB29.0 million (equivalent to five times of RMB5.8 million, the net interest income derived from the non-compliant loans during the Track Record Period). However, our PRC Legal Adviser advises that the possibility for PBOC to impose such administrative liability on us in relation to non-compliant loans is remote. For details of our PRC Legal Adviser's opinion on non-compliant loans, please refer to the paragraph below headed "Legal Proceedings and Compliances — 4. Non-compliant loans — Corrective actions, current status and impact on our Group" in this section.

Corrective actions, current status and impact on our Group

On 30 September 2015, our Controlling Shareholder, Mr. Xu took up all the relevant loans by way of assignment and we had an amount due from Mr. Xu in the amount of approximately 122.4 million as at 31 December 2015. Mr. Xu will fully settle this amount prior to Listing. During the Track Record Period and up to the Latest Practicable Date, there was no dispute between the parties to these non-compliant loans. Our Directors further confirm that we have ceased making non-compliant loans since October 2015.

Our PRC Legal Adviser interviewed the Jiangmen Central branch of PBOC on 10 November 2015 and was given to understand that (i) non-compliant loan is prevalent in the PRC, (ii) the Jiangmen Central branch of PBOC has not imposed any penalties against any companies in Jiangmen in relation to non-compliant loans and (iii) it would not impose any administrative or punitive actions against our Group, our Directors or our senior management for the non-compliant loans. As confirmed by our PRC Legal Adviser, the Jiangmen Central Branch of PBOC is the relevant and competent authorities to advise and to be consulted in respect of the non-compliant loans.

As advised by our PRC Legal Adviser, pursuant to the Provisions of the Supreme People's Court of the PRC on Certain Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), which has been in effect since 1 September 2015, loan agreements entered into between corporate bodies for the purpose of corporate's production and operation are valid except in the following circumstances:

- the loan agreement is invalid under article 52 of the PRC Contract Law (合同法);
- the lender borrows funds from a financial institution and lend the fund at a higher interest rate to the borrower, who knows or ought to know about this;
- the lender borrows funds from another corporate bodies or raises the fund from its employee and lends the fund with the aim of making profit from the borrower, who knows or ought to know about this;
- the lender knows or ought to know that the loan is for an illegal purpose;

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- the loan violates public order or good moral standards; or
- the loan violates any compulsory provision in any other laws or administrative regulations.

Our PRC Legal Adviser confirms that the non-compliant loans made by us do not fall under any of the above situations that would invalidate the relevant loan arrangement.

In light of the above interview, the judicial interpretation by the Supreme People's Court of the PRC and on the basis that (i) the entering into of the non-compliant loans was not to earn profit but to allocate fund to facilitate the development of these enterprises; (ii) we have already ceased such practice; (iii) there are no existing or potential disputes among the parties associated with the non-compliant loans; and (iv) no penalties or other punitive measures had been imposed against our Group, our Directors or senior management for the non-compliant loans, our PRC Legal Adviser advises that the possibility for PBOC to impose administrative liability on our Group in relation to the non-compliant loans is remote.

Our Directors are of the view that, considering the advice from our PRC Legal Adviser above and the amounts advanced will be fully settled before Listing, and that pursuant to the Deed of Indemnity given by our Controlling Shareholders in favour of our Company, our Controlling Shareholders have given undertakings that they will indemnify our Group against all losses, claims, charges or expenses arising from our non-compliance in relation to the non-compliant loans, such non-compliance is not expected to have any material impact on our financial condition or operating results.

Internal control measures in place to prevent recurrence

To prevent recurrence of this non-compliant incident, we have adopted the following internal control measures:

- the adoption of internal guidelines and policies to avoid the recurrence of non-compliant loans;
- training has been provided and by our PRC Legal Adviser to our Directors, senior management and relevant employees about the new policy with the emphasis that inter-company loans are not in compliance with the relevant PRC laws and regulations.

The internal control consultant has reviewed the internal control measures set out above, and performed walk-through and control testing. Based on the foregoing, it concurs with the view of our Directors that we have properly designed the internal controls to address the deficiencies for the purpose of preventing non-compliant loans.

In order to ensure that all funds held by us will be used in our ordinary and usual course of business, our Board has decided to engage our internal control consultant to conduct special reviews on our fund management and transfers on a half-yearly basis after the Listing until the publication of its first annual report, and to report the review results to our Board and the audit

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committee, including any irregularity identified in relation to fund transfers between us and the entities controlled by our Controlling Shareholders, for disclosure in our relevant annual and interim reports.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining our internal control system, covering areas such as corporate governance, operations, management, legal matters, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system. Upon completion of the evaluation in September 2015, our internal control consultant identified a number of internal control deficiencies and weaknesses and provided us with suggestions and recommendations to improve and enhance our internal control system. We have taken corrective measures to address those deficiencies and weaknesses and implemented the suggestions and recommendations proposed by our internal control consultant.

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the Listing Rules) after the Listing, we intend to adopt or have adopted the following measures, in addition to the internal control measures for the specific non-compliance matters set out above in this section.

- (1) our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- (2) Mr. Lee Chi Ho, our chief financial officer, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Mr. Lee will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For further information about the experience of Mr. Lee, please refer to the section headed “Directors and Senior Management” in the prospectus;
- (3) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision making process and provide independent advice to our Board and Shareholders;
- (4) we have established an audit committee to assist our Board by providing independent view of the effectiveness of our financial reporting process and internal control and risk management systems, and overseeing the audit process;
- (5) we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the Listing Rules;

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- (6) we will provide training and updates on the legal and regulatory requirements applicable to our business operations to our Directors, members of senior management and relevant employees from time to time;
- (7) if necessary, we may consider appointing external PRC legal advisers to advise us on matters relating to compliance with applicable PRC laws and regulations; and
- (8) if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

The internal control consultant has reviewed the design and implementation of the remedial controls surrounding the above deficiencies identified in its evaluation in September 2015 and has reported to our Company that no major internal control deficiencies have been further identified regarding our internal control system.

Our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to minimise risks of non-compliance and prevent future recurrence of the non-compliant incidents disclosed in the paragraph headed “Legal Proceedings and Compliances” in this section. Our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by us are adequate and effective. Further, our Directors and the Sole Sponsor are of the view that the non-compliance incidents disclosed in the paragraph headed “Legal Proceeding and Compliances” in this section do not cast any doubt on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules, or our Company’s suitability for listing under Rule 8.04 of the Listing Rules.

RISK MANAGEMENT

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives.

The risks which are identified by our Company are broadly categorised into business risks, financial risks, compliance risks and operation and other risks. All such risks may arise from time to time in connection with the operations of our Group.

The risk management process of our Group is managed by our Board of Directors. The objectives of risk management are to, among others, enhance our Company’s governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses. We have adopted internal policies in relation to risk management. Our Directors will review the implementation and effectiveness of our risk management policies on an annual basis and disclose the review result in our annual report upon Listing.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transactions with parties who are our connected persons including an one-off transaction and another transaction that will continue following the Listing Date, thereby constituting connected transactions of our Group under Chapter 14A of the Listing Rules.

ONE-OFF CONNECTED TRANSACTION

On 4 January 2016, Jiangmen Huajin, as purchaser, entered into a sale and purchase agreement (the “**Purchase Agreement**”) with Mr. Xu, as vendor, by which Jiangmen Huajin agreed to purchase from Mr. Xu the land use rights of two parcels of industrial land with an aggregate site area of approximately 40,422 square metres and the operational buildings erected thereon with an aggregate gross floor area of approximately 30,047 square metres which are situated at Chenzi Wei, Xinsha Villager’s Committee, Muzhou Town, Xinhui District, Jiangmen, Guangdong Province, the PRC (中國廣東省江門市新會區睦州鎮新沙村民委員會農字圍) (the “**Properties**”) at an aggregate consideration of RMB45,000,000. The consideration was determined after arm’s length negotiation between Mr. Xu and Jiangmen Huajin with reference to the market value of the Properties of approximately RMB45,260,000 pursuant to the valuation report prepared by Greater China Appraisal Limited, an independent property valuer.

During the Track Record Period, the Properties were occupied and used by us in our operation at no cost. As assessed by Greater China Appraisal Limited, an independent property valuer, the monthly market rent of the Properties as at 31 December 2013, 2014 and 2015 were RMB145,000, RMB153,000 and RMB153,000, respectively, based on which the fair rental value of the Properties for each of the three years ended 31 December 2013, 2014 and 2015 were estimated at RMB1,740,000, RMB1,836,000 and RMB1,836,000, respectively. Mr. Xu has given a written consent to our continuing use of the Properties for free till the date when the property ownership and land use right of the Properties are transferred to Jiangmen Huajin pursuant to the Purchase Agreement.

On 4 January 2016, we paid a deposit of RMB4,500,000, being 10.0% of the total consideration, to Mr. Xu for the purchase of the Properties according to the Purchase Agreement. We intend to use part of the net proceeds of the Global Offering to settle the balance of the purchase price. The application for registration of the Purchase Agreement and the transfer of the property ownership and land use right of the Properties with the competent PRC authorities will be filed immediately after the purchase price is fully settled. After consulting our PRC Legal Adviser, our Directors confirm that there is no legal obstacle for the transfer of the Properties to our Group. It is expected that the transfer of the Properties may be completed around three months from the date of application for registration of such transfer.

Save as disclosed above, there is no information that should be disclosed pursuant to paragraph 49(1)(c) of Appendix 1A to the Listing Rules, in respect of transactions relating to the Properties completed within two years immediately preceding the date of this prospectus, where our Directors (including our independent non-executive Directors) had any direct or indirect interests.

CONNECTED TRANSACTIONS

As the relevant applicable percentage ratios in respect of the transaction under the Purchase Agreement is less than 5%, such transaction should be considered, pursuant to Rule 14A.76(2) of the Listing Rules, a connected transaction exempt from shareholders' approval requirements should our Company have been listed on the Stock Exchange at the time when the transaction was entered into.

EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into a continuing transaction with a party who is our connected person. Such transaction will continue following the Listing Date and thereby constitute a continuing connected transaction of our Group under Chapter 14A of the Listing Rules. Set out below is a summary of such continuing connected transaction which is fully exempt from the relevant reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Our Directors confirm that such transaction has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and is fair and reasonable and in the interest of our Company and our Shareholders as a whole.

The Lease Agreement

On 4 January 2016, a lease agreement (the "**Lease Agreement**") was entered into between Jiangmen Huazhi, as the landlord, and Jiangmen Huamu, as the tenant, in respect of the warehouses built on a parcel of land situated at Dawei, Niugutian Village Committee, Muzhou Town, Xinhui District, Jiangmen, Guangdong Province, the PRC (中國廣東省江門市新會區睦洲鎮牛古田村民委員會大圍) (the "**Warehouses**") with an aggregate gross floor area of approximately 5,375 square metres.

Under the Lease Agreement, Jiangmen Huazhi will lease the Warehouses to Jiangmen Huamu for an initial term commencing from the Listing Date to 31 December 2018, at an aggregate monthly rent of RMB28,000, exclusive of water, electricity and gas charges which are payable by the tenant. We have the right to renew the Lease Agreement, for consecutive terms of three years at our own discretion upon serving Jiangmen Huazhi three months' written notice, prior to the expiration of the Lease Agreement. Upon the renewal of the Lease Agreement, the rent shall be adjusted and mutually agreed between the parties with reference to the prevailing market rent and on normal commercial terms or on terms no less favourable to us than those available to Independent Third Parties.

The monthly rent of the Warehouses for the initial term of the lease was determined after arm's length negotiation between the parties with reference to the market rent of the Warehouses as assessed by Greater China Appraisal Limited, an independent property valuer. During the Track Record Period, the Warehouses were provided to us for storage use at nil consideration. We are allowed to use the Warehouses for free until the date immediately prior to the Listing Date. As assessed by Greater China Appraisal Limited, an independent property valuer, the monthly market rent of the Warehouses as at 31 December 2013, 2014 and 2015 were RMB27,000, RMB28,000 and RMB28,000, respectively, based on which the fair rental value of the Warehouses for each of the three years ended 31 December 2013, 2014 and 2015 were estimated at RMB324,000, RMB336,000 and RMB336,000, respectively.

The proposed annual cap of the rent under the Lease Agreement for each of the three years ending 31 December 2016, 2017 and 2018 will not exceed RMB400,000.

CONNECTED TRANSACTIONS

Jiangmen Huazhi is a limited company incorporated in Jiangmen, Guangdong Province, the PRC and owned as to 60.0% by Mr. Xu and 40.0% by Mr. Chen. As Mr. Xu is an executive Director and one of our Controlling Shareholders and Mr. Chen is an executive Director, Jiangmen Huazhi is a connected person pursuant to the Listing Rules. Accordingly, the lease of the Warehouses under the Lease Agreement, which will take effect on the Listing Date and continue after the Listing, will constitute a continuing connected transaction entered into by us under the Listing Rules.

As the relevant applicable percentage ratios with respect to the transaction contemplated under the Lease Agreement on an annual basis are less than 0.1%, such transaction will, pursuant to Rule 14A.76(1) of the Listing Rules, constitute a de minimis continuing connected transaction which will be fully exempt from the relevant reporting, announcement and Shareholders' approval requirements.

Confirmation from our Directors

Our Directors (including our independent non-executive Directors) confirm that both the Purchase Agreement and the Lease Agreement have been entered into in the ordinary and usual course of business of our Group on normal commercial terms, and the terms of each of the Purchase Agreement and the Lease Agreement is fair and reasonable and in the interests of our Company and our Shareholders as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalisation Issue and the Global Offering, Haiyi will own 75.0% of the issued share capital of our Company, on the assumption that the Over-allotment Option and any option that may be granted under the Share Option Scheme are not exercised, and hence, for the purpose of the Listing Rules, will continue to be our Controlling Shareholder. At the Latest Practicable Date, Haiyi was owned as to 87.0% by Intrend Ventures, 12.0% by Zhong Cheng and 1.0% by Irichest Enterprises.

On 4 January 2016, Mr. Xu and Mr. Luo entered into the Acting in Concert Agreement, pursuant to which Mr. Xu and Mr. Luo confirm that they, being ultimate shareholders of our Group, have been acting in concert throughout the Track Record Period and up to the date thereof and will continue to act in concert in the control and management of our Group, including in the exercise of their voting rights, through their holding companies, namely Haiyi, Intrend Ventures and Zhong Cheng, in general meetings of our Company. Such acting in concert arrangement will continue to be in effect after the Listing until termination by the parties thereto with written agreement. By virtue of such arrangement, Mr. Xu and Mr. Luo and their respective holding companies, namely Intrend Ventures and Zhong Cheng, together with Haiyi are collectively considered as our Controlling Shareholders for the purpose of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

Our Controlling Shareholders and our Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Management Independence

The Board comprises four executive Directors and three independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest.

Although Mr. Xu, being our Controlling Shareholder and executive Director, also holds directorship in the board of director of Haiyi, being our Controlling Shareholder, our Board functions independently of Haiyi and other companies involving in the private investments which Mr. Xu may have apart from the investment in our Company. Since Haiyi is an investment holding company with no operative business and that Mr. Xu is not involved in any other business that is in competition with our business, our Directors believe that the independence of management of our Group will not be affected or compromised by the dual roles of Mr. Xu on our Board and his interest in Haiyi and his other private investments. In the circumstances where our executive Directors are required to abstain from voting due

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

to potential conflict of interest, it will fall to our independent non-executive Directors to employ their business judgment to make decision in our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed “Directors and Senior Management” in this prospectus, we believe that the remaining Board can still function properly in the event that our executive Directors are required to abstain from voting.

Apart from the transactions set out in the section headed “Connected Transactions” in this prospectus, we do not expect that there will be any significant transactions between our Group and our Controlling Shareholders (and their associates) upon or shortly after the Listing.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have the full rights to make all decisions in respect of, and to carry out, our own business operations independently, subject to applicable laws and regulations. As confirmed by our PRC Legal Adviser, each of Jiangmen Huajin and Jiangmen Huamu obtained all requisite licences, permits and certification which are necessary for the lawful operation of their business within the scope described in their respective business licences during the Track Record Period. Our Directors believe that our Group has sufficient capital, equipment and employees to operate our business independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders for operational, administration or human resources to carry out our own business operations independently.

In addition, our organisational structure is comprised of individual functional departments, each of which have their respective specific areas of responsibilities. We have also established a set of internal controls measures to facilitate the effective operation of our business. Based on the above, we are satisfied that we can operate independently from our Controlling Shareholders and their associates upon Listing.

Financial Independence

As at the Latest Practicable Date, our bank borrowings in the sum of approximately RMB55.0 million were secured by two parcels of land with an aggregate site area of approximately 40,422 square metres and the operational buildings erected thereon with an aggregate gross floor area of approximately 30,047 square metres which are situated at Chenzi Wei, Xinsha Villager’s Committee, Muzhou Town, Xinhui District, Jiangmen, Guangdong Province, the PRC (the “**Properties**”). The Properties are owned by Mr. Xu who allowed us to use the Properties for free during the Track Record Period. On 4 January 2016, we, through Jiangmen Huajin, entered into a sale and purchase agreement (the “**Purchase Agreement**”) with Mr. Xu, by which Jiangmen Huajin agreed to purchase the Properties from Mr. Xu. The registration of the Purchase Agreement with competent PRC authorities and the transfer of the property ownership and land use right of the Properties will be completed after the purchase price is fully settled after the Listing Date. Details of the Properties and Purchase Agreement are set out in the section headed “Connected Transactions — One-off Connected Transaction” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As at 29 February 2016, certain portion of our bank borrowings were personally guaranteed by Mr. Xu. Such personal guarantees will be released upon Listing.

Save as disclosed above, as at the Latest Practicable Date, there was no other asset pledge or guarantee provided for our benefit by our Controlling Shareholders or any of their associates and there was no outstanding loan granted by our Controlling Shareholders or any of its associates to us. Our Directors believe that we have sufficient capital and banking facilities to operate our business independently.

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders (collectively, the “**Covenantors**”), has given certain non-competition undertakings in favour of our Company (for itself and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors, jointly and severally, warrants and undertakes with our Company that, from the Listing Date and ending on the occurrence of the earlier of:

- (a) any of the Covenantors, and his/her/its associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases (the “**Takeovers Code**”) as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder; or
- (b) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason),

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

he/she/it will not, and will procure any of his/her/its associates and any company directly or indirectly controlled by he/she/it (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong or the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to processing, production and trading of steel products and other related services (the “**Restricted Business**”). Such non-competition undertakings do not apply to:

- (i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of the Covenantor and his/her/its associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;
- (iii) the contracts and other agreements entered into between our Group and the Covenantor and/or his/her/its associates; and
- (iv) the involvement, participation or engagement of the Covenantor and/or his/her/its associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Xu and Mr. Luo, our Controlling Shareholders and executive Directors, have controlling interests in certain companies in the PRC that are allowed to conduct the business of production and sale of metal products (the “**Related Metal Companies**”), details of which are set out below:

Name	Place of incorporation	Percentage of effective shareholding held by our Controlling Shareholders and our Directors
Jiangmen Huazhi Metal Products Company Limited (江門市華志金屬製品有限公司)	Jiangmen, Guangdong Province, the PRC	60.0% by Mr. Xu; and 40.0% by Mr. Chen
Jiangmen Huazhe Metal Products Company Limited (江門市華哲金屬製品有限公司)	Jiangmen, Guangdong Province, the PRC	90.0% by Mr. Xu; and 10.0% by Mr. Luo
Jiangmen Huapu Metal Products Company Limited (江門市華浦金屬製品有限公司)	Jiangmen, Guangdong Province, the PRC	90.0% by Mr. Xu; and 10.0% by Mr. Luo
Jiangmen Huazhuo Metal Products Company Limited (江門市華綽金屬製品有限公司)	Jiangmen, Guangdong Province, the PRC	90.0% by Mr. Xu; and 10.0% by Mr. Luo
Jiangmen Huaxu Metal Products Company Limited (江門市華旭金屬製品有限公司)	Jiangmen, Guangdong Province, the PRC	82.86% by Mr. Xu; 16.12% by Mr. Luo; and 0.51% by Mr. Chen
Jiangmen Huashi Metal Products Company Limited (江門市華實金屬製品有限公司)	Jiangmen, Guangdong Province, the PRC	82.86% by Mr. Xu; 16.12% by Mr. Luo; and 0.51% by Mr. Chen

Since their respective establishment and up to the Latest Practicable Date, the Related Metal Companies had not commenced any business operation. As such, the Related Metal Companies were not included in our Group during the Reorganisation and will not form part of our Group after the Listing.

Nevertheless, we had made advances to these Related Metal Companies for financing their acquisition of industrial land parcels which are in close proximity to our production base in Jiangmen, or for their onward lending to our Controlling Shareholders’ companies to carry out property development business. Such advances are regarded as non-compliant loans under the PRC law. For further details of these non-compliant loans, please refer to the section headed “Business — Legal Proceedings and Compliances — 4. Non-compliant loans” in the prospectus.

Although some of these Related Metal Companies are currently holding industrial land parcels in Jiangmen, our Controlling Shareholders confirm that they have no intention to utilise such land for the purpose of carrying out any steel processing and related businesses. Instead, as confirmed by our Controlling Shareholders, it is their plan to construct industrial premises on these land parcels for

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

leasing purpose in the future. Furthermore, the Related Metal Companies are subject to the non-competition undertakings given by our Controlling Shareholders as set out above. Our Controlling Shareholders confirm and have given the undertaking to us pursuant to the Deed of Non-competition that they will not, through the Related Metal Companies, and will procure the Related Metal Companies not to conduct any business that may compete with the business of our Group, including but not limited to production and/or sales of steel products.

New business opportunity

The Covenantors have further undertaken to procure that, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Business Opportunity**”) identified by or offered to the Covenantors and/or any of their associates (other than members of our Group) (the “**Offeror**”) is first referred to us in the following manner:

- (a) the Covenantors are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Business Opportunity to us, and shall give written notice to us of any New Business Opportunity containing all information reasonably necessary for us to consider whether (i) the New Business Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Business Opportunity, including but not limited to the nature of the New Business Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- (b) the Offeror will be entitled to pursue the New Business Opportunity only if (i) the Offeror has received a written notice from us declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 20 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Business Opportunity pursued by the Offeror, the Offeror will refer the New Business Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter (the “**Independent Board Committee**”) as to whether (a) such New Business Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Business Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

General undertakings

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, each of the Covenantors shall, among others:

- (a) when required by our Company, provide all information necessary for the Independent Board Committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;
- (b) where the Independent Board Committee shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the Listing Rules; and
- (c) where the Independent Board Committee has rejected the New Business Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Business Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Business Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Business Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

CORPORATE GOVERNANCE

The following corporate governance measures are expected to be adopted by our Company:

- (a) our Directors will comply with our Articles of Association which require the interested Director to absent themselves from any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is interested. Any such resolution shall only be passed by the affirmative votes of at least half of the total number of the voting Directors who are not associated with any counterparty of the transactions or have any interest therein;
- (b) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision making process and provide independent advice to our Board and Shareholders. Our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Deed of Non-competition executed by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure the entities controlled by them and their close associates to provide all information reasonably required by our independent non-executive Directors to assist them in

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

the assessment. We will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-competition and other connected transaction agreements in our annual report;

- (c) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any business opportunities which is referred to by our Controlling Shareholders or any of their respective associates (other than our Group) during the year. We will disclose such decisions and basis for them in our annual report or by way of announcement to the public;
- (d) we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with Listing Rules and various requirements relating to directors' duties and internal controls; and
- (e) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (taking no account of any Shares to be issued upon the exercise of any share options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or who is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Shareholder	Nature of interest	Number of Shares held	Option is not exercised)	Approximate percentage of shareholding in the total share capital of our Company (assuming the Over-allotment Option is fully exercised)
Mr. Xu	Interest held jointly with another person ^{Note 1} ; Interest of controlled corporation ^{Note 2}	450,000,000	75.0%	72.29%
Intrend Ventures	Interest held jointly with another person ^{Note 1} ; Interest of controlled corporation ^{Note 2}	450,000,000	75.0%	72.29%
Mr. Luo	Interest held jointly with another person ^{Note 1}	450,000,000	75.0%	72.29%
Zhong Cheng	Interest held jointly with another person ^{Note 1}	450,000,000	75.0%	72.29%
Haiyi	Beneficial owner	450,000,000	75.0%	72.29%

Notes:

- On 4 January 2016, Mr. Xu and Mr. Luo entered into the Acting in Concert Agreement, pursuant to which, among other things, Mr. Xu and Mr. Luo acknowledge and confirm that they, as ultimate shareholders of our Group, have been parties acting in concert throughout the Track Record Period and up to the date thereof and will continue to act in concert thereafter. Details of the Acting in Concert Agreement are set out in the sectioned headed “Relationship with Controlling Shareholders” in this prospectus. As such, immediately following the completion of the Global Offering, our ultimate Controlling Shareholders together control 75.0% interest in the share capital of our Company

SUBSTANTIAL SHAREHOLDERS

through Intrend Ventures, Zhong Cheng and Haiyi. As a result, each of our ultimate Controlling Shareholders and their respective holding company is deemed to be interested in such 75.0% interest in the share capital of our Company; and

2. The entire issued share capital of Intrend Ventures is legally and beneficially wholly-owned by Mr. Xu. Intrend Ventures owns 87.0% of the issued share capital of Haiyi and is taken to be interested in all the Shares held by Haiyi for the purposes of the SFO. Haiyi is legally and beneficially owned as to 12.0% by Zhong Cheng, an investment holding company wholly-owned by Mr. Luo, and as to 1.0% by Irichest Enterprises, an investment holding company wholly-owned by Mr. Chen.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme), have interests or short positions in any of our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of seven Directors, comprising four executive Directors and three independent non-executive Directors; whilst our senior management consists of four personnel. Our Directors are appointed for an initial term of three years, after which they may be re-elected. The power and duties of our Directors include:

- (i) convening Shareholders' meetings and reporting our Board's work at the Shareholders' meetings;
- (ii) implementing resolutions passed at Shareholders' meetings;
- (iii) determining our business plans and investment plans;
- (iv) formulating our annual budget and final accounts;
- (v) formulating our proposals for profit distributions and for the increase or reduction of registered capital; and
- (vi) exercising other powers, functions and duties as conferred by our Articles of Association.

The following table sets out certain information regarding members of our Board of Directors and senior management.

Name	Age	Position/Title in our Company	Joining our Group in	Date of appointment	Roles and responsibilities in our Group	Relationship with the other Directors
Mr. Xu Songqing (許松慶)	45	Executive Director and chairman	July 2005	13 March 2015	Supervising the overall strategic planning and business development and the chairman of nomination committee	Elder brother of Mr. Xu Songman
Mr. Luo Canwen (羅燦文)	42	Executive Director and chief executive officer	May 2010	18 December 2015	Supervising the overall operation, management and raw material procurement	N/A
Mr. Chen Chunniu (陳春牛)	44	Executive Director	July 2005	18 December 2015	Supervising and handling the overall auxiliary material procurement	N/A
Mr. Xu Songman	39	Executive Director	July 2005	18 December 2015	Supervising the overall domestic and overseas marketing and logistics related services	Younger brother of Mr. Xu

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title in our Company	Joining our Group in	Date of appointment	Roles and responsibilities in our Group	Relationship with the other Directors
Mr. Goh Choo Hwee (吳慈飛)	44	Independent non-executive Director	March 2016	23 March 2016	Supervising and providing independent judgment to our Board and a member of audit committee, remuneration committee and nomination committee	N/A
Mr. Tam Yuk Sang Sammy (譚旭生)	52	Independent non-executive Director	March 2016	23 March 2016	Supervising and providing independent judgment to our Board, the chairman of remuneration committee, and a member of audit committee and nomination committee	N/A
Mr. Wu Chi Keung (胡志強)	59	Independent non-executive Director	March 2016	23 March 2016	Supervising and providing independent judgment to our Board, the chairman of audit committee, and a member of remuneration committee and nomination committee	N/A
Senior Management						
Mr. Lee Chi Ho (李智豪)	33	Chief financial officer	July 2015	6 July 2015	Supervising the overall accounting-related issues, including financing, account, and tax matters	N/A
Mr. Zhu Huaiqing (朱懷清)	63	Deputy general manager of Jiangmen Huamu	June 2015	5 June 2015	Supervising the product research and development of our Group	N/A
Mr. You Guixiong (尤桂雄)	37	Deputy sales director of Jiangmen Huajin	May 2006	22 February 2010	Overseeing the management and operations of sales department	N/A
Mr. Xie Guanming (謝冠明)	45	Deputy general manager of Jiangmen Huajin	March 2006	22 February 2010	Supervising the daily operation and management of the workshops of our Group in PRC	N/A

Executive Directors

Mr. Xu Songqing (許松慶), aged 45, is the chairman of our Company and was appointed as an executive Director of our Company on 13 March 2015. Mr. Xu is also the chairman of the nomination committee. As a founder of our Group, Mr. Xu is also a director of Huajin Investments, Inter Consortium, Jiangmen Huajin and Jiangmen Huamu. Mr. Xu founded Jiangmen Huajin in July 2005 and Jiangmen Huamu in November 2006, and currently serves as executive director of Jiangmen Huajin and Jiangmen Huamu. He has been primarily responsible for overall strategic planning and business

DIRECTORS AND SENIOR MANAGEMENT

development. Prior to joining our Group, Mr. Xu served as a general manager at Zhongshan Guzhen Luhao Street Light Factory (中山市古鎮路豪路燈廠) from December 2001 to July 2005, responsible for managing and supervising overall production of steel poles of street light. Mr. Xu served as a factory manager at Zhongshan Guzhen Henghua Lighting & Appliances Factory (中山市古鎮恒華電器燈飾廠) from October 1999 to December 2001, responsible for managing the workshop and familiarising with characteristics and manufacturing requirements of all kinds of lamp poles. Mr. Xu worked in lighting and transportation industry as a self-employed entrepreneur from 1991 to 1999. Mr. Xu is the elder brother of Mr. Xu Songman.

Mr. Luo Canwen (羅燦文), aged 42, was appointed as an executive Director and chief executive officer of our Company on 18 December 2015. Mr. Luo joined our Group in May 2010 and currently serves as the raw material procurement director of Jiangmen Huajin and Jiangmen Huamu. Mr. Luo has been primarily responsible for the overall operation, management and raw material procurement of our Group. Mr. Luo is also a director of Inter Consortium. Prior to joining our Group, Mr. Luo has over 12 years experience in the trading industry. Mr. Luo was the chief executive officer of Foshan Shunde Jinhong Trading Company Limited (佛山市順德區晉虹貿易有限公司) (formerly known as Foshan Shunde Qianghong Trading Company Limited (佛山順德區強虹貿易有限公司) from May 2001 to April 2010. Mr. Luo also worked in the sales department in Foshan Dongying Trading Company Limited (佛山市東盈貿易有限公司) (formerly known as Foshan Dongsheng Zhilian Trading Company Limited (佛山市東升志聯貿易有限公司)) in the PRC from May 1998 to April 2001.

Mr. Chen Chunniu (陳春牛), aged 44, was appointed as an executive Director of our Company on 18 December 2015. Mr. Chen joined our Group in July 2005 and currently serves as the procurement director of ancillary materials of Jiangmen Huajin and Jiangmen Huamu. Mr. Chen has been primarily responsible for the overall procurement of ancillary materials for our Group. Prior to joining our Group, Mr. Chen worked in an oil pump repairing factory in Jiangmen. Mr. Chen graduated from Jiangmen Advanced Technical Institute (江門市高級技工學校) in June 1990. Mr. Chen also attained a certificate of junior safety officer in Guangdong Province (廣東省初級安全主任證書) issued by Jiangmen Administration of Work Safety on 26 October 2005.

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Mr. Chen was a director, the legal representative/person-in-charge and/or senior management of the following companies or business enterprises established in the PRC in which their business registration licences were revoked:

Name of company	Position held in the company/ business enterprise before the licence revocation	Principal business of the company prior to licence revocation	Date of revocation of licence	Reasons for the licence revocation	Current status
Jiangmen Pengjiang Huihuang Trading Department (江門市蓬江區輝煌貿易部)	Legal representative and director	Providing stainless steel tableware wholesale	16 July 2001	Failure to conduct annual inspection	Business licence revoked
Guangxi Wuzhou Xintie Highway Project Management Company Limited (廣西梧州新鐵高速公路項目管理有限公司)	Supervisor	Providing management service for engineering project	12 December 2007	Failure to conduct annual inspection	Business licence revoked
Jiangmen Jianghai Waihai Huihuang Oil Pump Repair Shop (江門市江海區外海輝煌油泵修配行)	Person-in-charge	Repairing oil pump and processing hardware	16 December 2011	Failure to conduct annual inspection	Business licence revoked

Mr. Chen confirmed that there is no wrongful act on his part leading to the above licence revocation and is not aware of any actual or potential claim has been or will be made against him as a result of such licence revocation, and that no misconduct or misfeasance had been involved in the licence revocation of these companies or business enterprises.

Mr. Xu Songman, aged 39, was appointed as an executive Director of our Company on 18 December 2015. Mr. Xu Songman joined our Group in July 2005 and currently serves as the sales director of Jiangmen Huajin and Jiangmen Huamu. Mr. Xu Songman has been primarily responsible for the overall domestic and overseas marketing and logistics related services of our Group. Prior to joining our Group, Mr. Xu Songman was involved in and managed his steel trading business in the Guangdong Province, the PRC, from 2002 to 2005. Mr. Xu Songman was engaged in the restaurant industry in the U.K. from 1997 to 2001. Mr. Xu Songman completed an EMBA course at Sun Yat-sen University (中山大學) located in Guangdong Province, the PRC in April 2014. Mr. Xu Songman is the younger brother of Mr. Xu.

Independent non-executive Directors

Mr. Goh Choo Hwee (吳慈飛), aged 44, was appointed as an independent non-executive Director of our Company on 23 March 2016. Mr. Goh is also a member of each of the audit, remuneration and nomination committees. Mr. Goh is a practising solicitor in Hong Kong and currently a partner at Ma Tang & Co., a law firm in Hong Kong. He graduated from The University of Hong Kong with Postgraduate Certificate in Laws in June 1995.

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Mr. Goh is currently an independent non-executive director of China Ever Grand Financial Leasing Group Co., Ltd. (stock code: 379) and Tsui Wah Holdings Limited (stock code: 1314), both companies listed on the Main Board of the Stock Exchange. Mr. Goh has served as company secretary and authorised representative at Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of the Stock Exchange, since 11 December 2013. From September 2013 to November 2015, Mr. Goh was also an independent non-executive director of Theme International Holdings Limited (stock code: 990), a company listed on the Main Board of the Stock Exchange.

Mr. Tam Yuk Sang Sammy (譚旭生), aged 52, was appointed as an independent non-executive Director of our Company on 23 March 2016. Mr. Tam is also the chairman of the remuneration committee and a member of each of the audit and nomination committees. Mr. Tam has over 25 years experience in accounting, auditing and finance. Mr. Tam is currently the president of Essentack Limited, a corporate strategy and management advisory company. Mr. Tam graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a professional diploma in accountancy in November 1986 and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Tam is currently an independent non-executive director of Opes Asia Development Limited (now known as China Internet Investment Finance Holdings Limited) (stock code: 810) which is listed on the Main Board of the Stock Exchange. Mr. Tam was also an independent non-executive director of the following companies listed on the Stock Exchange: KEE Holdings Company Limited (stock code: 2011) from August 2010 to February 2016, Renheng Enterprise Holdings Limited (stock code: 3628) from October 2011 to October 2014, Kith Holdings Limited (stock code: 1201) from August 2010 to July 2014 and Long Success International (Holdings) Limited (stock code: 8017) from January 2013 to October 2013.

Mr. Wu Chi Keung (胡志強), aged 59, was appointed as an independent non-executive Director of our Company on 23 March 2016. Mr. Wu is also the chairman of the audit committee and a member of each of the remuneration and nomination committees. Mr. Wu was a partner of Deloitte Touche Tohmatsu until he retired in December 2008. Mr. Wu is currently a director of family-owned private company, Born Best Company Limited, engaging in property investment and provision of consultancy services. Mr. Wu obtained a high diploma in accountancy from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1980. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. Wu is currently an independent non-executive director of China Medical System Holdings Limited (stock code: 867), Jinchuan Group International Resources Co., Ltd. (stock code: 2362), Zhong Fa Zhan Holdings Limited (stock code: 475), Huabao International Holdings Limited (stock code: 336) and YuanShengTai Dairy Farm Limited (stock code: 1431), each a publicly listed company on the Main Board of the Stock Exchange. Mr. Wu was also an independent non-executive director of the following companies listed on the Stock Exchange: Link Holdings Limited (stock code: 8237) from June 2014 to October 2014, China Renji Medical Group Limited (now known as China Wah Yan Healthcare Limited) (stock code: 648) from January 2012 to July 2014 and GreaterChina Professional Services Limited (stock code: 8193) from May 2011 to July 2014.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this prospectus, each of our Directors has confirmed that he (a) did not hold any directorship in other public companies, the securities of which are listed on any securities markets in Hong Kong or overseas, in the last three years immediately preceding the date of this prospectus, (b) did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date, (c) did not have any relationships with any other Directors, senior management or Substantial or Controlling Shareholders, if any, of our Company as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the section headed “Statutory and General Information — 6. Further information about our Directors and Substantial Shareholders” in Appendix IV to this prospectus, each of our Directors did not have any interests in our Shares within the meaning of Part XV of the SFO.

Except as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters that need to be brought to the attention of our Shareholders in connection with the appointment of our Directors, and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Lee Chi Ho (李智豪), aged 33, was appointed as chief financial officer of our Group on 6 July 2015. Mr. Lee has solid experience in audit-related disciplines and is responsible for our Group’s accounting-related issues, which include financing, account, and tax matters. Prior to joining our Group, he served as the chief financial officer of Gold-Finance (Holdings) Group Company Limited (金誠財富(控股)集團有限公司) from 2014 to 2015. Mr. Lee also served in the audit departments of Deloitte Touche Tohmatsu in Hong Kong and its affiliates operating in Shenzhen and Shanghai from August 2004 to December 2013. Mr. Lee became a member and a fellow member of the Association of Chartered Certified Accountants in October 2008 and October 2013 respectively and obtained his Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in November 2004.

Mr. Lee has not been a director of any companies the securities of which are listed on any securities markets in Hong Kong or overseas during the three years preceding the date of this prospectus.

Mr. Zhu Huaiqing (朱懷清), aged 63, joined our Group on 5 June 2015 and currently serves as a deputy general manager of Jiangmen Huamu. Mr. Zhu has been primarily responsible for the product research and development of our Group. Prior to joining our Group, he served as general manager at Anshan Tianli Precision Strip Steel Co., Ltd. (鞍山天力精密帶鋼有限責任公司) from October 2014 to June 2015 and from February 2000 to March 2002 respectively. He also worked at Guangdong Foshan Gaoming Yunran Strip Steel Industrial Co., Ltd. (廣東佛山高明允然帶鋼實業有限公司) from March 2010 to September 2014. During 2002 to 2010, Mr. Zhu successively served as general manager of Yongxin Precision Material (Wuxi) Co., Ltd. (永鑫精密材料(無錫)有限公司), Ningbo Baori Precision Sheet Co., Ltd. (寧波寶日精密薄板有限公司) and then Beijing Yeke Magnetic Materials Co., Ltd. (北京冶科金屬有限公司). Mr. Zhu worked as general manager at Qinhuangdao Longteng Precision Strip Steel Co., Ltd. (秦皇島龍騰精密帶鋼有限公司) from June 1988 to January 2000. Mr. Zhu served as research director, department head and engineer at Anshan Research Institute of Thermo-Energy, Ministry of Metallurgical Industry (冶金工業部鞍山熱能研究院) from October 1977 to May 1988. Mr.

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Zhu graduated from Northeastern University of Technology (東北工學院) (currently known as Northeastern University (東北大學)) with a bachelor's degree in physical chemistry of metallurgy in September 1977. In 1992, Mr. Zhu attained a diploma for tertiary studies (accounting) from Qinhuangdao branch, Northeastern University of Technology.

Mr. Zhu has not been a director of any companies the securities of which are listed on any securities markets in Hong Kong or overseas during the three years preceding the date of this prospectus.

Mr. You Guixiong (尤桂雄), aged 37, joined our Group on 13 May 2006 and currently serves as the deputy sales director of Jiangmen Huajin. Mr. You has been primarily responsible for overseeing the management and operations of sales department. Prior to joining our Group, Mr. You served as sales manager at Jiangmen Dihao Motorcycle Co., Ltd (江門市迪豪摩托車有限公司) from May 2001 to April 2006. Mr. You graduated from Nuclear Guangdong Southern Senior Vocational School (核工業廣東礦冶技工學校) in June 1996.

Mr. You has not been a director of any companies the securities of which are listed on any securities markets in Hong Kong or overseas during the three years preceding the date of this prospectus.

Mr. Xie Guanming (謝冠明), aged 45, joined our Group on 1 March 2006 and currently serves as a deputy general manager of Jiangmen Huajin. Mr. Xie has been primarily responsible for the daily operation and management of the workshops (including Workshop No. 1, Workshop No. 2 and Workshop No.3) of our Group in PRC. Prior to joining our Group, Mr. Xie worked at Nanhai branch, Industrial and Commercial Bank of China Ltd. for over twelve years. Mr. Xie obtained his certificate of accounting professional in February 2002 and attained a diploma for tertiary studies (administrative management) from Guangzhou Open University (廣州市廣播電視大學) in July 2003.

Mr. Xie has not been a director of any companies the securities of which are listed on any securities markets in Hong Kong or overseas during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Wong Chak Keung (黃澤強), aged 49, was appointed as the company secretary of our Company on 18 December 2015. Mr. Wong has been in the accounting profession for over 15 years. In addition to his working experience in an international accounting firm in Hong Kong, Mr. Wong has also worked for listed and other companies engaged in investment, accounting, educational business, manufacturing and merger and acquisition. Mr. Wong obtained a bachelor degree in business from The University of Southern Queensland in Australia in 1995. Mr. Wong is also a member of the Hong Kong Institute of Certified Public Accountants and certified practising accountant of the Australian Society of Certified Practising Accountants respectively.

Mr. Wong is currently an independent non-executive director of Daohe Global Group Limited (stock code: 915), a company listed on the Main Board of the Stock Exchange. Mr. Wong is also an independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Wong was an independent non-

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executive director of China Minsheng Financial Holding Corporation Limited (stock code 245), a company listed on the Main Board of the Stock Exchange, during the period from January 2011 to December 2015. Mr. Wong was an executive director of China Investment Development Limited (stock code: 204), a company listed on the Main Board of the Stock Exchange, during the period from April 2011 to April 2014.

Save as disclosed above, Mr. Wong has not been a director of any companies the securities of which are listed on any securities markets in Hong Kong or overseas during the three years preceding the date of this prospectus.

BOARD COMMITTEES

We have established the following three committees in our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors.

Audit Committee

Our Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung, all being our independent non-executive Directors. Mr. Wu Chi Keung has been appointed as the chairman of the audit committee and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company has established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee has four members, namely Mr. Xu, Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung. Mr. Tam Yuk Sang Sammy has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company has established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee has four members, namely Mr. Xu, Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung. Mr. Xu has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, discretionary bonuses, share options, contributions to retirement benefits schemes and other benefits in kind subject to applicable laws, regulations and rules. The aggregate amount of compensation (including salaries, allowances, discretionary bonuses, contributions to retirement benefits schemes and other benefits in kind) paid to our Directors for each of the three years ended 31 December 2013, 2014 and 2015 were approximately RMB8.0 million, RMB11.3 million and RMB189,000, respectively. The aggregate amount of compensation (including salaries, allowances, discretionary bonuses, contributions to retirement benefits schemes and other benefits in kind) paid to the senior management for each of the three years ended 31 December 2013, 2014 and 2015 were approximately RMB129,000, RMB121,000 and RMB704,000, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individuals of our Group, including Directors, for each of the three years ended 31 December 2013, 2014 and 2015 were approximately RMB8.1 million, RMB11.7 million and RMB1.6 million, respectively.

Under the arrangements currently in force, the estimated aggregate remunerations, excluding discretionary bonus and share-based payments expense, if any, of our Directors for the year ending 31 December 2016 is approximately RMB211,000.

We also reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to us or executing their functions in relation to our operations. We regularly review and determine the compensation packages of our Directors and senior management by reference to, among other things, market level of compensation paid by comparable companies, and taking into account the respective responsibilities of our Directors and senior management and performance of our Group. The compensation of our Directors is determined by our Board which, following the Listing, will receive recommendation from the remuneration committee which will take into account applicable laws, regulations and rules. Save as disclosed above, our Directors are not entitled to receive any other special benefits from our Company.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Discretionary bonus policy

In the past, discretionary bonus was awarded to our senior management with reference to their individual performance and contribution to our Group. However, our Group had not set down any guideline for the determination and the ceiling of these bonuses during that time.

For example, for the years ended 31 December 2013 and 31 December 2014, Mr. Xu Songman received discretionary bonuses in the amounts of RMB6.3 million and RMB9.7 million, respectively, as awards for his effort and role in promoting the sales of our Group. The years of 2013 and 2014 had been a time where we focused on boosting our sales following the expansion of production facilities

DIRECTORS AND SENIOR MANAGEMENT

during such period. Further, as Mr. Xu Songman did not receive any base salary, his effort in assisting us to promote our sales was therefore recognised in the form of awards of discretionary bonus. On the other hand, each of the other executive Directors of our Group received discretionary bonuses in the amount of RMB0.5 million for each of the years ended 31 December 2013 and 2014. In 2015, our Directors consider that our Group had been able to achieve a satisfactory level of sales volume due to previous sales promotion effort and the average utilisation rate for our cold rolling platforms reached a high level of approximately 83.2% in 2015. Consequently, all Directors (including Mr. Xu Songman) did not receive any discretionary bonus from us in the same year.

In preparation for the Listing, our Group has decided to adopt a discretionary bonus policy with more objective and explicit guideline after Listing pursuant to which discretionary bonus that may be available to our executive Directors and senior management members for the coming financial years, if so approved by the remuneration committee of the Board, will not exceed 5% of the audited consolidated profit before taxation and extraordinary items of our Group. Out of such discretionary bonus, it is intended that half of it will be available for awarding bonus to our executive Directors and the remaining half for our senior management. Our Directors consider that such discretionary bonus policy is comparable to the discretionary bonus policies of other companies the shares of which are listed on the Stock Exchange and our Directors believe that such policy would help enhance our Group's transparency of our bonus award policy.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, pursuant to which, among others, our Directors and employees of our Group may be granted options to subscribe for Shares. Please refer to the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV to this prospectus for details.

COMPLIANCE ADVISER

We have appointed Shenwan Hongyuan 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, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

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The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

Assuming the Over-allotment Option is not exercised and without taking into account of any Shares to be issued upon the exercise of any share option that may be granted under the Share Option Scheme, the share capital of our Company upon completion of the Global Offering will be as follows:

	Number of Shares	Nominal value (HK\$)
Authorised share capital	8,000,000,000 Shares of HK\$0.01 each	80,000,000
Shares in issue or to be issue, fully paid or credit as fully paid:		
Shares in issue as at the date of this prospectus	100	1
Shares to be issued under the Capitalisation Issue	449,999,900	4,499,999
Shares to be issued under the Global Offering	150,000,000	1,500,000
Total issued Shares on completion of the Global Offering	600,000,000	6,000,000

ASSUMPTIONS

The table above assumes that the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes into no account of any Shares to be allotted and issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchases of Shares granted to our Directors as referred to in the paragraphs headed “General Mandate to Issue Shares” and “General Mandate to Repurchase Shares” in this section.

RANKING

The Offer Shares, together with the Shares to be issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, will rank pari passu in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for entitlements under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 23 March 2016, subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 449,999,900 Shares credited as fully paid at par by way of capitalisation of the sum of HK\$4,499,999 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles, our Company may from time to time by ordinary shareholders' resolution (i) increase our capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For details, see "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital" in Appendix III to this prospectus.

Further, all or any of the special rights attached to our Share or any class of Shares may 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. For details, please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — 7. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and Conditions of the Global Offering" in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the options that may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and
- (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — 1. Further Information — Written resolutions of our Shareholders passed on 23 March 2016” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure and Conditions of the Global Offering” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information — 4. Repurchase by our Company of our Own Securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and
- (3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — 1. Further Information — Written resolutions of our Shareholders passed on 23 March 2016” in Appendix IV to this prospectus.

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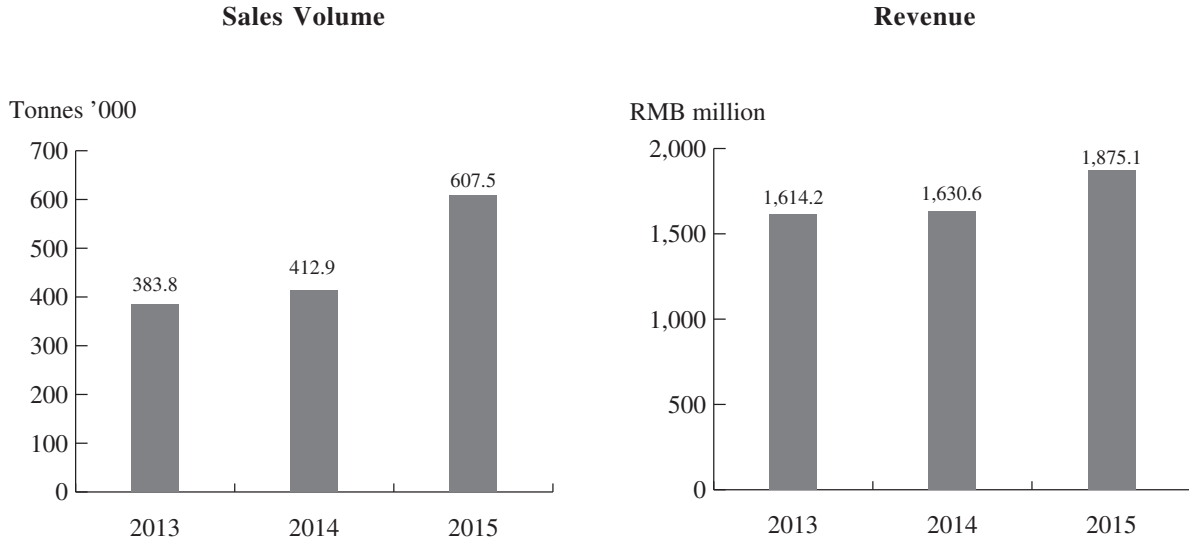
You should read this section in conjunction with the Accountants' Report in Appendix I to this prospectus. Our audited consolidated financial information was prepared on the basis set out therein and in accordance with HKFRSs, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

This following discussion and analysis contains certain forward looking statements that involve risks and uncertainties. However, whether our actual results and developments will meet our expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We are principally engaged in the processing of hot-rolled carbon steel coils into processed steel products, such as cold-rolled carbon steel strips, sheets and welded steel tubes customised to the specifications of our customers. Please refer to the section headed "Business — Overview" in this prospectus for further details of our business.

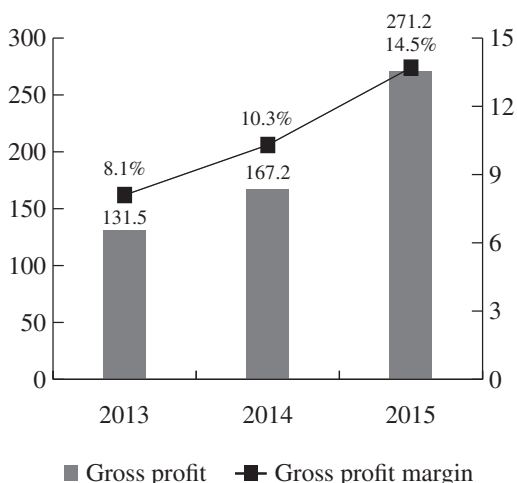
We achieved strong growth in terms of sales volume and profit during the Track Record Period. The snapshots of our financial performance during the Track Record Period are set out below:



FINANCIAL INFORMATION

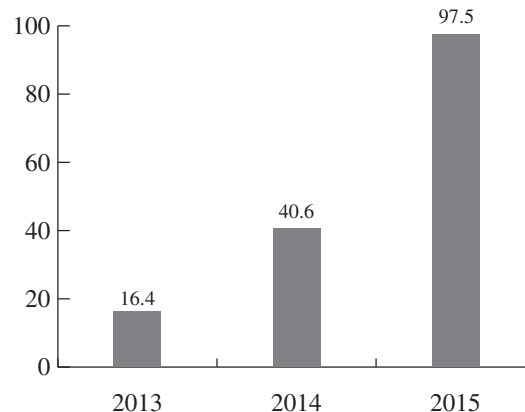
Gross profit and gross profit margin

RMB million



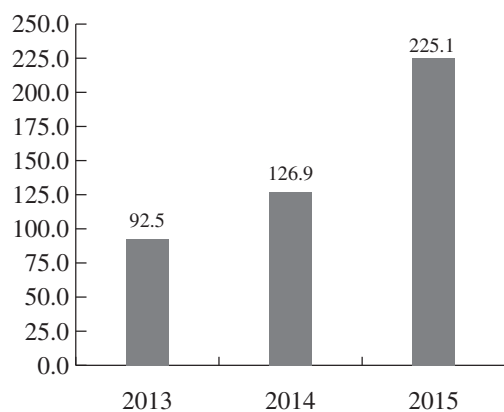
Net profit

RMB million



Operating cash flow before working capital changes

RMB million



% change in

2014 vs. 2013

2015 vs. 2014

Sales volume	7.6%	47.1%
Revenue	1.0%	15.0%
Gross profit	27.1%	62.2%
Net profit	147.6%	140.1%
Operating cash flow before working capital changes	37.2%	77.4%

Please refer to the paragraph headed “Period to Period Comparison of Results of Operations” in this section for further details about our operating results.

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FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus.

Demands for our processed steel products from our customers

Our processed steel products are mainly used by our customers as production materials in the manufacture of consumer goods in a variety of industries, such as home appliances, furniture, lighting, etc. According to Frost & Sullivan, the per capita disposable income of urban households has a close correlation with the spending on such consumer products in the PRC. During the years from 2010 to 2014, the per capita disposable income of urban households grew at a CAGR of 10.8% whilst the total retail sales of consumer goods increased at a CAGR of 13.7%. Such strong growth in the disposable income of urban households provides momentum to the growth of the consumer goods market in which our manufacturing customers sell their products. Our Group can benefit when our customers purchase more of our processed steels products to support their growing business.

According to Frost & Sullivan, the total retail sales in China is expected to grow at a CAGR of 8.1% from 2014 to 2020 and the consumer goods markets like home appliances, furniture and lighting in the PRC are forecasted to grow at CAGRs of 6.9%, 11.1%, and 9.8% respectively between 2014 and 2020. Hence, we believe both of the macro economy and downstream market prospects will provide a favourable backdrop to the development of our business. However, if there occurs any economic recession or downstream market contraction, our business would be adversely affected.

Ability to deliver the quality of our products that meets customers’ specifications and production schedules

The downstream consumer product markets have become increasingly competitive. Product manufacturers need to differentiate their products from their competitors to enhance the product marketability. Our business objective is to satisfy the needs of our manufacturing customers with the required product quality at an acceptable cost level. Product differentiation in the consumer sector often requires us to deliver customised processed steel parts to customers on a timely basis. With continuous improvement in our processing know how, we have been able to produce different products (such as advanced high strength steel, mirror finish cold-rolled carbon steel and deep drawing cold-rolled carbon steel) to satisfy our customers’ varying production needs, and managed to cut down the consumption of steel by reducing the thickness of steel sheets without compromising the metal hardness, thereby helping customers to save cost. We believe our ability to deliver the product quality that meets customers’ specifications has greatly contributed to the strong growth of our business during the Track Record Period.

We also understand the importance of fulfilling our customers’ material needs on a timely basis, as consumer product manufacturers have to catch the market trend to sell their products. It would be cost ineffective and time consuming for the customers to arrange by themselves the delivery of the processed steel products from our production base. We are able to deliver products to the locations within Guangdong Province designated by customers through our own fleet of delivery vehicles, which enables us to fulfil customers’ procurement requirement on a just-in-time basis.

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We believe our ability to satisfy customers' needs in terms of product quality and to meet their procurement schedule is our core competence. If we fail to maintain this ability adequately, we will lose our competitiveness and our operating results will be adversely affected.

Effective control over our costs and product quality

Our business is to process hot-rolled carbon steel into cold-rolled carbon steel production materials for our manufacturing customers. We need to efficiently control our processing costs in order to maintain our competitiveness in the market. Direct materials is the largest cost component in our processing activities, accounting for 89.0%, 88.7% and 86.8%, respectively, of our total cost of sales for each of the three years ended 31 December 2013, 2014 and 2015. As a result of our "cost-plus" pricing strategy, we generally can pass on the increase in cost of steel raw materials to customers.

Our operating objective is to maintain a desirable difference between the selling price per tonne and the cost of steel used per tonne. For each of the three years ended 31 December 2013, 2014 and 2015, the difference between the average selling price and the average cost of steel used per tonne amounted to RMB724, RMB768 and RMB740, respectively. This difference is intended to cover our processing costs, operating overheads and our expected profit amount. Therefore, if we cannot control our operating costs effectively, the profitability of our operation would be adversely affected.

Through expanding our processing scale, we have been continuously reducing the unit cost for certain cost items during the Track Record Period: the unit cost for utilities decreased from RMB213.5 per tonne, to RMB210.2 per tonne and further to RMB153.1 per tonne; and depreciation expenses was RMB59.9 per tonne, RMB61.2 per tonne and RMB48.7 per tonne for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

Furthermore, due to the implementation of stringent quality control procedures throughout the whole processing chain, we have been able to maintain our product return rate at a low level. For each of the three years ended 31 December 2013, 2014 and 2015, the average product return rate (in terms of quantities sold) of our products was approximately 0.14%, 0.19% and 0.23%, respectively. The low product return rate also allowed us to keep wastage loss at a low level.

We believe that our ability to effectively control our costs and product quality has enabled us to maintain our market competitiveness and contributed positively to our financial performance. However, if any industry participant can outperform us by processing steel at a lower unit cost than us, our market position may be threatened and our operating results may also be adversely affected.

Availability of hot-rolled carbon steel from our supplier for further processing

We purchase hot-rolled carbon steel as processing raw materials primarily from steel producers or their agents. During the Track Record Period, purchases from steel producers or their agents accounted for 61.5%, 78.9% and 84.5% of our total purchases, respectively. Given the sizable quantity of steel we purchase in order to satisfy our customers' needs on an annual basis, we consider ourselves as a major customer to the steel producers. The steel industry is still experiencing an overcapacity situation. In order to maintain their respective market share, steel producers are often willing to offer favourable prices. During the Track Record Period, we maintained well-established relationships with our major suppliers and did not experience any major problems in procurement in terms of timing and quantity.

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However, if the overcapacity situation is eventually corrected, which leads to a tightening in steel supply or a much longer lead time in procuring steel from steel producers, our ability to fulfil orders from downstream manufacturing customers on a timely basis may be compromised and hence our operating results will also be adversely affected.

Uninterrupted supply of power to our production facilities

Our entire production facilities are powered by electricity, which is supplied by the local electricity grid administered by the local government. A stable supply of electricity is of paramount importance to our operation. Throughout the Track Record Period, we did not experience any material production down time due to interruption in power supply, even during the consumption peak hours in summer. Nevertheless, if there is a power grid failure or the local authority needs to implement a widespread restricted power supply which leads to interruption in our processing activities, our business operation will be adversely affected.

Commencement of operation of Workshop No. 4 as planned

Our Workshop No. 4 is expected to commence operation in mid 2016. The maximum designed annual processing capacity for zinc coating process of Workshop No. 4 is 250,000 tonnes.

Having the properties of good surface quality and resistance to corrosion, zinc coated steel is similar to stainless steel but lighter and cheaper, which could serve as a widely used production material in the home appliance industry. As at the Latest Practicable Date, our sales team has already begun collaborating with our existing customers to explore the application of zinc coated steel in the production of their final products. Furthermore, with the intention to establish a preliminary zinc coated steel product customer base before the commencement of our own processing facilities, we have started to purchase zinc coated steel from suppliers for our in-house processing before selling such products to interested customers. We believe this will enable us to speed up the capacity utilisation to Workshop No. 4 after its commencement of operation. However, should there be any delay in the commencement of Workshop No. 4 as planned, the growth of our business will be adversely affected.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results and operations. Some of the accounting policies require us to make difficult and subjective judgements, often as a result of the need to make estimates of matters that are inherently uncertain. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Below is a summary of the accounting policies in accordance with HKFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies or critical accounting judgement, which are set out in detail in notes 2–4 to Section A of the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Basis of consolidation

The Financial Information incorporates the financial statements of the entities comprising our Group. Control is achieved when our Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Our Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when our Group obtains control over the subsidiary and ceases when our Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date our Group gains control until the date when our Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with our Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

Changes in our Group's ownership interests in existing subsidiaries that do not result in our Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of our Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of our Company.

Merger accounting for business combination involving entities under common control

The combined financial statements for the year ended 31 December 2013 and 2014 incorporate the financial statements 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 in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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The combined statements of profit or loss and other comprehensive income for the year ended 31 December 2013 and 2014 includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements for the year ended 31 December 2013 and 2014 are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales tax and discounts.

Revenue from sales of goods is recognised when the goods are delivered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

Our Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, loan receivables, amounts due from related parties, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when our Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables and others.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are

FINANCIAL INFORMATION

recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

(b) Financial liabilities

Debt issued by a group entity is classified as financial liabilities in accordance with the substance of the contractual arrangements and the definition of a financial liability.

Financial liabilities (including trade, bills and other payables, loans from third parties, amounts due to related parties and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Our Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If our Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, our Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If our Group retains substantially all the risks and rewards of ownership of a transferred financial asset, our Group continues to recognise the financial asset and also recognises the collateralised borrowing for the proceeds received.

Our Group derecognised financial liabilities when, and only when, our Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of each reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

RESULTS OF OPERATIONS

The following table sets out the consolidated statements of profit or loss and other comprehensive income of our Group for each of the three years ended 31 December 2013, 2014 and 2015, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountant's Report in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,614,194	1,630,641	1,875,119
Cost of sales	<u>(1,482,655)</u>	<u>(1,463,438)</u>	<u>(1,603,931)</u>
Gross profit	131,539	167,203	271,188
Other (losses) gains	(1,675)	510	3,412
Selling expenses	(27,415)	(32,202)	(36,954)
Administrative expenses	(37,183)	(37,774)	(40,274)
Listing expenses	<u>—</u>	<u>—</u>	<u>(4,742)</u>
Profit before investment income and gain, net finance costs and taxation	65,266	97,737	192,630
Investment income and gain	1,375	9,110	—
Finance income	20,938	21,662	1,650
Finance costs	<u>(65,302)</u>	<u>(75,312)</u>	<u>(54,487)</u>
Profit before taxation	22,277	53,197	139,793
Income tax expenses	<u>(5,919)</u>	<u>(12,610)</u>	<u>(42,327)</u>
Profit for the year	<u>16,358</u>	<u>40,587</u>	<u>97,466</u>

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DESCRIPTION OF SELECTED COMPONENTS OF OUR INCOME STATEMENTS

Revenue

Our Group generates revenue primarily from the sales of processed steel products, which consist of (i) processed steel strips and sheets, and (ii) welded steel tubes. For each of the two years ended 31 December 2014, our total revenue amounted to RMB1,614.2 million and RMB1,630.6 million, respectively, representing a slight increase of RMB16.4 million, or a 1.0% year on year growth. The total revenue increased to RMB1,875.1 million for the year ended 31 December 2015, representing an increase of approximately RMB244.5 million, or a 15.0% year on year growth.

The following table sets out the breakdown of our revenue for the periods indicated:

	Year ended 31 December					
	2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales of processed steel products	1,597,594	99.0	1,614,837	99.0	1,842,683	98.3
— <i>Processed steel strips and sheets</i>	1,406,599	87.2	1,417,707	86.9	1,626,121	86.7
— <i>Welded steel tubes</i>	190,995	11.8	197,130	12.1	216,562	11.6
Others	<u>16,600</u>	<u>1.0</u>	<u>15,804</u>	<u>1.0</u>	<u>32,436</u>	<u>1.7</u>
	<u><u>1,614,194</u></u>	<u><u>100.0</u></u>	<u><u>1,630,641</u></u>	<u><u>100.0</u></u>	<u><u>1,875,119</u></u>	<u><u>100.0</u></u>

(I) Sales of processed steel products

We sell processed steel strips and sheets and welded steel tubes to our customers to cater for their needs for the manufacture of various end products which require different specifications/properties such as thickness, width, hardness, ductility and surface finish. Processed steel strips and sheets are our major products which accounted for over 86% of our total revenue during the Track Record Period. They could be further processed into welded steel tubes by undergoing a process of tube welding. Our welded steel tubes accounted for approximately 11.8%, 12.1% and 11.6% of our total revenue for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

The average selling price of our processed steel products decreased from approximately RMB4,163 per tonne for the year ended 31 December 2013 to RMB3,911 per tonne for the year ended 31 December 2014, and then to RMB3,033 per tonne for the year ended 31 December 2015, primarily as a result of the declining market prices of steel raw materials during the same period, whereas our sales volume increased continuously from approximately 383,801 tonnes to 412,870 tonnes, and further to 607,476 tonnes during the same period. Generally we set a higher price for our welded steel tubes as compared to processed steel strips and sheets in view of the additional steps required for processing welded steel tubes.

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The following table sets out the sales volume, average selling price of our products, average cost of direct materials used, and the difference between the average selling price and the average cost of direct materials used during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
Sales volume of			
processed steel products	383,801 tonnes	412,870 tonnes	607,476 tonnes
— <i>Processed steel strips and sheets</i>	<i>339,291 tonnes</i>	<i>363,777 tonnes</i>	<i>540,258 tonnes</i>
— <i>Welded steel tubes</i>	<i>44,510 tonnes</i>	<i>49,093 tonnes</i>	<i>67,218 tonnes</i>
Average selling price of			
processed steel products			
(per tonne)	RMB4,163	RMB3,911	RMB3,033
— <i>Processed steel strips and sheets</i>			
<i>(per tonne)</i>	<i>RMB4,146</i>	<i>RMB3,897</i>	<i>RMB3,010</i>
— <i>Welded steel tubes (per tonne)</i>	<i>RMB4,291</i>	<i>RMB4,015</i>	<i>RMB3,222</i>
Average cost of direct materials used			
(i.e. hot-rolled carbon steel)			
(per tonne)	RMB3,439	RMB3,143	RMB2,293
<i>Difference between average selling</i>			
<i>price and average cost of direct</i>			
<i>materials used (per tonne)</i>	<i>RMB724</i>	<i>RMB768</i>	<i>RMB740</i>

Similar to other commodities, our customers can ascertain the price of steel raw materials in general from the market. As a result, when we provide our customers with our price quotations for the processed steel products they require, they can easily work out the amount we charge to cover our operating costs and our envisaged gross profit amount. During the Track Record Period, we were able to maintain a relatively stable difference ranging from approximately RMB724 per tonne to approximately RMB768 per tonne between the average selling price of our processed steel products and the average cost of direct material used. Hence, our Directors consider that fluctuation in the price of steel raw materials did not have a general adverse impact on our profitability during the Track Record Period.

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(II) Others

Other revenue is primarily attributable to the sales of scrap steel, which is the residual in our manufacturing process, to recycling agents and the provision of processing service to the customers who engage us to process hot-rolled carbon steel coils provided by them. Such sales and processing service income accounted for less than 2% of our total revenue during the Track Record Period.

Geographical coverage

During the Track Record Period, our domestic sales contributed over 87% of our total revenue while the remaining portion was attributable to sales to our customers located in Southeast Asia (mainly Singapore and Malaysia). The following table sets out the breakdown of our revenue by geographical locations of our customers for the periods indicated:

	Year ended 31 December					
	2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	1,426,333	88.4	1,437,299	88.1	1,636,643	87.3
Southeast Asian countries	<u>187,861</u>	<u>11.6</u>	<u>193,342</u>	<u>11.9</u>	<u>238,476</u>	<u>12.7</u>
	<u>1,614,194</u>	<u>100.0</u>	<u>1,630,641</u>	<u>100.0</u>	<u>1,875,119</u>	<u>100.0</u>

Cost of sales

Our cost of sales primarily consists of direct materials, utilities, consumables, depreciation expense, and direct labour.

The following table sets out the breakdown of our cost of sales for the periods indicated:

	Year ended 31 December					
	2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct materials	1,319,873	89.0	1,297,679	88.7	1,392,745	86.8
Utilities	81,941	5.5	86,790	5.9	92,982	5.8
Consumables	31,325	2.1	21,188	1.4	34,131	2.1
Depreciation expense	22,980	1.5	25,268	1.7	29,571	1.8
Direct labour	20,843	1.4	26,629	1.8	44,409	2.8
Others	<u>5,693</u>	<u>0.5</u>	<u>5,884</u>	<u>0.5</u>	<u>10,093</u>	<u>0.7</u>
	<u>1,482,655</u>	<u>100.0</u>	<u>1,463,438</u>	<u>100.0</u>	<u>1,603,931</u>	<u>100.0</u>

Direct materials represent the cost of raw materials, primarily hot-rolled carbon steel coils. The hot-rolled carbon steel coils are either picked up by ourselves or delivered by the suppliers to the agreed destination, either the port or our workshop. The direct materials accounted for over 86% of our cost of

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sales during the Track Record Period. For each of the three years ended 31 December 2013, 2014 and 2015, cost of direct materials amounted to RMB1,319.9 million, RMB1,297.7 million and RMB1,392.7 million, respectively.

Utilities relate primarily to electricity, water, and natural gas consumed throughout our production process. For each of the three years ended 31 December 2013, 2014 and 2015, we incurred utilities costs of RMB81.9 million, RMB86.8 million and RMB93.0 million, respectively.

Consumables consist of machinery spare parts and supplies consumed in the production process. For each of the three years ended 31 December 2013, 2014 and 2015, we expensed consumables of RMB31.3 million, RMB21.2 million and RMB34.1 million, respectively.

Depreciation expense relates primarily to plant and machinery, and buildings for production use. Depreciation amounted to RMB23.0 million, RMB25.3 million and RMB29.6 million for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

Direct labour represents salaries for our labour involved in production. For each of the three years ended 31 December 2013, 2014 and 2015, our direct labour amounted to RMB20.8 million, RMB26.6 million and RMB44.4 million, respectively.

Other costs primarily comprise other taxes and surcharges, repair and maintenance, and other miscellaneous expenses.

Sensitivity analysis

The following tables demonstrate the sensitivity analysis of the estimated increase/decrease of our profit before taxation in relation to the general percentage changes to certain items of our cost of sales, which we consider are the costs that are volatile with the market conditions and are relatively out of our control, assuming all other factors remain unchanged:

	Impact on profit before taxation:		
	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Change of direct materials by:</i>			
+10%	(131,987)	(129,768)	(139,275)
+5%	(65,994)	(64,884)	(69,638)
-5%	65,994	64,884	69,638
-10%	131,987	129,768	139,275

Since we adopt a “cost-plus” pricing strategy and can generally pass on the price fluctuations in the direct materials to the customers as evidenced in the relatively stable difference between the average selling price and the average cost of direct materials used during the Track Record Period, our Directors consider the above sensitivity analysis on the cost of direct materials is solely for illustrative purpose. For details of our “cost-plus” pricing strategy, please refer to the paragraph headed “Business — Sales, Customers and Marketing — Pricing” in this prospectus.

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**Impact on profit before taxation:
Year ended 31 December**

	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Change of direct labour by:</i>			
+10%	(2,084)	(2,663)	(4,441)
+5%	(1,042)	(1,332)	(2,220)
-5%	1,042	1,332	2,220
-10%	2,084	2,663	4,441

**Impact on profit before taxation:
Year ended 31 December**

	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Change of utilities by:</i>			
+10%	(8,194)	(8,679)	(9,298)
+5%	(4,097)	(4,340)	(4,649)
-5%	4,097	4,340	4,649
-10%	8,194	8,679	9,298

Gross profit and gross profit margin

As a result of the increase in revenue by RMB16.4 million and the decrease in cost of sales by RMB19.3 million, our gross profit increased by approximately RMB35.7 million, or 27.1%, from RMB131.5 million for the year ended 31 December 2013 to approximately RMB167.2 million for the year ended 31 December 2014. Our gross profit further increased by approximately RMB104.0 million, or 62.2%, to approximately RMB271.2 million for the year ended 31 December 2015, owing to the increase in revenue by RMB244.5 million for the year ended 31 December 2015 which is partially offset by the increase in cost of sales by RMB140.5 million for the same year, as compared to the year ended 31 December 2014.

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Analysis of average gross profit per tonne and gross profit margin

The table below sets out the analysis of average gross profit per tonne and gross profit margin of our processed steel products for the periods indicated:

	Year ended 31 December					
	2013		2014		2015	
	<i>Unit value</i> <i>Note 1</i> <i>(RMB)</i>	<i>% to</i> <i>revenue</i>	<i>Unit value</i> <i>Note 1</i> <i>(RMB)</i>	<i>% to</i> <i>revenue</i>	<i>Unit value</i> <i>Note 1</i> <i>(RMB)</i>	<i>% to</i> <i>revenue</i>
Revenue ^{Note 2} <i>per tonne</i>	4,206	100.0%	3,950	100.0%	3,087	100.0%
Cost of sales per tonne						
— Direct materials	3,439	81.8%	3,143	79.6%	2,293	74.3%
— Utilities	213	5.1%	210	5.3%	153	5.0%
— Consumables	82	1.9%	51	1.3%	56	1.8%
— Depreciation expense	60	1.4%	61	1.5%	49	1.6%
— Direct labour	54	1.3%	65	1.6%	73	2.4%
— Others	15	0.4%	15	0.4%	17	0.4%
	3,863	91.9%	3,545	89.7%	2,641	85.5%
Gross profit per tonne	343	8.1%	405	10.3%	446	14.5%

Notes:

1. Unit value is calculated by dividing the revenue/each component of cost of sales by the total sales volume for the year.
2. Revenue comprises sales of processed steel products, sale of scrap steel and processing service income. The average revenue per tonne is calculated based on the total revenue for the year, rather than the revenue derived from the sales of processed steel products. Due to the difference in calculation basis, the amount of average revenue per tonne is different from that of the average selling price per tonne.

Despite the declining steel market price environment during the Track Record Period, we have still been able to achieve a rather stable difference between the average revenue per tonne and the average cost of direct materials used per tonne (2013: RMB767, 2014: RMB807, and 2015: RMB794). This is mainly due to the mechanics of our “cost-plus” pricing policy. Under our “cost-plus” pricing policy, the selling price of our products is comprised of (i) our envisaged gross profit amount, (ii) the costs of direct materials, namely the costs of hot-rolled steel, and (iii) the total estimated processing costs.

The envisaged gross profit amount per tonne is determined based on the general market demand for our products as well as our competitor’s behaviour; whilst the total estimated processing costs are calculated mainly based on the actual costs incurred in the prior year.

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During the Track Record Period, our Directors has set a target of approximately RMB300 to RMB500 as the envisaged gross profit amount per tonne. We had realised an average gross profit amount per tonne of RMB343, RMB405 and RMB446 for each of the three years ended 31 December 2013, 2014 and 2015, respectively. This was mainly a result of the benefit of economies of scale derived from our expanded production volume. For further details about the fluctuations in the cost of sales, please refer to the paragraph headed “Period to Period Comparison of Results of Operations” in this prospectus.

Our adoption of a fixed monetary mark-up to the total estimated costs of our processed steel products rather than a fixed percentage mark-up under our pricing policy explains why we experienced a lower direct materials-to-sales ratio and allowed us to maintain a high gross profit margin even amidst a declining steel market price environment during the Track Record Period.

Other (losses) gains

The following table sets out the breakdown of our other gains/losses for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange (loss) gain	(1,565)	423	3,740
Gain (loss) on disposals of property, plant and equipment	61	37	(350)
Others	<u>(171)</u>	<u>50</u>	<u>22</u>
	<u>(1,675)</u>	<u>510</u>	<u>3,412</u>

The net foreign exchange gain/loss, which was transactional in nature, arose from the sales to our overseas customers who settled in US dollars, whilst our functional currency is in RMB. US dollars exhibited a general depreciation trend against RMB during 2013, and a general appreciation trend during 2014 and 2015, as a result of which, we recorded a net foreign exchange loss of approximately RMB1.6 million, and a net foreign exchange gain of approximately RMB0.4 million and RMB3.7 million for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

Selling expenses

Our selling expenses mainly consist of costs incurred in the delivery of our products to our customers, export related expenses, staff costs, depreciation expense and other miscellaneous expenses.

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The following table sets out the breakdown of our selling expenses for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Delivery expenses	18,501	22,021	18,501
Export related expenses	6,437	7,599	11,797
Staff costs	1,927	2,008	4,265
Depreciation expense	—	—	521
Others ^{Note}	<u>550</u>	<u>574</u>	<u>1,870</u>
	<u>27,415</u>	<u>32,202</u>	<u>36,954</u>

Note: Others mainly represent expenses for travelling, entertainment and marketing.

Delivery expenses represent the costs incurred in delivering our products to customers in the PRC. During 2013 and 2014, we delivered our products primarily through two related logistics companies and the delivery expenses were mainly the logistics charges paid to such related parties. Since we acquired the delivery vehicles from the above mentioned related logistics companies in April 2015, we primarily handled the delivery services ourselves.

Export related expenses are mainly warehousing charges paid for storage of our products before they are loaded onto cargo vessels at the terminal, and custom declaration fees.

Staff costs are salaries and other incidental costs paid to our sales personnel.

Administrative expenses

Our administrative expenses mainly comprise staff costs for our administrative personnel and Directors' remuneration, professional fees and bank service fees, depreciation expense and amortisation of prepaid lease payment for the land we own, other taxes and surcharges, office and entertainment expenses, and other miscellaneous expenses.

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The following table sets out the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs, including Directors' remuneration	18,234	21,510	19,886
Professional fees and bank service fees	6,933	3,755	4,416
Depreciation and amortisation expenses	4,168	3,782	3,548
Other taxes and surcharges	1,835	1,988	2,564
Office and entertainment expenses	2,257	2,134	2,312
Others ^{Note}	3,756	4,605	7,548
	37,183	37,774	40,274

Note: Others comprise rentals and management fees for our Hong Kong office, vehicle expenses and miscellaneous expenses.

Professional fees and bank service fees mainly include fees paid to the auditors in the PRC and legal advisers, as well as bank service fees paid to banks in the PRC in respect of obtaining various banking facilities.

Depreciation and amortisation expenses mainly comprise depreciation expenses of buildings as well as motor vehicles for administration use, and amortisation of prepaid lease payments for the land we own.

Investment income and gain

We held an available-for-sale investment which was an equity investment in an unlisted bank in the PRC. This available-for-sale investment distributed to us dividend income of RMB1.4 million and RMB2.4 million for each of the two years ended 31 December 2014, respectively. In December 2014, we disposed of such equity investment to a related party at a consideration of RMB31.5 million with a disposal gain of RMB6.7 million during the year ended 31 December 2014.

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Finance income

Our finance income represents interest income generated from (i) bank deposits, (ii) amounts due from related parties; and (iii) loan receivables from Independent Third Parties.

The following table sets out the breakdown of our finance income for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance income			
— bank deposits	3,114	3,735	1,650
— related parties	16,772	17,473	—
— Independent Third Parties	<u>1,052</u>	<u>454</u>	<u>—</u>
	<u>20,938</u>	<u>21,662</u>	<u>1,650</u>

Interest income generated from bank deposits

For each of the three years ended 31 December 2013, 2014 and 2015, our interest income generated from bank deposits was RMB3.1 million, RMB3.7 million and RMB1.7 million, respectively.

Interest income generated from amounts due from related parties and loan receivables from Independent Third Parties

During the two years ended 31 December 2013 and 2014, we received interest income from the amounts due from related parties as well as loan receivables from Independent Third Parties. We charged these parties at an interest rate of 6.56% per annum during the two years ended 31 December 2013 and 2014, which was calculated based on the weighted average interest rates of our bank borrowings charged by the banks in the PRC during the same period.

The following table sets out the interest income generated from amounts due from related parties and loan receivables from Independent Third Parties for the two years ended 31 December 2013 and 2014:

	Year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income generated from:		
— amounts due from related parties	16,772	17,473
— loan receivables from Independent Third Parties	1,052	454

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Since the beginning of 2015, we ceased to charge interest on such amounts due from related parties and loan receivables from Independent Third Parties, and on 30 September 2015, all these amounts due from related parties/loan receivables from Independent Third Parties were assigned to Mr. Xu. Accordingly, no interest income were derived from such amounts for the year ended 31 December 2015. For details about the non-compliant loans, please refer to the section headed “Business — Legal Proceedings and Compliances” in this prospectus.

Finance costs

The finance costs comprise interest expenses on (i) bank borrowings, and (ii) bills endorsed from related parties.

The following table sets out the breakdown of our finance costs for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on:			
— bank borrowings wholly repayable within five years, net of amounts capitalised in the cost of qualifying assets ^{Note}	54,046	66,148	54,487
— bills endorsed from related parties	11,256	9,164	—
	65,302	75,312	54,487

Note: For details of the capitalisation of borrowing costs, please refer to note 7 to Section A of the Accountants' Report in Appendix I to this prospectus.

Interest expenses on bank borrowings

Our bank borrowings were charged at interest rates ranging from 5.60% to 8.60% for the year ended 31 December 2013, from 5.60% to 8.40% for the year ended 31 December 2014, and from 4.60% to 8.40% for the year ended 31 December 2015. The increase in interest expense on bank borrowings from RMB54.0 million for the year ended 31 December 2013 to RMB66.1 million for the year ended 31 December 2014 was primarily attributable to the higher level of bank borrowings during 2014 as compared to 2013. Decrease in interest expenses to RMB54.5 million for the year ended 31 December 2015 was mainly due to the decrease in bank borrowings.

Interest expenses on bills endorsed from related parties

During the Track Record Period, we entered into bank acceptance bills arrangement with several banks which issued bank acceptance bills to our two related parties which subsequently endorsed the same to our Group for discounting with banks. In some of the bank acceptance bills arrangements, we then lent out the obtained funds after discounting to our Controlling Shareholders or entities controlled by our Controlling Shareholders for their funding needs. The interest expense incurred in discounting those bills amounted to RMB11.3 million and RMB9.2 million for each of the two years ended 31

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December 2013 and 2014, respectively. We had ceased to enter into such bank acceptance bills arrangement since December 2014 and accordingly no related interest expense was recorded for the year ended 31 December 2015. For details of the non-compliant bill financing, please refer to the section headed “Business — Legal Proceedings and Compliances” in this prospectus.

Income tax expenses

Income tax expenses represent the current profit/income taxes, the PRC withholding income tax and deferred tax. The current profit/income taxes is calculated based on taxable profits at the applicable tax rates for the relevant period. The PRC withholding income tax is imposed on dividends declared in respect of profits earned by our PRC subsidiaries. Deferred tax is recognised based on temporary differences associated with the undistributed earnings of our PRC subsidiaries that expected to be distributed to Inter Consortium, which is incorporated outside of the PRC, after the completion of the Reorganisation.

Cayman Islands

We are not subject to Cayman Islands profits tax as we had no assessable income arising in or derived from the Cayman Islands during the Track Record Period.

PRC

Our two subsidiaries established in the PRC were subject to PRC enterprise income tax rate at 25% during the Track Record Period.

Hong Kong

Our Hong Kong incorporated subsidiary was subject to Hong Kong profits tax rate at 16.5% during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, we paid all relevant taxes applicable to us and did not have any dispute or issue with tax authorities which might have a material impact on our business, financial condition or results of operations.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2014 compared with year ended 31 December 2013

Revenue

Our total revenue remained relatively stable at RMB1,614.2 million and RMB1,630.6 million, for each of the two years ended 31 December 2014, respectively, representing a slight increase of RMB16.4 million, or a 1.0% year on year growth. The slight revenue growth was resulted from the increase in total sales volume by approximately 29,069 tonnes, or 7.6%, from approximately 383,801 tonnes for the

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year ended 31 December 2013 to 412,870 tonnes for the year ended 31 December 2014, offset by the decrease in our average selling price by approximately RMB252 per tonne or 6.1% from approximately RMB4,163 per tonne to RMB3,911 per tonne in the corresponding periods.

Our increase in total sales volume was primarily attributable to two reasons. First, there was an increasing market demands for cold-rolled carbon steel products primarily led by the growth of the downstream industries. According to Frost & Sullivan, the cold-rolled carbon steel market in both the PRC and the Guangdong Province experienced stable growth with a CAGR of 12.0% and 6.0% from 2010 to 2014, respectively. Second, we have been able to satisfy the needs of our customers in terms of product quality and customisation, as well as delivery schedule as a result of which our existing customers increased their orders amounts with us. The decrease in our average selling price over the two years was primarily attributable to the then declining market prices of steel raw materials.

Cost of sales

Our cost of sales decreased by RMB19.3 million, or 1.3%, from RMB1,482.7 million to RMB1,463.4 million for each of the two years ended 31 December 2014, respectively. Such decrease was mainly attributable to the decrease in (i) direct materials, and (ii) consumables.

For each of the two years ended 31 December 2013 and 2014, the largest component of our cost of sales was direct materials, which accounted for over 88% of our cost of sales and decreased from RMB1,319.9 million to RMB1,297.7 million by RMB22.2 million or 1.7% for each of the two years ended 31 December 2013 and 2014, respectively. Such decrease primarily stemmed from the declining market price of steel raw materials for the corresponding periods.

Our consumables also decreased from RMB31.3 million to RMB21.2 million by RMB10.1 million or 32.3% for each of the two years ended 31 December 2013 and 2014, respectively. The high consumption of consumables for the year ended 31 December 2013 was primarily attributable to the expansion of Workshop No.3 in 2013. Accordingly, more spare parts and supplies were consumed during the time.

The increase in utilities expenses from RMB81.9 million to RMB86.8 million by RMB4.9 million or 6.0% for each of the two years ended 31 December 2014, respectively, was in line with our increased level of production activities.

Depreciation expense experienced an increase of RMB2.3 million or 10.0% from RMB23.0 million for the year ended 31 December 2013 to RMB25.3 million for the year ended 31 December 2014, respectively, following our addition of property, plant and equipment during the two years.

Our direct labour increased from RMB20.8 million to RMB26.6 million by RMB5.8 million or 27.9% for each of the two years ended 31 December 2013 and 2014, respectively. Such increase was primarily a result of (i) the hiring of additional production personnel, and (ii) the general rise in the labour's salaries which, on top of a monthly fixed salary, included an incentive portion calculated with reference to the volume of products they process. The increase in our production activity level from 2013 to 2014 therefore resulted in the general rise in the labour's salaries.

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Gross profit and gross profit margin

As a result of the increase in revenue by RMB16.4 million and the decrease in cost of sales by RMB19.3 million, our gross profit increased by approximately RMB35.7 million, or 27.1%, from RMB131.5 million for the year ended 31 December 2013 to approximately RMB167.2 million for the year ended 31 December 2014. Our gross profit margin also increased from 8.1% to 10.3% for the corresponding periods.

The table below sets out the average gross profit (per tonne) and gross profit margin of our processed steel products for the periods indicated:

	Year ended 31 December	
	2013	2014
Average gross profit ^{Note 1}	RMB343 per tonne	RMB405 per tonne
Gross profit margin ^{Note 2}	8.1%	10.3%

Notes:

1. Average gross profit is calculated by dividing gross profit by total sales volume of the products.
2. Gross profit margin is calculated by dividing gross profit by total revenue.

For detailed discussion, please refer to the paragraph headed “Description of Selected Components of our Income Statements — Gross profit and gross profit margin — Analysis of average gross profit per tonne and gross profit margin” in this section.

Selling expenses

Our selling expenses increased by approximately RMB4.8 million, or 17.5%, from approximately RMB27.4 million for the year ended 31 December 2013 to approximately RMB32.2 million for the year ended 31 December 2014. The increase in selling expenses was mainly attributable to the increases in (i) costs for the delivery of products to our customers by RMB3.5 million, and (ii) export related expenses (including, *inter alia*, custom declaration fees and warehousing charges paid for storage of our products before they are loaded onto cargo vessels at the terminal) by RMB1.2 million, which were in line with the increases in the overall sales volume of our processed steel products and the sales volume in overseas sales.

Administrative expenses

The increase in our administrative expenses by approximately RMB0.6 million, or 1.6%, from approximately RMB37.2 million for the year ended 31 December 2013 to approximately RMB37.8 million for the year ended 31 December 2014, was primarily due to the combined effect of (i) our increase in staff costs by RMB3.3 million mainly as a result of the increase in the bonus paid to our

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Directors in 2014 having considered the improved operating results of our Group, and (ii) the decrease in professional fees and bank service fees by RMB3.2 million as a result of the decrease in service fees paid to banks on financing activities in 2014.

Income tax expenses

For the year ended 31 December 2014, the income tax expense increased by approximately RMB6.7 million, or 113.0%, as compared to the year ended 31 December 2013. The increase was in line with the increase in profit before taxation by approximately RMB30.9 million or 138.8% for the year ended 31 December 2014 as compared to the year ended 31 December 2013.

Net profit for the year

Benefited from the uplift of gross profit by RMB35.7 million, our net profit increased by RMB24.2 million or 147.6%, from RMB16.4 million to RMB40.6 million for each of the two years ended 31 December 2013 and 2014, respectively. Accordingly, our net profit margin increased from 1.0% to 2.5%.

Year ended 31 December 2015 compared with year ended 31 December 2014

Revenue

Our total revenue increased from approximately RMB1,630.6 million to RMB1,875.1 million for each of the two years ended 31 December 2014 and 2015, respectively, representing a significant increase of approximately RMB244.5 million, or a 15.0% year on year growth. Such revenue growth was resulted from the increase in total sales volume by approximately 194,606 tonnes, or 47.1%, from approximately 412,870 tonnes for the year ended 31 December 2014 to 607,476 tonnes for the year ended 31 December 2015, offset by the decrease in our average selling price by approximately RMB878 per tonne or 22.4% from approximately RMB3,911 per tonne to RMB3,033 per tonne in the corresponding years.

The increase in total sales volume in 2015, as compared to 2014, was 194,606 tonnes, 170,077 tonnes of which were attributable to the increase in orders from our existing customers in 2015 as compared to the previous year. The remaining 24,529 tonnes represented the net increase in orders from new customers after netting off the orders placed from the discontinued customers in 2014. Our Directors believe the increase in orders from our existing customers represent our ability in satisfying customers' needs in terms of product quality, customisation and delivery schedule, which enabled us to become the preferred supplier of our customers.

Cost of sales

Our cost of sales increased by RMB140.5 million, or 9.6%, from RMB1,463.4 million to RMB1,603.9 million for each of the two years ended 31 December 2014 and 2015, respectively.

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For each of the two years ended 31 December 2014 and 2015, the largest component of our cost of sales was direct materials, which accounted for over 86% of our cost of sales and increased from RMB1,297.7 million to RMB1,392.7 million by RMB95.0 million or 7.3% for the two years ended 31 December 2014 and 2015, respectively. Such increase was attributable to our increased level of production activities, which was partly offset by the decline of prevailing steel market price for the year.

The increase in utilities expenses from RMB86.8 million to RMB93.0 million by RMB6.2 million or 7.1% for each of the two years ended 31 December 2014 and 2015, respectively, was in line with our increased level of production activities.

Our consumables also increased from RMB21.2 million to RMB34.1 million by RMB12.9 million or 60.8% for each of the two years ended 31 December 2014 and 2015, respectively. The higher consumption of consumables for the year ended 31 December 2015 was in line with our increased level of production level.

Depreciation expense experienced an increase of RMB4.3 million or 17.0% from RMB25.3 million to RMB29.6 million for each of the two years ended 31 December 2014 and 2015, respectively, following our addition of property, plant and equipment during the two years.

Our direct labour increased from RMB26.6 million to RMB44.4 million by RMB17.8 million or 66.9% for each of the two years ended 31 December 2014 and 2015, respectively. Such increase was primarily a result of the increase in the number of production personnel in 2015 to cater for our increasing production volume, and the general rise in labour's salary which includes an incentive portion being commensurate with the volume of products they process.

Gross profit and gross profit margin

As a result of the increase in revenue by RMB244.5 million and the increase in cost of sales by RMB140.5 million, our gross profit increased by approximately RMB104.0 million, or 62.2%, from RMB167.2 million to approximately RMB271.2 million for each of the two years ended 31 December 2014 and 2015, respectively. Our gross profit margin also increased from 10.3% to 14.5% for the corresponding years.

The following table sets out the average gross profit (per tonne) and gross profit margin of our processed steel products for the years indicated:

	Year ended 31 December	
	2014	2015
Average gross profit ^{Note 1}	RMB405 per tonne	RMB446 per tonne
Gross profit margin ^{Note 2}	10.3%	14.5%

Notes:

1. Average gross profit is calculated by dividing gross profit by total sales volume of the products.

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2. Gross profit margin is calculated by dividing gross profit by revenue derived from the products.

We recorded an increase of RMB41 in average gross profit per tonne to RMB446 for the year ended 31 December 2015, as compared to the prior period, despite the fact that we had a decrease of RMB28 per tonne in the difference between the average selling price and the average cost of direct materials used for the year ended 31 December 2015, as compared to the prior year. This was mainly attributable to the fact that as we expanded our sales volume in 2014, we achieved savings in the unit cost for utilities and depreciation expenses in our cost of sales, which helped to lift up on average gross profit per tonne. For detailed discussion, please refer to the paragraph headed “Description of Selected Components of our Income Statements — Gross profit and gross profit margin — Analysis of average gross profit per tonne and gross profit margin” in this section.

Selling expenses

Our selling expenses increased by approximately RMB4.8 million, or 14.9%, from approximately RMB32.2 million to approximately RMB37.0 million for each of the two years ended 31 December 2014 and 2015, respectively. The increase in selling expenses was mainly attributable to (i) the increase in export related expenses (including, *inter alia*, custom declaration fees and warehousing charges paid for storage of our products before they are loaded onto cargo vessels at the terminal) by RMB4.2 million, and (ii) the increase in staff costs by RMB2.3 million.

The increases in export related expenses by RMB4.2 million was in line with the increase in the sales volume in overseas sales.

The increase in staff costs by RMB2.3 million was primarily attributable to (i) the increase in the number of sales and marketing personnel to cope with the business growth; and (ii) the increase in commission paid to our sales and marketing personnel which was calculated based on the amount of sales they achieved. The increase in our sales activity level for the year ended 31 December 2015 as compared to that for the year ended 31 December 2014 therefore resulted in the general increase in our commissions paid.

Administrative expenses

The increase in our administrative expenses by approximately RMB2.5 million, or 6.6%, from approximately RMB37.8 million for the year ended 31 December 2014 to approximately RMB40.3 million for the year ended 31 December 2015, was mainly due to the increase in other administrative expenses by RMB2.9 million primarily attributable to the repair and maintenance work performed in the factory premises in 2015.

Income tax expenses

For the year ended 31 December 2015, the income tax expense increased by approximately RMB29.7 million, or 235.7%, as compared with the year ended 31 December 2014. The increase was mainly attributable to the increase in profit before taxation.

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Net profit for the year

Benefited from the uplift of gross profit by RMB104.0 million, our net profit increased by RMB56.9 million, or 140.1%, from RMB40.6 million to RMB97.5 million for each of the two years ended 31 December 2014 and 2015, respectively. Accordingly, our net profit margin increased from 2.5% to 5.2%.

ANALYSIS OF OUR GROUP'S PROFITS DIRECTLY ATTRIBUTABLE TO OUR ORDINARY COURSE OF BUSINESS

During the Track Record Period, our Group had certain income and expenses which our Directors consider were not directly attributable to our ordinary course of business, namely, (i) investment income and gain; (ii) interest income generated from amounts due from the related parties and loans receivables from some enterprises who are Independent Third Parties; and (iii) interest expenses incurred in bills endorsed from related parties of which the obtained funds were subsequently lent to the related parties. In addition, we occupied and used certain land and properties owned by Mr. Xu and Jiangmen Huazhi for our operation during the Track Record Period without rental payments, details of which are set out in the section headed "Connected Transactions" in this prospectus.

For a better illustration of our Group's profitability, the following table shows our adjusted profit for the year attributable to Shareholders, should the above income and expenses during the Track Record Period be excluded and the adjustment for the notional rental expense of the land and properties aforementioned be taken into account. Information below is primarily derived from our Group's consolidated statements of profit or loss and other comprehensive income and notes 6 and 7 to Section A of the Accountants' Reports in Appendix I to this prospectus.

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	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company (based on our Group's consolidated statements of profit or loss and other comprehensive income in the Accountants' Report in Appendix I to this prospectus)	16,358	40,587	97,466
<i>Adjusted for:</i>			
(1) Income or expenses not directly attributable to our ordinary course of business:			
— Investment income and gain	(1,375)	(9,110)	—
— Interest income from related parties	(16,772)	(17,473)	—
— Interest income from Independent Third Parties	(1,052)	(454)	—
— Interest expense on bills endorsed from related parties	11,256	9,164	—
Net income generated from non-ordinary course of business	(7,943)	(17,873)	—
(2) Notional rental expense	(2,064)	(2,172)	(2,172)
Tax effect of net income generated from non-ordinary course of business and notional rental expense	2,158	4,406	543
Amount attributable to non-controlling interests	(28)	(205)	(668)
Adjusted profit for the year attributable to owners of our Company (after excluding the net income generated from non-ordinary course of business and taking into account the adjustment for notional rental expense)	<u>8,481</u>	<u>24,743</u>	<u>95,169</u>

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LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Throughout the Track Record Period, we have fulfilled our working capital needs primarily through operating cash flows and bank financing. We derived our cash inflows from operating activities principally from sales of processed steel products. The sources of our cash outflow from operations mainly included purchase of steel raw materials, various production costs such as electricity and water, salary and wages, selling expenses such as transportation and income tax payment. We incurred capital expenditures mainly for construction of factory premises and acquisition of plant and machinery and motor vehicles. We monitor our working capital positions from time to time to ensure that we maintain sufficient cash resources for our daily operations and capital expenditure needs.

After completion of the Global Offering, we expect our sources of funds will be a combination of operating cash flows, bank financing and net proceeds from the Global Offering. For details of our future plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital and capital expenditure needs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in settling our obligations in the normal course of business, which would have had a material impact in our business, financial condition or results of operations.

Cash flows

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flow before movements in working capital	92,455	126,857	225,143
Net cash (used in) from operating activities	(301,624)	335,615	444,472
Net cash from investing activities	41,689	112,622	177,279
Net cash from (used in) financing activities	236,107	(449,943)	(554,148)
Net (decrease)/increase in cash and cash equivalents	(23,828)	(1,706)	67,603
Cash and cash equivalents at beginning of the year	54,121	30,293	28,587
Cash and cash equivalents at the end of the year	30,293	28,587	96,190

Cash flows from/used in operating activities

Our cash generated from operating activities reflects profit before taxation for the year, mainly adjusted for depreciation of property, plant and equipment, interest income and expenses, changes in inventories, changes in trade, bills and other receivables, and changes in trade, bills and other payables and accrued expenses.

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For the year ended 31 December 2013, we had a net cash used in operating activities of approximately RMB301.6 million. Such amount was derived from our profit before income tax expenses generated from our operations of approximately RMB22.3 million, positively adjusted for (i) depreciation of property, plant and equipment of approximately RMB26.1 million, and (ii) interest expense of RMB65.3 million; and negatively adjusted for (i) interest income of RMB20.9 million, (ii) the increase in inventories by approximately RMB207.3 million, (iii) the increase in trade, bills and other receivables by approximately RMB132.1 million, and (iv) the decrease in trade, bills and other payables and accrued expenses by approximately RMB54.3 million.

For the year ended 31 December 2014, we achieved a net cash generated from operating activities of approximately RMB335.6 million. Such amount was derived from our profit before income tax expenses generated from our operations of approximately RMB53.2 million, positively adjusted for (i) depreciation of property, plant and equipment of approximately RMB28.0 million, (ii) interest expense of RMB75.3 million, (iii) decrease in inventories of approximately RMB88.3 million, (iv) decrease in trade, bills and other receivables of approximately RMB99.8 million, and (v) the increase in trade, bills and other payables and accrued expenses by approximately RMB29.4 million; and negatively adjusted for (i) interest income of RMB21.7 million, and (ii) the income tax paid of approximately RMB8.7 million during the year.

For the year ended 31 December 2015, we achieved a net cash generated from operating activities of approximately RMB444.5 million. Such amount was derived from our profit before income tax expenses generated from our operations of RMB139.8 million, positively adjusted for (i) depreciation of property, plant and equipment of RMB31.0 million, (ii) interest expenses of RMB54.5 million, (iii) decrease in inventories of RMB155.4 million, and (iv) decrease in trade, bills and other receivables of RMB134.5 million; and negatively adjusted for (i) interest income of RMB1.7 million, and (ii) the decrease in trade, bills and other payables and accrued expenses by RMB32.8 million.

Cash flows from/used in investing activities

For the year ended 31 December 2013, we had a net cash generated from investing activities of RMB41.7 million, which was primarily due to (i) the net withdrawal of restricted bank deposits of RMB16.8 million being securities mainly for obtaining bill financing arrangements, (ii) the net repayment of loans receivables from certain enterprises which are Independent Third Parties of RMB43.6 million, and (iii) interest received of RMB20.9 million; and partially offset by (i) the net advance to related parties of RMB31.3 million, and (ii) the deposit paid for acquisition and purchase of property, plant and equipment amounting to RMB8.8 million.

For the year ended 31 December 2014, we had a net cash flow generated from investing activities amounting to RMB112.6 million, which was primarily due to (i) the net withdrawal of restricted bank deposits of RMB28.0 million following the decrease in our bills financing levels as at 31 December 2014 as compared to that as at 31 December 2013, (ii) the net repayment from related parties of RMB83.3 million, and (iii) the increase in interest received of approximately RMB21.7 million; and partially offset by the deposit paid for acquisition and purchase of property, plant and equipment amounting to RMB27.5 million.

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For the year ended 31 December 2015, our net cash flow generated from investing activities was RMB177.3 million, which was mainly due to (i) net repayment from related parties of RMB175.4 million, (ii) net withdrawal of restricted bank deposits of RMB36.0 million on repayment of bank borrowings, and (iii) the receipt of government subsidies of RMB33.0 million; and partially offset by deposit paid for acquisition of property, plant and equipment for the Workshop No. 4 of RMB70.8 million.

Cash flows from/used in financing activities

For the year ended 31 December 2013, our net cash generated from financing activities was RMB236.1 million, which was mainly due to new bank borrowings raised amounting to RMB1,323.2 million; and partially offset by (i) the repayment of bank borrowings of RMB951.4 million, (ii) the net repayment to related parties of RMB74.0 million, and (iii) interest paid of RMB66.3 million.

For the year ended 31 December 2014, our net cash used in financing activities was RMB449.9 million, which was mainly due to (i) the repayment of bank borrowings of RMB1,449.8 million, (ii) the net repayment to related parties of RMB84.1 million, and (iii) the interest paid of RMB75.3 million; and partially offset by the new bank borrowings raised amounting to RMB1,169.5 million.

For the year ended 31 December 2015, our net cash used in financing activities was RMB554.1 million, which was mainly due to (i) repayment of bank borrowings of RMB1,682.6 million, (ii) deemed distribution to our Controlling Shareholders pursuant to the Reorganisation amounting to RMB133.3 million, and partially offset by new bank borrowings raised of RMB1,238.7 million.

Detailed discussions on the fluctuation of each amount/balance aforementioned are set out in the sections headed “Financial Information — Results of Operations” and “Financial Information — Discussion of Certain Consolidated Statements of Financial Position Items” in this prospectus.

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Current assets and liabilities

	As at 31 December			As at
	2013	2014	2015	29 February
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
CURRENT ASSETS				
Prepaid lease payment	1,118	1,118	1,118	1,118
Inventories	369,085	280,802	125,364	150,203
Trade, bills and other receivables	434,183	365,922	216,879	236,044
Loan receivables	9,682	5,136	—	—
Amounts due from related parties	389,360	306,047	122,411	62,065
Restricted bank deposits	108,397	80,373	44,352	44,278
Bank balances and cash	<u>30,293</u>	<u>28,587</u>	<u>96,190</u>	<u>46,783</u>
	<u><u>1,342,118</u></u>	<u><u>1,067,985</u></u>	<u><u>606,314</u></u>	<u><u>540,491</u></u>
CURRENT LIABILITIES				
Trade, bills and other payables and accrued expenses	224,158	247,020	191,616	234,374
Amounts due to related parties	122,871	38,808	—	—
Tax payables	5,485	9,375	10,840	4,113
Loans from third parties	20,858	10,651	—	—
Bank borrowings — due within one year	<u>1,251,507</u>	<u>931,646</u>	<u>390,027</u>	<u>285,373</u>
	<u><u>1,624,879</u></u>	<u><u>1,237,500</u></u>	<u><u>592,483</u></u>	<u><u>523,860</u></u>
NET CURRENT (LIABILITIES)/ ASSETS	<u><u>(282,761)</u></u>	<u><u>(169,515)</u></u>	<u><u>13,831</u></u>	<u><u>16,631</u></u>

Our financial position improved across the Track Record Period from a net current liabilities position of approximately RMB282.8 million as at 31 December 2013, down to a net current liabilities position of approximately RMB169.5 million as at 31 December 2014, and subsequently arrived at a net current assets position of RMB13.8 million as at 31 December 2015.

The net current liabilities position of RMB282.8 million as at 31 December 2013 was mainly attributable to the high level of bank borrowings of RMB1,251.5 million as at 31 December 2013 for funding our operations. Following the improvement in our financial results for the year ended 31 December 2014 with a net profit amounting to RMB40.6 million and our efforts in reducing the bank borrowings, our net current liabilities position was improved to RMB169.5 million as at 31 December 2014.

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Our continuous business growth brought us a net profit of RMB97.5 million for the year ended 31 December 2015. Coupled with our effort in repaying bank loans in light of the cash receipts generated from our business operations and revising the terms of certain short term loans to more than one year (whereby our non-current bank borrowings increased from RMB39.5 million as at 31 December 2014 to RMB137.3 million as at 31 December 2015), our financial position was further strengthened and we recorded a net current asset position of RMB13.8 million as at 31 December 2015.

Our Directors confirm that we had no default or delay in settlement of debts or trade payables during the Track Record Period that would have material impact on our business, financial condition or results of operations. We will keep on monitoring our liquidity requirements on a regular basis to ensure that sufficient working capital is maintained.

As at 29 February 2016, our net current asset position was RMB16.6 million, up by RMB2.8 million as compared to that as at 31 December 2015.

DISCUSSION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment consists of plant and machinery, buildings, construction in progress, furniture, fixtures and equipment, motor vehicles and leasehold improvement. Our property, plant and equipment represented the most significant item in our non-current assets, which amounted to RMB307.1 million, RMB300.4 million and RMB325.6 million as at 31 December 2013, 2014 and 2015, respectively, representing approximately 79.6%, 85.2% and 85.0% of our Group's total non-current assets as at the corresponding dates.

In order to meet our business growth, we had an expansion of Workshop No. 3 since 2013 and equipped it with production facilities which included, *inter alia*, annealing furnaces, temper mills, and levellers. Such expansion was completed in 2014 and accounted for the increase in buildings by RMB16.8 million and plant and machinery by RMB2.5 million as at 31 December 2014.

Our property, plant and equipment increased by RMB25.2 million from RMB300.4 million as at 31 December 2014 to RMB325.6 million as at 31 December 2015 primarily as a result of (i) the increase in construction in progress by RMB42.7 million in relation to the construction of Workshop No. 4 which is expected to commence operation by mid 2016; and (ii) the addition of motor vehicles by RMB6.6 million as a result of acquisition of 38 delivery vehicles for RMB1.9 million from two related logistics companies to support our delivery services and purchase of motor vehicles for administrative use. For details of Workshop No. 4, please refer to the section headed "Business — Zinc Coated Steel Products and Workshop No. 4" in this prospectus.

Prepaid lease payment

The amount represented the prepaid lease payment for the land use rights in the PRC owned by our Group. As at 31 December 2013, 2014 and 2015, the balance of prepaid lease payment (including both current and non-current portions) amounted to RMB53.4 million, RMB52.3 million and RMB51.2

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million, respectively. The decrease during the Track Record Period was due to the amortisation of the prepaid lease payment. We had no acquisition or disposal of land use right during the Track Record Period.

Inventories

Our inventories consist of raw materials, work in progress and finished goods. The following table sets out the breakdown of our inventories (in terms of monetary value and volume) as at the dates indicated:

	As at 31 December					
	2013		2014		2015	
	<i>RMB'000</i>	<i>tonne</i>	<i>RMB'000</i>	<i>tonne</i>	<i>RMB'000</i>	<i>tonne</i>
Raw materials	331,629	103,176	188,718	64,292	10,863	3,690
Work in progress	31,203	8,599	67,265	21,800	60,941	31,201
Finished goods	<u>6,253</u>	<u>1,668</u>	<u>24,819</u>	<u>8,023</u>	<u>53,560</u>	<u>24,744</u>
Total inventories	<u><u>369,085</u></u>	<u><u>113,443</u></u>	<u><u>280,802</u></u>	<u><u>94,115</u></u>	<u><u>125,364</u></u>	<u><u>59,635</u></u>

Under our procurement policy, we purchase raw materials based on confirmed purchase orders from our customers. Our procurement team purchases the requisite steel raw materials within five days after receiving the confirmed purchase orders from customers. This policy allows us to minimise inventory and price volatility risks.

Our raw materials balance decreased by RMB142.9 million from RMB331.6 million at 31 December 2013 to RMB188.7 million as at 31 December 2014. The decrease in raw materials balance was mainly due to (i) the general decrease in steel market price during 2014; and (ii) cutting back reliance on obtaining customers' confirmed purchase orders with long dated delivery dates during the year, as a result of which we held less raw materials as at 31 December 2014. During 2013, with the intention to secure sales volume, we often accepted purchase orders from customers with delivery schedules up to nine months. Although we have required deposit payment from some of our customers when they placed confirmed purchase orders with us, we still found catering for such long dated purchase orders put a strain on our working capital for procuring raw materials. As a result, in 2014, we generally accepted purchase orders with delivery schedules up to six months. This helped us reduce the inventory level of raw materials substantially at the year end of 2014.

In 2015, in view of the continuous growth in our business and to further reduce our working capital needs for procuring raw materials, we decided to generally accept purchase orders with delivery schedules up to three months during the year. As such, our raw materials balance dropped to RMB10.9 million as at 31 December 2015.

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The following table sets out the aggregate quantity of our inventories and steel raw materials ordered but not yet delivered to us as well as the quantity of outstanding customer orders as at 31 December 2015:

	tonnes
Inventories	59,635
Plus: Steel raw materials ordered but not delivered	<u>26,382</u>
 Aggregate balance	 <u>86,017</u>
 Quantity of outstanding customer orders	 <u>85,557</u>

In normal circumstances, we usually have a slight excess of inventories and steel raw materials pending delivery over the quantity of outstanding customer orders, since we need to order a certain amount of additional raw materials over the customer order to cover the normal wastage during processing.

The following table sets out the ageing analysis of our raw materials as at the dates indicated:

	As at 31 December					
	2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Within 30 days	90,720	27.4%	117,516	62.2%	7,399	68.1%
31–60 days	76,365	23.0%	23,397	12.4%	2,412	22.2%
61–90 days	56,866	17.1%	23,555	12.5%	1,052	9.7%
91–120 days	32,855	9.9%	11,105	5.9%	—	—
121–180 days	73,114	22.0%	13,145	7.0%	—	—
181–365 days	<u>1,709</u>	<u>0.6%</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>331,629</u>	<u>100.0%</u>	<u>188,718</u>	<u>100.0%</u>	<u>10,863</u>	<u>100.0%</u>

Raw materials aged within 90 days accounted for 67.5%, 87.1% and 100.0% of total raw materials as at 31 December 2013, 2014 and 2015 respectively, being in line with our sales strategy to shorten the delivery schedules as aforementioned.

The following table sets out the raw materials turnover days as at the dates indicated:

	As at 31 December		
	2013	2014	2015
Raw materials turnover days	49.5	76.0	20.7

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Note: Our raw materials turnover days is calculated by dividing the average of the opening and closing balances of steel raw materials volume by the purchase volume and multiplied by 365 days for the year for the avoidance of impact from the general decrease in steel price during the Track Record Period.

Our raw materials turnover days was 49.5 days, 76.0 days and 20.7 days for each of the three years ended 31 December 2013, 2014 and 2015, respectively, which was generally in line with the delivery schedules as accepted by us during the Track Record Period. The raw materials turnover days for 2013 was slightly distorted in the calculation because the raw materials balance as at 31 December 2012 was much smaller than that as at 31 December 2013. The decrease in raw materials turnover days to 20.7 days as at 31 December 2015 was primarily attributable to the substantial decrease in our level of raw materials from 64,292 tonnes as at 31 December 2014 to 3,690 tonnes as at 31 December 2015, following the shortening of the maximum number of delivery days for customers' confirmed purchase orders from six months to three months during the year.

Generally, our entire production process takes approximately 20 days and finished products are delivered to customers within 10 days. The aggregate balance of work in progress and finished products amounted to RMB37.5 million, RMB92.1 million and RMB114.5 million, representing aggregate inventory volume of 10,267 tonnes, 29,823 tonnes and 55,945 tonnes, as at 31 December 2013, 2014 and 2015, respectively. The increase in such aggregate balances during the Track Record Period was in line with our increasing sales level.

Write-down is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount of inventories. Under our procurement policy, we only purchase raw materials after we have secured purchase orders from our customers. Further, we adopt a "cost-plus" pricing strategy for our products, taking into consideration the prevailing market price of raw materials, our processing costs and our envisaged gross profit margin. Accordingly, our inventories are not exposed to price risks. Moreover, our steel raw materials are non-perishable in nature with wide applications. Therefore, our Group did not make any provision for writing down our inventory during the Track Record Period.

As at 29 February 2016, our inventories as at 31 December 2013, 2014 and 2015 had been fully sold/used.

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Trade, bills and other receivables

(I) Trade and bills receivables

Our trade and bills receivables represent receivables from the sale of our products. The following table sets out a breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from third parties	63,118	78,669	98,005
Trade receivables from related parties	8,974	51	3,453
Bills receivables ^{Note 1}	99,613	101,190	61,757
Pledged bills receivables ^{Note 2}	<u>17,302</u>	<u>—</u>	<u>—</u>
Total trade and bills receivables	<u>189,007</u>	<u>179,910</u>	<u>163,215</u>

Notes:

1. The bills receivables represent the bills we receive from our customers for settling their purchase from us. We either tender the bills to the bank when they fall due or discount them for cash before they become due.
2. We used certain bills received from our customers as collateral to obtain short term bank borrowings from banks.

It is our notice that (a) we generally request a deposit representing a percentage of the order amount from customers with less than one year's business relationship and the settlement of the remaining balance on delivery and (b) for customers who have a business relationship of more than a year with us and have good payment history, we generally offer them a credit period of up to 90 days.

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The following table sets out our trade and bills receivables from our customers as at the dates indicated:

	As at 31 December					
	2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Trade receivables						
Within 30 days	42,695	59.2	68,368	86.8	60,731	59.9
31–60 days	13,199	18.3	9,419	12.0	9,529	9.4
61–90 days	12,371	17.2	343	0.4	12,762	12.6
91–120 days	51	0.1	—	0.0	11,872	11.7
121–180 days	555	0.8	37	0.1	2,325	2.3
181–365 days	315	0.4	461	0.6	4,078	4.0
Over 1 year	<u>2,906</u>	4.0	<u>92</u>	0.1	<u>161</u>	0.1
	<u>72,092</u>	100.0	<u>78,720</u>	100.0	<u>101,458</u>	100.0
Bills receivables						
Within 30 days	3,710	3.7	3,823	3.8	10,529	17.0
31–60 days	5,048	5.1	15,475	15.3	1,792	2.9
61–90 days	17,380	17.4	9,365	9.3	9,442	15.3
91–120 days	21,969	22.1	14,127	13.9	12,988	21.0
121–180 days	51,506	51.7	58,400	57.7	25,106	40.7
181–365 days	<u>—</u>		<u>—</u>		<u>1,900</u>	3.1
	<u>99,613</u>	100.0	<u>101,190</u>	100.0	<u>61,757</u>	100.0
Pledged bills receivables	17,302		—		—	
Trade and bills receivables	<u>189,007</u>		<u>179,910</u>		<u>163,215</u>	

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The following table sets out our ageing analysis of trade receivables that were past due but not individually nor collectively considered to be impaired as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
61–90 days	4,151	343	4,156
91–120 days	51	—	11,872
121–180 days	555	37	2,325
181–365 days	315	461	4,078
Over 1 year	<u>2,906</u>	<u>92</u>	<u>161</u>
	<u><u>7,978</u></u>	<u><u>933</u></u>	<u><u>22,592</u></u>

The trade receivables that were past due as at 31 December 2013 and 2014 have been fully settled. Of the trade receivables that were past due as at 31 December 2015, approximately 92.5% have been subsequently settled as at 29 February 2016.

The following table sets out the debtors' turnover days as at the dates indicated:

	As at 31 December		
	2013	2014	2015
Debtors' turnover days	32.0	41.3	33.4

Note: The debtors' turnover days is calculated by dividing the average of the opening and closing balances of the trade and bills receivables by the revenue and multiplied by 365 days for the year.

With reference to the above table, our average debtors' turnover days for each of the three years ended 31 December 2013, 2014 and 2015 were 32.0 days, 41.3 days and 33.4 days, respectively, which was in line with the credit periods we offer to our customers.

As at 29 February 2016, approximately 100%, 100% and 94.1% of our trade and bills receivables as at 31 December 2013, 2014 and 2015 had been settled.

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(II) *Other receivables*

The following table sets out a breakdown of other receivables as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to suppliers	178,113	110,158	45,020
Value-added tax recoverable	63,407	38,660	1,856
Receivable from a related party on disposal of an available-for-sale investment	—	31,490	—
Other deposits and prepayments ^{Note}	3,656	5,704	6,788
Total other receivables	245,176	186,012	53,664

Note: Other deposits and prepayments mainly consist of service deposits required by logistics companies and prepayments for vehicles related expenses.

Our other receivables amounted to approximately RMB245.2 million, RMB186.0 million and RMB53.7 million as at 31 December 2013, 2014 and 2015, respectively. During the Track Record period, the amounts mainly represented prepayment to suppliers, value-added tax recoverable, and receivable from a related party on disposal of an available-for-sale investment.

Prepayments to suppliers decreased from RMB178.1 million to RMB110.2 million, and then to RMB45.0 million as at 31 December 2013, 2014 and 2015, respectively. The decrease was primarily due to reduction in placing long dated purchasing orders with steel producers to match the delivery schedules as requested by our customers, as we were gradually declining long term purchase orders from customers during the Track Record Period.

The value-added tax recoverable amounted to RMB63.4 million, RMB38.7 million and RMB1.9 million as at 31 December 2013, 2014 and 2015, respectively. We generate input value-added tax in purchase and output value-added tax in sales of products. When there is an excess of accumulated input value-added tax over accumulated output value-added tax as at the year end, value-added tax recoverable arises. At the year end of 2013 and 2014, we held substantial, though declining, amounts, of raw materials for the production of processed steel products in the following year, as we had confirmed purchase orders from customers with delivery dates up to six to nine months. This resulted in the accumulated input value added tax balance far exceeding the accumulated output value added tax balance as at 31 December 2013 and 2014.

The receivable from a related party on disposal of an available-for-sale investment amounting to RMB31.5 million as at 31 December 2014 was resulted from our disposal of an equity investment in an unlisted bank in the PRC in December 2014, as discussed above. As at 31 December 2015, such amount had been fully settled.

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Loan receivables

Our loan receivables amounted to RMB9.7 million, RMB5.1 million and nil as at 31 December 2013, 2014 and 2015, respectively. Such amounts represented loans to certain enterprises who are Independent Third Parties for their funding needs. The loans were unsecured, repayable on demand and interest-bearing at the interest rate at 6.56%, which was calculated based on the weighted average interest rates of our bank borrowings charged by the banks in the PRC during the same period. As at 31 December 2015, the loan receivables had been fully settled.

Amounts due from related parties

The amounts due from related parties were RMB389.4 million, RMB306.0 million and RMB122.4 million as at 31 December 2013, 2014 and 2015, respectively. Such amounts represented advances to our Controlling Shareholders and entities controlled by our Controlling Shareholders for their funding needs. For further details of the funding needs of our Controlling Shareholders and entities controlled by our Controlling Shareholders, please refer to the paragraphs headed “Business — Legal Proceedings and Compliances — 4. Non-compliant loans” in this prospectus. On 30 September 2015, our Controlling Shareholder, Mr. Xu, took up all the amounts due from related parties by way of assignment. Mr. Xu will fully repay the entire outstanding amount prior to Listing.

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Trade, bills and other payables and accrued expenses

The following table sets out the breakdown of trade, bills and other payables and accrued expenses as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to			
— related parties	—	—	639
— third parties	39,327	17,424	23,556
Bills payables	<u>34,230</u>	<u>83,126</u>	<u>68,591</u>
	73,557	100,550	92,786
Receipts in advance from customers			
— related parties	12,467	15,781	—
— third parties	79,776	90,774	65,699
Accrued staff costs	2,556	2,281	6,491
Construction payables	20,354	13,791	4,098
Transportation fees payables to			
— related parties	10,700	2,260	—
— third parties	9,841	3,094	1,251
Other tax payables	4,935	2,556	3,201
Other payables and accrued expenses	<u>9,972</u>	<u>15,933</u>	<u>18,090</u>
Total trade, bills and other payables and accrued expenses	<u><u>224,158</u></u>	<u><u>247,020</u></u>	<u><u>191,616</u></u>

(I) Trade and bills payables

Trade and bills payables represent payables to our suppliers for the procurement of steel raw materials and ancillary materials. For procurement of steel raw materials, steel producers or their agents usually require from us deposit payment after placing the purchase order and the settlement of the remaining balance before delivery of raw materials; whereas steel trading companies usually grant us credit period no longer than 30 days, except that we were offered by an agent of a steel producer (our largest supplier in 2013) a revolving credit limit of RMB20 million for purchasing steel raw materials in 2013. For ancillary materials, the suppliers usually grant us credit period from two to four months. We settle our raw materials purchases in cash, bank remittance or bank acceptance bills.

Our total trade payables (including those to related parties) and bills payables amounted to RMB73.6 million, RMB100.6 million and RMB92.8 million as at 31 December 2013, 2014 and 2015 respectively. The increase in total trade payables to third parties and bills payables was mainly due to the increase in bills payables.

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The bill payables balance increased from RMB34.2 million as at 31 December 2013 to RMB83.1 million as at 31 December 2014. The increase was mainly because we increased purchases of steel raw materials from a major steel producer in 2014, which offered us competitive terms by accepting our settlement for purchases by way of bank acceptance bills with a term of more than six months.

The following table sets out the creditors' turnover days for trade and bills payables as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Creditors' turnover days	<u>21.6</u>	<u>19.5</u>	<u>18.8</u>

Note: Creditors' turnover days is calculated by dividing the average of opening and closing balances of the trade and bills payables by the cost of sales and multiplied by 365 days for the year.

The creditors' turnover days were 21.6 days, 19.5 days and 18.8 days for each of the three years ended 31 December 2013, 2014 and 2015, respectively, which were within the credit periods granted by our suppliers.

The following table sets out the ageing analysis of our trade and bills payables as at the dates indicated:

	As at 31 December					
	2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Trade creditors						
Within 30 days	8,651	22.0	7,506	43.1	14,291	59.1
31–60 days	3,820	9.7	2,863	16.4	2,023	8.4
61–90 days	14,535	37.0	777	4.5	2,573	10.6
91–120 days	5,215	13.3	463	2.7	2,107	8.7
121 to 180 days	4,031	10.2	787	4.5	948	3.9
181–365 days	1,851	4.7	856	4.9	1,934	8.0
over 1 year	<u>1,224</u>	3.1	<u>4,172</u>	23.9	<u>319</u>	1.3
	<u>39,327</u>	100.0	<u>17,424</u>	100.0	<u>24,195</u>	100.0

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	2013		As at 31 December 2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%
Bills payables						
Within 30 days	12,612	36.8	24,308	29.2	—	—
31–60 days	—	—	15,641	18.8	6,737	9.8
61–90 days	16,530	48.3	23,490	28.3	1,658	2.4
91–120 days	338	1.0	8,592	10.3	1,119	1.6
121 to 180 days	4,750	13.9	7,620	9.2	8,925	13.0
181–365 days	<u>—</u>	—	<u>3,475</u>	4.2	<u>50,152</u>	73.2
	<u>34,230</u>	100.0	<u>83,126</u>	100.0	<u>68,591</u>	100.0
Trade and bills payables	<u><u>73,557</u></u>		<u><u>100,550</u></u>		<u><u>92,786</u></u>	

As at 29 February 2016, 100%, 100% and 68.7% of our trade payables as at 31 December 2013, 2014 and 2015 had been settled. Our Directors confirm that we had no default or delay in payment of our trade payables during the Track Record Period that would have material impact on our business, financial condition or results of operations.

(II) Other payables and accrued expenses

Other payables and accrued expenses mainly consist of receipts in advance from our customers on their purchases, accrued staff costs, construction payables, transportation fees payables to related parties, and other tax payables.

Receipts in advance represents the deposit amount we request from our customers when they place confirmed orders with us. The balance decreased to RMB65.7 million as at 31 December 2015, since we had less outstanding customer orders as compared to the year end of 2013 and 2014.

Accrued staff costs amounted to RMB2.6 million, RMB2.3 million and RMB6.5 million as at 31 December 2013, 2014 and 2015, respectively. It represented the accrued staff salaries and benefits for December of the respective years. The increase in accrued staff costs to RMB6.5 million as at 31 December 2015 was primarily a result of the increase in our total number of employees from 810 as at 31 December 2014 to 1,094 as at 31 December 2015 and the increase in staff costs for labour and sales and marketing personnel being commensurate with the increased level of production and sales activities.

Construction payables amounted to RMB20.4 million and 13.8 million as at 31 December 2013 and 2014, respectively, which represented payables associated with the expansion of Workshop No.3 commenced in 2013 to meet our business growth. The construction work for such expansion was substantially completed in 2014. Construction payables totalling RMB4.1 million as at 31 December 2015 was attributable to the construction of Workshop No. 4 which is expected to commence operation by mid 2016, details of which are set out in the section headed “Business — Zinc Coated Steel Products and Workshop No. 4” in this prospectus.

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Transportation fees payables (including those to related parties) represented service fees due to logistics companies for delivering our products to the customers. The decrease in the balance from RMB20.5 million as at 31 December 2013 to RMB5.4 million as at 31 December 2014 was primarily attributable to our efforts in expediting the settlements in light of our better cash position in 2014. It further reduced to RMB1.3 million as at 31 December 2015 because we expanded our delivery capacity by acquiring delivery vehicles during the year. Since then, delivery to customers in Guangdong Province has mostly done by our delivery vehicles while delivery to customers outside Guangdong Province is mainly outsourced to external logistics companies. As at 29 February 2016, 54.7% of the transportation fees payables as at 31 December 2015 had been fully settled.

Other tax payables included mainly various kinds of government levies or taxes such as urban construction tax (城市建設維護稅), education supplementary tax (教育費附加), tenure tax (土地使用稅), real estate tax (房產稅) and stamp duty (印花稅). Certain of these tax charges were related to the amount of value-added tax paid and the amounts of sales/purchase contracts in each month and therefore the amount varied across every month end.

Other payables and accrued expenses increased from RMB10.0 million as at 31 December 2013 to RMB15.9 million as at 31 December 2014, and further to RMB18.1 million as at 31 December 2015. Movements in balances as at the said dates were due to accrual for electricity charges and bank interest and other miscellaneous payments.

Amounts due to related parties

The amounts represented advances from Mr. Xu and companies controlled by our Controlling Shareholders to satisfy our short-term working capital needs, which were unsecured, interest-free and repayable on demand. It amounted to RMB122.9 million, RMB38.8 million and nil as at 31 December 2013, 2014 and 2015, respectively. Outstanding amounts due to related parties, if any, will be fully settled prior to Listing.

Loans from third parties

The amounts represented loans from Independent Third Parties to satisfy our short-term working capital needs, which were unsecured, interest-free and repayable on demand. The balances amounted to RMB20.9 million, RMB10.7 million and nil as at 31 December 2013, 2014 and 2015, respectively.

Deferred income

To support the development and listing of the Group, the People's Government of Jiangmen Municipal Xinhui District Muzhou Town has approved to grant a subsidy of RMB33.0 million to us in November 2014 and we have received the subsidy payment in full during the year ended 31 December 2015. The key conditions in respect of the recognition of such subsidy included (i) the listing of our Group before November 2016, or such a later date which is subject to the negotiation between the government and us; and (ii) the construction of a zinc coating factory, with the total investment amounting to no less than RMB100 million and commencing operation before November 2016. Accordingly, the subsidy amount is recorded as a deferred income under the non-current liabilities as at

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31 December 2015, and will be recognised in the profit or loss over the useful lives of the relevant assets once the conditions are all fulfilled. As at the Latest Practicable Date, our Directors expected that our Group will be able to fulfil all the conditions for the subsidy.

RELATED PARTY TRANSACTIONS AND BALANCES

With respect to the related parties transactions set out in note 32 to Section A of the Accountants' Report in Appendix I to this prospectus, our Directors confirm, and the Sole Sponsor concurs after reviewing the market rates of comparable transactions, that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interests of us and our Shareholders as a whole.

INDEBTEDNESS

As at 29 February 2016, being the latest practicable date for the purpose of this statement of indebtedness, our Group had bank borrowings of RMB483.8 million, which bore fixed interest rates ranging from 4.60% to 8.40%. The bank borrowings comprised (i) secured bank borrowings amounting to RMB374.7 million (including guaranteed portion of RMB340.5 million and unguaranteed portion of RMB34.2 million); (ii) unsecured and guaranteed bank borrowing amounting to RMB60.0 million; and (iii) secured and unguaranteed bank borrowings from factoring of bills receivables with full recourse amounting to RMB49.1 million. The above bank borrowings were secured by assets of our Group and/or assets (i.e. land and properties) held by Mr. Xu; and/or guaranteed by corporate guarantees provided by the PRC subsidiaries and/or personal guarantees provided by Mr. Xu.

As at 29 February 2016, save as disclosed in this prospectus, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credit, charges, mortgages, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

As at 29 February 2016, the pledged assets provided by our Group had a carrying value of RMB345.0 million. The pledged assets provided by Mr. Xu as aforementioned will be acquired by our Group when the balance of the consideration, in the amount of RMB40.5 million, will be settled by the net proceeds from the Global Offering, pursuant to the sales and purchase agreement entered into between our PRC subsidiary, Jiangmen Huajin, and Mr. Xu on 4 January 2016, details of which are set out in the section headed "Connected Transactions — One-off Connected Transaction" in this prospectus. The said personal guarantees provided by Mr. Xu will be released upon Listing. As at 29 February 2016, our total banking facilities amounted to RMB915.7 million with unutilised banking facilities amounted to RMB431.9 million.

Our Directors confirm that there were no material covenants or any breach in financial covenants relating to our bank borrowings and no material defaults by our Group in payment of its bank borrowings during the Track Record Period and up to 29 February 2016.

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Our Directors confirm that we did not have any further plan for material debt financing as at the Latest Practicable Date. Since 29 February 2016 and up to the Latest Practicable Date, there has been no material adverse change in our indebtedness.

SUMMARY OF KEY FINANCIAL RATIOS

The table below sets out a summary of key financial ratios in respect of our results of operations during the Track Record Period:

	Year ended/as at 31 December		
	2013	2014	2015
Current ratio ⁽¹⁾	0.83 times	0.86 times	1.02 times
Quick ratio ⁽²⁾	0.60 times	0.64 times	0.81 times
Gross profit margin ⁽³⁾	8.1%	10.3%	14.5%
Net profit margin ⁽⁴⁾	1.0%	2.5%	5.2%
Return on assets ⁽⁵⁾	0.9%	2.9%	9.9%
Return on equity ⁽⁶⁾	15.9%	28.3%	43.6%
Interest coverage ratio ⁽⁷⁾	1.3 times	1.7 times	3.6 times
Net debt to equity ratio ⁽⁸⁾	10.8 times	6.0 times	1.7 times
Gearing ratio ⁽⁹⁾	12.2 times	6.8 times	2.4 times
<i>For illustrative purpose:</i>			
Adjusted net profit margin ⁽¹⁰⁾⁽¹³⁾	0.5%	1.5%	5.1%
Adjusted return on assets ⁽¹¹⁾⁽¹³⁾	0.5%	1.8%	9.7%
Adjusted return on equity ⁽¹²⁾⁽¹³⁾	8.3%	17.4%	42.9%

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the end of the year.
- (2) Quick ratio is calculated by dividing current assets less inventories by current liabilities as at the end of the year.
- (3) Gross profit margin is calculated by dividing gross profit by revenue for the year.
- (4) Net profit margin is calculated by dividing net profit by revenue for the year.
- (5) Return on asset is calculated by dividing net profit by total assets as at the end of the year.
- (6) Return on equity is calculated by dividing net profit by total equity as at the end of the year.
- (7) Interest coverage ratio is calculated by dividing profit before interest expenses and tax by interest expenses for the year.
- (8) Net debt to equity ratio is calculated by dividing net debt by total equity as at the end of the year. Net debt includes all interest-bearing loans, net of cash and cash equivalents.
- (9) Gearing ratio is calculated by dividing total debt by total equity as at the end of the year. Total debt includes all interest-bearing loans.

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- (10) Adjusted net profit margin is calculated by dividing adjusted net profit by revenue for the year.
- (11) Adjusted return on assets is calculated by dividing adjusted net profit by total assets as at the end of the year.
- (12) Adjusted return on equity is calculated by dividing adjusted net profit by total equity as at the end of the year.
- (13) Adjusted net profit is calculated by excluding certain income and expenses not directly attributable to our ordinary course of business from the net profit for the year, taking into account the adjustment for notional rental expense of certain land and properties, details of which are set out in the section headed “Financial Information — Analysis of our Group’s Profits Directly Attributable to our Ordinary Course of Business” in this prospectus.

Current ratio

Our current ratio improved from 0.83 times as at 31 December 2013 to 0.86 times as at 31 December 2014, and improved further to 1.02 times as at 31 December 2015, mainly due to our continuous efforts to eliminate the net current liabilities position during the Track Record Period, by reducing our bank borrowings due within one year from RMB1,251.5 million as at 31 December 2013 to RMB931.6 million as at 31 December 2014 and further to RMB390.0 million as at 31 December 2015; and increasing our bank borrowings due more than one year from nil to RMB39.5 million and further to RMB137.3 million as at the said dates.

Quick ratio

Inventories accounted for 27.5%, 26.3% and 20.7% of our current assets as at 31 December 2013, 2014 and 2015, respectively. Thus, our quick ratios decreased by similar proportions to their corresponding current ratios as at the indicated dates. Our quick ratio increased from 0.60 times as at 31 December 2013 to 0.64 times as at 31 December 2014, and increased further to 0.81 times as at 31 December 2015. The movements were in line with, and due to the same reasons for the movements in, our current ratio.

Gross profit margin

Our gross profit margin increased from 8.1% for the year ended 31 December 2013 to 10.3% for the year ended 31 December 2014, and increased further to 14.5% for the year ended 31 December 2015.

Notwithstanding the decrease in the average revenue per tonne during the Track Record Period (which decreased from RMB4,206 per tonne in 2013, to RMB3,950 per tonne in 2014, and then to RMB3,087 per tonne in 2015 primarily as a result of the declining steel raw materials purchase price), the average gross profit per tonne increased from RMB343 per tonne in 2013, to RMB405 per tonne in 2014, and further to RMB446 per tonne in 2015 as well as the gross profit margin increased continuously from 8.1% in 2013 to 10.3% in 2014 and further to 14.5% in 2015. The increase in the gross profit margin was primarily due to the following three factors. Firstly, we have been able to achieve a rather stable difference between the average revenue per tonne and the average direct materials per tonne (2013: RMB767, 2014: RMB807 and 2015: RMB794), irrespective of a declining steel market price environment. As a result, the direct materials-to-sales ratio, decreased from 82% in 2013 to 74% in 2015, which helped to lift up the gross profit margin. Secondly, there was a decrease in the unit cost of consumables from RMB81.6 in 2013 to RMB56.2 in 2015. It was relatively higher in 2013 mainly due

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to the expansion of Workshop No. 3 during the time, resulting in higher consumption of spare parts and supplies. Thirdly, our expanded production gave rise to the benefits of economies of scale by reducing the unit cost for certain cost items to various extents, such as utilities and depreciation expenses, during the Track Record Period. The unit cost for utilities was RMB213.5 per tonne, RMB210.2 per tonne and RMB153.1 per tonne; and depreciation expenses was RMB59.9 per tonne, RMB61.2 per tonne and RMB48.7 per tonne for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

Accordingly, our gross profit margin increased from 8.1% to 10.3% and further to 14.5% during the Track Record Period.

Net profit margin

Our net profit margin increased from 1.0% for the year ended 31 December 2013 to 2.5% for the year ended 31 December 2014, and increased further to 5.2% for the year ended 31 December 2015. The increase in net profit margin during the Track Record Period was mainly due to our improving gross profit margin.

Return on total assets

Our return on total assets increased from 0.9% for the year ended 31 December 2013 to 2.9% for the year ended 31 December 2014, and increased further to 9.9% for the year ended 31 December 2015. The increase in return on total assets in 2014 was mainly due to the increase in our net profit by RMB24.2 million (or 2.5 times), coupled with the decrease in total assets by RMB307.2 million from RMB1,727.7 million as at 31 December 2013 to RMB1,420.5 million as at 31 December 2014. The decrease in total assets was mainly attributable to (i) the decreased levels of inventories and prepayment to suppliers as a result of our strategy in accepting less long term purchase orders from customers which in turn lowered our raw materials level as well as prepayment to suppliers, and (ii) decrease in amounts due from related parties.

The increase in return on total assets during the year ended 31 December 2015 was mainly due to (i) the net profit of RMB97.5 million recorded during the year, which was 2.4 times the net profit for the year ended 31 December 2014; and (ii) decrease in total assets by RMB431.3 million from RMB1,420.5 million as at 31 December 2014 to RMB989.2 million as at 31 December 2015 as a result of the decreased levels of inventories and prepayment to suppliers for the reasons as discussed above.

Return on equity

Our return on equity increased from 15.9% for the year ended 31 December 2013 to 28.3% for the year ended 31 December 2014, and increased further to 43.6% for the year ended 31 December 2015. The increase in return on equity in 2014 was mainly attributable to the increase in net profit by RMB24.2 million, being partly offset by the increase in equity of RMB40.6 million as a result of profit recognised during the year. The increase in return on equity for the year ended 31 December 2015 was mainly attributable to the growth in net profit by RMB56.9 million, which was partly offset by the increase in equity of RMB80.0 million primarily as a result of profit recognised during the year.

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Interest coverage ratio

Our interest coverage ratio increased from 1.3 times for the year ended 31 December 2013 to 1.7 times for the year ended 31 December 2014, and increased further to 3.6 times for the year ended 31 December 2015. The increase in the ratio for 2014 was mainly due to increase in profit before interest expenses and tax by RMB40.9 million, the effect of which was partially offset by the increase in finance costs by RMB10.0 million. The increase in ratio for the year ended 31 December 2015 was mainly due to the growth in profit before interest expenses and tax by RMB65.8 million, coupled with a drop in finance costs by RMB20.8 million as compared to the year ended 31 December 2015.

Net debt to equity ratio

Our net debt to equity ratio decreased from 10.8 times as at 31 December 2013 to 6.0 times as at 31 December 2014, which was mainly attributable to (i) the decrease in bank borrowings by RMB280.4 million from 1,251.5 million as at 31 December 2013 to RMB971.1 million as at 31 December 2014, the effect of which was partially offset by the decrease in cash and cash equivalents by RMB29.7 million between the said dates; and (ii) the increase in total equity by RMB40.6 million between the said dates.

The ratio decreased further to 1.7 times as at 31 December 2015 mainly due to (i) decrease in bank borrowings by RMB443.8 million from 971.1 million as at 31 December 2014 to RMB527.3 million as at 31 December 2015; and (ii) increase in total equity by RMB80.0 million between the said dates.

Gearing ratio

Our gearing ratio decreased from 12.2 times as at 31 December 2013 to 6.8 times as at 31 December 2014, and decreased further to 2.4 times as at 31 December 2015, which was in line with the movements of our net debt to equity ratios.

PLEDGE OF ASSETS

For details of pledge of assets, please refer to note 30 to Section A of the Accountants' Report in Appendix I to this prospectus.

WORKING CAPITAL

Taking into consideration our existing balance of cash and cash equivalents, cash flows from our operations, available banking facilities and the estimated net proceeds from the Global Offering, our Directors confirm, and the Sole Sponsor concurs, after due and careful inquiry, that we have sufficient working capital for our requirements for at least 12 months from the date of this prospectus.

CONTINGENT LIABILITIES

At the end of each of the years in the Track Record Period, our Group did not have any significant contingent liabilities.

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COMMITMENTS

Capital commitment

At the close of business of 31 December 2013, 2014 and 2015 and 29 February 2016, we had capital commitment contracted but not provided for in respect of the acquisition of property, plant and machinery of approximately RMB0.7 million, RMB7.2 million, RMB40.5 million and RMB53.1 million, respectively. The substantial amount of capital commitment of approximately RMB53.1 million as at 29 February 2016 was primarily attributable to the construction of zinc coating processing facility which is expected to commence operation by mid 2016. For details of Workshop No. 4, please refer to the section headed “Business — Zinc Coated Steel Products and Workshop No. 4” in this prospectus.

Operating lease commitment

The table below sets out our operating lease commitments as at 31 December 2013, 2014 and 2015 and 29 February 2016:

	As at 31 December			As at
	2013	2014	2015	29 February
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Within one year	467	117	523	874
In the second to fifth year inclusive	117	—	131	395
	584	117	654	1,269

Operating lease commitments arose from the operating lease of our Hong Kong office and a staff quarter in Hong Kong.

PROPERTY INTERESTS

Please refer to the section headed “Business — Properties” in this prospectus for further details.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2015, being the date of our most recent financial statements, we did not have any off-balance sheet commitments and arrangements, save as disclosed in the sections headed “Financial Information — Commitments” and “Financial Information — Contingent Liabilities” in this prospectus.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Foreign currency risk

As our functional currency is RMB and a portion of our revenue is derived from sales to overseas customers who settle in US dollars, we are exposed to risks associated with fluctuations in US dollars against RMB. In addition, we are exposed to foreign currency risk arising from certain bank balances which are denominated in US dollars. Our Group currently does not have any foreign currency hedging policy. However, our management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

We are exposed to interest rate risk in relation to bank balances, restricted bank deposits and bank borrowings. Fluctuations of prevailing interest rates quoted by the PBOC for bank deposits and borrowings would result in interest rate risks to our Group.

Our Group currently does not have any interest rate hedging policy. However, our management closely monitors its exposure to interest rate risk as a result of change in market interest rate and will consider hedging changes in market interest rates should the need arise.

Credit risk

Our Group's exposure to credit risk is primarily attributable to trade receivables, bills receivables, receivable on disposal of an available-for-sale investment, other receivables, loan receivables, and amounts due from related parties, which would cause a financial loss to our Group should there is any failure of the counterparties to discharge their obligations.

In order to minimise the credit risk, our management has a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual receivable at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts, if necessary. During the Track Record Period, no bad debt provisions or impairment losses were provided by our Group. Our Group had concentration of credit risk as 20.1%, 22.2%, and 19.4% of trade receivables as at 31 December 2013, 2014 and 2015, respectively, were due from our Group's five largest customers. The management of our Group considers the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

The credit risk on the bills receivables, restricted bank deposits, bank balances and amounts due from related parties is limited because the counterparties are either banks with good reputations or controlled by our Controlling Shareholders and/or their relatives who have good relationship with our Company and good settlement history.

FINANCIAL INFORMATION

Liquidity risk

Our Group will be exposed to liquidity risk if we are unable to finance the future working capital and financial requirements when they fall due. In the management of liquidity risk, our Group monitors and maintains adequate levels of cash and cash equivalents to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on both internally generated funds and borrowings as source of liquidity. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. As at 31 December 2015, our unutilised bank borrowing facilities amounted to RMB803.5 million.

Our Directors have given careful consideration to the future liquidity of our Group and have been taking steps to improve the liquidity of our Group such as the renewal of banking facilities from various banks in full upon their maturity and rearranging the term of the bank borrowings in accordance with our Group's capital requirements.

DIVIDENDS AND DIVIDEND POLICY

For the three years ended 31 December 2013, 2014 and 2015, we had no dividend declaration and payments to its then shareholders. Subsequent to the Track Record Period and up to the date of this prospectus, we declared dividends in the aggregate amount of approximately RMB52.5 million. All the dividends declared were paid in cash out of our internally generated resources to the then Shareholders.

Under Cayman Islands law, dividends may be paid out of the profits of our Company or out of sums standing to the credit of our share premium account. Under the Articles, declaration of dividends is subject to the Shareholders' approval at our general meeting, but no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may also pay interim or special dividends without Shareholders' approval as appear to our Directors to be justified by the financial conditions and the profits of our Company. Future dividends payments will also depend on the availability of dividends we will receive from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of distributable profit, which is calculated according to the PRC accounting principles. Our PRC subsidiaries are also required to set aside part of their net profit as statutory reserves which are not available for distribution as cash dividends in accordance with PRC laws. Distributions from our PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or our PRC subsidiaries may enter into in the future.

Subject to the above, our Directors' discretion, and the applicable laws and regulations, the declaration, payment and amount of any dividends, if paid, will depend on our results of operations, operating and capital requirements, cash flows, financial condition, future prospects, and other factors that our Directors may consider relevant.

Our Directors currently intend to recommend, at the relevant shareholders' meetings of our Company, a dividend of around 30% of the net profit available for distribution to our Shareholders for each financial year ending 31 December in the foreseeable future. Shareholders will be entitled to receive the dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The said intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay dividends at all.

FINANCIAL INFORMATION

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$2.18 (being the mid-point of the stated range of the Offer Price between HK\$1.88 and HK\$2.48), the estimated total expenses in connection with the Listing is approximately RMB28.9 million, including the underwriting commission of approximately RMB6.9 million and other listing expenses and fees of approximately RMB22.0 million.

Of the total Listing expenses (i.e. RMB28.9 million), approximately RMB11.4 million is to be capitalised (i.e. accounted for as deduction from equity) upon Listing, while the remaining RMB17.5 million was or is expected to be charged to profit or loss. Of the amount expected to be charged to profit or loss (i.e. RMB17.5 million), amount of nil, nil and RMB4.7 million was charged for each of the three years ended 31 December 2013, 2014 and 2015, respectively, while approximately RMB12.8 million will be recognised as expenses during the year ending 31 December 2016, respectively. The amount of Listing expenses is a current estimate for reference only and the final amount to be recognised to profit or loss of our Group for the year ending 31 December 2016 is subject to audit and the then changes in variables and assumptions.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

For details of the subsequent events, please refer to Section B of the Accountants' Report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at 31 December 2015, our Company had no distributable reserves available for distribution to our Shareholders.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save as disclosed in the section headed "Summary — Recent Development and No Material Adverse Change" in this prospectus, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 31 December 2015.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Business — Our Business Strategies” in this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the “**Net Proceeds**”), assuming an Offer Price of HK\$2.18, being the mid-point of the indicative Offer Price range, will be approximately HK\$292.3 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

Net Proceeds <i>(HK\$ million)</i>	% of Total Net Proceeds <i>(%)</i>	Use of Proceeds
132.0	45.2	To repay working capital loans from a PRC commercial bank with fixed interest rates ranging from 6.4375% to 8.385% or variable interest rate of 25% or 30% above PRC benchmark lending rate and the maturity dates ranging from 20 July 2016 to 20 June 2017
62.4	21.3	To purchase production machinery and equipment including, among others, rolling mills, cold-rolling machines, pickling lines and polishing lines for increasing the processing capacity of our existing production facilities
48.6	16.6	To finance the acquisition of two parcels of industrial lands and the operational buildings erected thereon from Mr. Xu. The consideration for such acquisition was determined with reference to the market value of the properties involved as determined by an independent property valuer.
24.0	8.2	To finance the construction and operation of Workshop No. 4
3.6	1.2	To upgrade our ERP system
21.7	7.5	For general working capital and other general corporate purposes

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the Net Proceeds, assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$336.2 million or decrease to approximately HK\$248.5 million, respectively; and in such event, we intend to increase or decrease, respectively, the Net Proceeds to be used for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the Net Proceeds will increase to approximately HK\$340.1 million, assuming an Offer Price of HK\$2.18, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the Net Proceeds including the proceeds from the exercise of the Over-allotment Option will increase to approximately HK\$390.6 million or decrease to approximately HK\$289.7 million, respectively; and in such event, we intend to increase or decrease, respectively, the allocation of the Net Proceeds to the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the Net Proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including internal funds generated from operations, bank borrowings and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended use of the net proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of the net proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the Net Proceeds are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short term demand deposits with licensed banks in Hong Kong or the PRC.

UNDERWRITING

UNDERWRITER

Shenwan Hongyuan Capital (H.K.) Limited is the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriter.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering 15,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms, and 135,000,000 International Placing Shares to professional, institutional and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S on, and subject to, the terms and conditions in this prospectus.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator),

the Sole Global Coordinator agreed to subscribe for, or procure subscribers for, the Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering and/or the International Placing. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator, the Global Offering will not proceed and will lapse.

Grounds for termination

The obligations of the Underwriter to subscribe or procure subscribers for the Offer Shares will be subject to termination by notice in writing to our Company from the Sole Global Coordinator with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator, fair and honest and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or
- (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Underwriting Agreement (other than on the part of the Underwriter); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the “**Warrantors**”) pursuant to the indemnities given by them under the Underwriting Agreement; or
- (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (“**Group Company**”); or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Underwriting Agreement; or
- (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Global Offering; or
- (ix) any person (other than the Sole Global Coordinator) has withdrawn or sought to withdraw its consent to being named in any of the offer documents or to the issue of any of the offer documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management member of the Group as set out in the section headed “Directors and Senior Management” in this prospectus; or

UNDERWRITING

- (xii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator in its sole absolute opinion to be material; or
- (b) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriter (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
 - (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI or the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the “**Specific Jurisdictions**”); or

UNDERWRITING

- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in our Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or
- (x) any of our Directors and senior management member of our Company as set out in the section headed “Directors and Senior Management” in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the over-allotment shares, which may be allotted and issued by the Company upon the exercise of the Over-allotment Option, pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

UNDERWRITING

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the reasonable opinion of the Sole Global Coordinator;

(a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering and in the circumstances permitted pursuant to Rule 10.08 of the Listing Rules.

UNDERWRITING

By our 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 that except pursuant to the Global Offering, it shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities that it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares or securities in our Company beneficially owned by 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 pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Sole Global Coordinator and, if required, the Stock Exchange, in writing of such pledge or charge together with the number of our Shares or securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged Shares or securities will be disposed of, immediately inform us, the Sole Global Coordinator and, if required, the Stock Exchange, in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Underwriter

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Underwriter that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and

UNDERWRITING

including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

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Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator:

- (i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities immediately prior to the commencement of dealings in the Shares on the Stock Exchange (the “**Relevant Securities**”), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by

UNDERWRITING

delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

- (ii) at any time during the Second Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” (as defined in the Listing Rules) of our Company;
- (iii) in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

The above undertakings shall not prevent our Controlling Shareholder from using any Relevant Securities as security (including a charge or a pledge) 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.

UNDERWRITING

Underwriter's interests in our Group

Save for its obligations under the Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, the Underwriter was not interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following completion of the Global Offering, the Underwriter and its affiliated companies may hold a certain portion of our Shares as a result of fulfilling its obligations under the Underwriting Agreement.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Total Commission and Expenses

We will pay the Sole Global Coordinator an underwriting commission of 2.5% of the aggregate Offer Price of the Offer Shares offered under the Global Offering and the Shares which may be allotted and issued upon the exercise of the Over-allotment Option, out of which the Underwriter will pay all sub-underwriting commission, if any.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$2.18 (being the mid-point of the stated range of the Offer Price between HK\$1.88 and HK\$2.48), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$34.7 million in total and are payable by us.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Sole Global Coordinator and the Underwriter (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by us of the Underwriting Agreement.

Restrictions on the Offer Shares

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Shenwan Hongyuan Capital (H.K.) Limited is the Sole Sponsor for the listing of our Shares on the Stock Exchange and the Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager of the Global Offering.

The Global Offering initially consists of:

- (i) the Hong Kong Public Offering of 15,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in “Hong Kong Public Offering” in this section below; and
- (ii) the International Placing of 135,000,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional and other 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. The Underwriter is soliciting from prospective investors’ indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to adjustment and, in the case of the International Placing only, the Over-allotment Option as set out in the paragraph headed “International Placing — Over-allotment Option” in this section below.

The Global Offering is fully underwritten by the Underwriter under the terms of the Underwriting Agreement and is subject to our Company and the Sole Global Coordinator agreeing on the Offer Price. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date; and
- (iii) the obligations of the Underwriter under the 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

in each case on or before the dates and times specified in the Underwriting Agreement (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Sole Global Coordinator and our Company on the Price Determination Date, which is expected to be on or around Monday, 11 April 2016 and in any event, not later than Tuesday, 12 April 2016.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company by Tuesday, 12 April 2016, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the Global 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 Offering to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on our website (www.huajin-hk.com) and the Stock Exchange's website (www.hkexnews.hk) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 14 April 2016 but will only become valid certificates of title at 8:00 a.m. on Friday, 15 April 2016 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 —

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 15,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2.5% of our Company’s issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which may be granted under the Share Option Scheme.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” in this section above.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. 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 available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing) 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\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% 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\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus 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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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 can 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 7,500,000 Hong Kong Offer Shares (being 50% of the 15,000,000 Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 45,000,000 Offer Shares (in the case of (i)), 60,000,000 Offer Shares (in the case of (ii)) and 75,000,000 Offer Shares (in the case of (iii)) representing 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 Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate. In addition, in certain prescribed circumstances, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate International Placing Shares as it deems appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Sole Global Coordinator deems appropriate.

Applications

The Sole Global Coordinator may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him 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 Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$2.48 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% 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” in this section below, is less than the maximum price of HK\$2.48 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 135,000,000 Shares, representing 90.0% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which may be granted under the Share Option Scheme.

The International Placing is subject to the same conditions as stated in “Conditions of the Global Offering” above in this section.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States 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 Placing will be effected in accordance with the book-building process described in the paragraph headed “Price Determination of the Global Offering” in this section 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 our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Sole Global Coordinator may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company granted an Over-allotment Option to the Sole Global Coordinator exercisable at the sole discretion of the Sole Global Coordinator.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the Price Determination Date until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 22,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Placing to cover over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may be issued and allotted upon the exercise of any options which may be granted under the Share Option Scheme. 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 is expected to be fixed on the Price Determination Date, which is expected to be on or around Monday, 11 April 2016, and in any event not later than on Tuesday, 12 April 2016, by agreement between the Sole Global Coordinator and our Company.

The Offer Price will be not more than HK\$2.48 per Share and is expected to be not less than HK\$1.88 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 Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, may, where considered appropriate, based on the level of interest expressed by prospective professional and other investors during the book-building process, and with the consent of our Company, reduce the number of 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 Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese), and our website (www.huajin-hk.com) and the Stock Exchange's website (www.hkexnews.hk) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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 Sole Global Coordinator 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 Offering.

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 Sole Global Coordinator, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Thursday, 14 April 2016 in the manner set out in the paragraph headed “How to Apply for the Hong Kong Offer Shares — 10. Publication of Results” in this prospectus.

STABILISATION ACTION

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. Such transactions may be effected in all jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws, rules and regulations, including those of Hong Kong. In Hong Kong, 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.

The Sole Global Coordinator has been appointed by us as the 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, its affiliates or any person acting for it, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view of 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 the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. 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, including the Securities and Futures (Price Stabilising Rules), as amended, made under the SFO. Any market purchases of our Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 22,500,000 Shares in aggregate, which is 15% of our Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our 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 our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

Specifically, prospective applicants for and investors in our 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 our Shares, and 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. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of our Shares;
- stabilising action cannot be used to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by 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, our Shares.

Our Company will ensure or 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.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 22,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator at its sole 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.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Global Coordinator (or any person acting for it) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Manager will enter into the Stock Borrowing Agreement with Haiyi, one of the Controlling Shareholders, whereby the Stabilising Manager may borrow Shares from Haiyi on the following conditions:

- (a) the stock borrowing will only be effected by the Stabilising Manager for the settlement of over-allocations in connection with the International Placing;
- (b) the maximum number of Shares borrowed from Haiyi will be limited to 22,500,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from Haiyi must be returned to it or its nominees (as the case may be) no later than the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and our Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between Haiyi and the Stabilising Manager;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to Haiyi by the Stabilising Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set out in Rule 10.07(3) of the Listing Rules. No payment will be made to Haiyi by the Stabilising Manager or its agent in relation to such stock.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 15 April 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 am on Friday, 15 April 2016, and will be traded in board lots of 2,000 Shares under the stock code of 2738.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept or reject it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 5 April 2016 until 12:00 noon on Friday, 8 April 2016 from:

- (i) the office of the **Underwriter**, namely **Shenwan Hongyuan Capital (H.K.) Limited** at Level 19, 28 Hennessy Road, Hong Kong; and

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(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 5 April 2016 until 12:00 noon on Friday, 8 April 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — HUAJIN PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- **Tuesday, 5 April 2016 — 9:00 a.m. to 5:00 p.m.**
- **Wednesday, 6 April 2016 — 9:00 a.m. to 5:00 p.m.**
- **Thursday, 7 April 2016 — 9:00 a.m. to 5:00 p.m.**
- **Friday, 8 April 2016 — 9:00 a.m. to 12:00 noon**

the application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 8 April 2016, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Applications Lists" in this section below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Global Coordinator and/or the Underwriter (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriter and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriter nor

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application, any acceptance of it and the resulting contract will be governed and construed in accordance with the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible and have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Additional instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures 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 Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

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- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriter and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Tuesday, 5 April 2016 — 9:00 a.m. to 8:30 p.m.**^{Note}
- **Wednesday, 6 April 2016 — 8:00 a.m. to 8:30 p.m.**^{Note}
- **Thursday, 7 April 2016 — 8:00 a.m. to 8:30 p.m.**^{Note}
- **Friday, 8 April 2016 — 8:00 a.m.**^{Note} **to 12:00 noon**

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 5 April 2016 until 12:00 noon on Friday, 8 April 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 8 April 2016, the last application day or such later time as described in “— 9. Effect of Bad Weather on the Opening of the Application Lists” in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriter and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Lead Manager, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Underwriter take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 8 April 2016.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **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 Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure and Conditions of the Global Offering — Price Determination of the Global Offering” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 8 April 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 8 April 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 14 April 2016 in The Standard (in English) and Hong Kong Economic Times (in Chinese) on our website (www.huajin-hk.com) and the Stock Exchange’s website (www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website (www.huajin-hk.com) and the Stock Exchange’s website (www.hkexnews.hk) by no later than 8:00 a.m. on Thursday, 14 April 2016;

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- from the designated results of allocations website (www.unioniporesults.com.hk) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 14 April 2016 to 12:00 midnight on Wednesday, 20 April 2016;
- by telephone enquiry line by calling (852) 3443 6133 between 9:00 a.m. and 6:00 p.m. from Thursday, 14 April 2016 to Tuesday, 19 April 2016 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 14 April 2016 to Saturday, 16 April 2016 at all the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. 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:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreement does not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 7,500,000 Hong Kong Offer Shares under the Hong Kong Public Offering.

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12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.48 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and Conditions of the Global Offering — Conditions of the Global Offering” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 14 April 2016.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 14 April 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Friday, 15 April 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 April 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 14 April 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for the collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 14 April 2016, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the designated CCASS Participants stock account as stated in your Application Form on Thursday, 14 April 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "10. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 April 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

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 instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 14 April 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results"

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

above on Thursday, 14 April 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 April 2016 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 14 April 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 14 April 2016.

14. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply 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 or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.



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香港
金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
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88 Queensway
Hong Kong

5 April 2016

The Directors
Huajin International Holdings Limited

Shenwan Hongyuan Capital (H.K.) Limited

Dear Sirs,

We set out below our report on the financial information relating to Huajin International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2015 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus of the Company dated 5 April 2016 (the “Prospectus”) in connection with the proposed listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2015. Through a group reorganisation, as fully explained in the section “History, Reorganisation and Group Structure” in the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 20 May 2015.

At the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Form of company	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group as at				Principal activities
					31 December 2013	2014	2015	Date of this report	
Huajin Investments Limited* ("Huajin Investments")	British Virgin Islands ("BVI") 10 March 2015	Limited liability	Hong Kong	United States dollars ("USD") 300	N/A	N/A	100%	100%	Investment holding
Inter Consortium Holdings Limited ("Inter Consortium")	Hong Kong 5 April 2013	Limited liability	Hong Kong	Hong Kong dollars ("HKD") 161,534,566	100%	100%	100%	100%	Trading of processed steel products
江門市華津金屬制品有限公司 Jiangmen Huajin Metal Products Company Limited** ("Jiangmen Huajin")	The People's Republic of China (the "PRC") 11 July 2005	Limited liability	PRC	Renminbi ("RMB") 30,000,000	98%	98%	100%	100%	Processing and sales of processed steel products
江門市華睦五金有限公司 Jiangmen Huamu Metals Company Limited** ("Jiangmen Huamu")	PRC 27 November 2006	Limited liability	PRC	RMB30,000,000	100%	100%	100%	100%	Processing and sales of processed steel products

* Directly held by the Company

** English translated name for identification only

All companies comprising the Group, except Inter Consortium for the period up to 31 March 2015, has adopted 31 December as their financial year end date. Inter Consortium has adopted 31 March as its year end date up to the year ended 31 March 2015.

The statutory financial statements of Inter Consortium, the subsidiary incorporated in Hong Kong, (i) for the period from 5 April 2013 (date of incorporation) to 31 March 2014 and (ii) for the year ended 31 March 2015 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Tony Chan & Co., Certified Public Accountants and A&M CPA Limited, Certified Public Accountants, respectively. The statutory financial statements of Inter Consortium for the period from 1 April 2015 to 31 December 2015 were prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities issued by the HKICPA and were audited by A&M CPA Limited, Certified Public Accountants.

The statutory financial statements of both Jiangmen Huajin and Jiangmen Huamu, the subsidiaries established in the PRC, for each of the two years ended 31 December 2013 and 2014 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 江門市翔誠會計師事務所 (Jiangmen Xiancheng Certified Public Accountant Co., Ltd.). No statutory financial statements have been prepared for Jiangmen Huajin and Jiangmen Huamu for the year ended 31 December 2015 as these financial statements are not yet due to be issued.

No audited financial statements have been prepared for the Company and Huajin Investments since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of the Section A below. No adjustment is considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of the Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2013, 2014 and 2015 and of the Company as at 31 December 2015, and of the financial performance and consolidated cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2013 RMB'000	2014 RMB'000	2015 RMB'000
Revenue	5	1,614,194	1,630,641	1,875,119
Cost of sales		<u>(1,482,655)</u>	<u>(1,463,438)</u>	<u>(1,603,931)</u>
Gross profit		131,539	167,203	271,188
Other (losses) gains		(1,675)	510	3,412
Selling expenses		(27,415)	(32,202)	(36,954)
Administrative expenses		(37,183)	(37,774)	(40,274)
Listing expenses		<u>—</u>	<u>—</u>	<u>(4,742)</u>
Profit before investment income and gain, net finance costs and taxation		65,266	97,737	192,630
Investment income and gain	6	1,375	9,110	—
Finance income	7	20,938	21,662	1,650
Finance costs	7	<u>(65,302)</u>	<u>(75,312)</u>	<u>(54,487)</u>
Finance costs, net		<u>(44,364)</u>	<u>(53,650)</u>	<u>(52,837)</u>
Profit before taxation		22,277	53,197	139,793
Income tax expenses	8	<u>(5,919)</u>	<u>(12,610)</u>	<u>(42,327)</u>
Profit for the year	9	16,358	40,587	97,466
Other comprehensive (expense) income for the year — exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		<u>(218)</u>	<u>24</u>	<u>(5,716)</u>
Total comprehensive income for the year		<u>16,140</u>	<u>40,611</u>	<u>91,750</u>
Profit for the year attributable to:				
Owners of the Company		16,304	40,253	96,787
Non-controlling interests		<u>54</u>	<u>334</u>	<u>679</u>
		<u>16,358</u>	<u>40,587</u>	<u>97,466</u>
Total comprehensive income for the year attributable to:				
Owners of the Company		16,086	40,277	91,071
Non-controlling interests		<u>54</u>	<u>334</u>	<u>679</u>
		<u>16,140</u>	<u>40,611</u>	<u>91,750</u>
Earnings per share for profit attributable to owners of the Company, basic (<i>RMB cents</i>)	12	<u>3.62</u>	<u>8.95</u>	<u>21.51</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	THE GROUP			THE COMPANY
		At 31 December			At
		2013	2014	2015	December
		RMB'000	RMB'000	RMB'000	2015
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	307,064	300,358	325,617	—
Prepaid lease payment	14	52,287	51,169	50,051	—
Available-for-sale investment	15	24,800	—	—	—
Deposit paid for acquisition of property, plant and equipment		1,452	941	7,249	—
Interest in a subsidiary	35(a)	—	—	—	2
		<u>385,603</u>	<u>352,468</u>	<u>382,917</u>	<u>2</u>
CURRENT ASSETS					
Prepaid lease payment	14	1,118	1,118	1,118	—
Inventories	16	369,085	280,802	125,364	—
Trade, bills and other receivables	17	434,183	365,922	216,879	—
Loan receivables	18	9,682	5,136	—	—
Amounts due from related parties	19(a)	389,360	306,047	122,411	—
Restricted bank deposits	20	108,397	80,373	44,352	—
Bank balances and cash	21	30,293	28,587	96,190	—
		<u>1,342,118</u>	<u>1,067,985</u>	<u>606,314</u>	<u>—</u>
CURRENT LIABILITIES					
Trade, bills and other payables and accrued expenses	22	224,158	247,020	191,616	85
Amounts due to related parties	19(b)	122,871	38,808	—	—
Amount due to a subsidiary	19(c)	—	—	—	5,167
Tax payables		5,485	9,375	10,840	—
Loans from third parties	23	20,858	10,651	—	—
Bank borrowings					
— due within one year	24	1,251,507	931,646	390,027	—
		<u>1,624,879</u>	<u>1,237,500</u>	<u>592,483</u>	<u>5,252</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(282,761)</u>	<u>(169,515)</u>	<u>13,831</u>	<u>(5,252)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>102,842</u>	<u>182,953</u>	<u>396,748</u>	<u>(5,250)</u>

	<i>Notes</i>	THE GROUP			THE
		At 31 December			COMPANY
		2013	2014	2015	At
				December	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2015
					<i>RMB'000</i>
NON-CURRENT LIABILITIES					
Bank borrowings — due more than one year	24	—	39,500	137,275	—
Deferred income	25	—	—	33,000	—
Deferred tax liability	26	—	—	3,000	—
		<u>—</u>	<u>39,500</u>	<u>173,275</u>	<u>—</u>
NET ASSETS (LIABILITIES)		<u>102,842</u>	<u>143,453</u>	<u>223,473</u>	<u>(5,250)</u>
CAPITAL AND RESERVES					
Share capital/paid in capital Reserves	27	68,179	68,179	—	—
		<u>33,429</u>	<u>73,706</u>	<u>223,473</u>	<u>(5,250)</u>
Equity attributable to owners of the Company		101,608	141,885	223,473	(5,250)
Non-controlling interests		<u>1,234</u>	<u>1,568</u>	<u>—</u>	<u>—</u>
TOTAL EQUITY (DEFICIT)		<u>102,842</u>	<u>143,453</u>	<u>223,473</u>	<u>(5,250)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total RMB'000
	Share capital/ paid in capital RMB'000	Statutory Reserve RMB'000 <i>(Note i)</i>	Capital reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
At 1 January 2013	59,400	3,459	—	—	13,884	76,743	1,180	77,923
Profit for the year	—	—	—	—	16,304	16,304	54	16,358
Other comprehensive expense for the year	—	—	—	(218)	—	(218)	—	(218)
Total comprehensive (expense) income for the year	—	—	—	(218)	16,304	16,086	54	16,140
Transfers	—	1,752	—	—	(1,752)	—	—	—
Incorporation of a subsidiary	8,779	—	—	—	—	8,779	—	8,779
At 31 December 2013	68,179	5,211	—	(218)	28,436	101,608	1,234	102,842
Profit for the year	—	—	—	—	40,253	40,253	334	40,587
Other comprehensive income for the year	—	—	—	24	—	24	—	24
Total comprehensive income for the year	—	—	—	24	40,253	40,277	334	40,611
Transfers	—	3,897	—	—	(3,897)	—	—	—
At 31 December 2014	68,179	9,108	—	(194)	64,792	141,885	1,568	143,453
Profit for the year	—	—	—	—	96,787	96,787	679	97,466
Other comprehensive expense for the year	—	—	—	(5,716)	—	(5,716)	—	(5,716)
Total comprehensive (expense) income for the year	—	—	—	(5,716)	96,787	91,071	679	91,750
Increase in non-controlling interest <i>(note ii)</i>	—	—	(620)	—	—	(620)	620	—
Transfer on Reorganisation	(68,179)	—	68,179	—	—	—	—	—
Capitalisation of amounts due to the Controlling Shareholders <i>(note iii)</i>	—	—	123,658	—	—	123,658	—	123,658
Distribution to the Controlling Shareholders <i>(note iv)</i>	—	—	(133,319)	—	—	(133,319)	—	(133,319)
Acquisition of additional interests in subsidiaries <i>(note v)</i>	—	—	798	—	—	798	(2,867)	(2,069)
Transfers	—	9,679	—	—	(9,679)	—	—	—
Issued of shares <i>(note 27)</i>	—	—	—	—	—	—	—	—
At 31 December 2015	—	18,787	58,696	(5,910)	151,900	223,473	—	223,473

Notes:

- (i) Amount represents statutory reserve of the Group's subsidiaries in the PRC. According to the relevant laws in the PRC, the Group's subsidiaries in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.
- (ii) Pursuant the equity transfer agreement entered into on 18 January 2015, Famous Stand (as defined in note 1) acquired 1% equity interest in Jiangmen Huamu from the Controlling Shareholders (as defined in note 1). Accordingly, the equity attributable to the owners of the Company decreased while that attributable to the non-controlling interests increased by the same amount.
- (iii) The amount represents the waiver of the amounts due to the Controlling Shareholders (as defined in note 1) and is accounted for as deemed capital contribution therefrom.
- (iv) The amount represents the consideration paid by the Group to the Controlling Shareholders (as defined in note 1) for the acquisitions of (i) 98% equity interest in Jiangmen Huajin and (ii) 99% equity interest in Jiangmen Huamu pursuant to the Reorganisation and is accounted for as distribution to the Controlling Shareholders.
- (v) The amount of capital reserve represents the difference between the non-controlling interests acquired (1% equity interest in Jiangmen Huamu and 2% equity interest in Jiangmen Huajin) and the cash consideration paid.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before taxation	22,277	53,197	139,793
Adjustments for:			
Depreciation of property, plant and equipment	26,132	28,039	31,045
Amortisation of prepaid lease payment	1,118	1,118	1,118
Interest income	(20,938)	(21,662)	(1,650)
Interest expense	65,302	75,312	54,487
Dividend income from an available-for-sale investment	(1,375)	(2,420)	—
Gain on disposal of an available-for-sale investment	—	(6,690)	—
(Gain) loss on disposal of property, plant and equipment	<u>(61)</u>	<u>(37)</u>	<u>350</u>
Operating cash flows before movements in working capital	92,455	126,857	225,143
(Increase) decrease in inventories	(207,293)	88,283	155,438
(Increase) decrease in trade, bills and other receivables	(132,143)	99,751	134,503
(Decrease) increase in trade, bills and other payables and accrued expenses	<u>(54,276)</u>	<u>29,444</u>	<u>(32,750)</u>
Cash (used in) generated from operations	(301,257)	344,335	482,334
Income tax paid	<u>(367)</u>	<u>(8,720)</u>	<u>(37,862)</u>
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	<u>(301,624)</u>	<u>335,615</u>	<u>444,472</u>
INVESTING ACTIVITIES			
Advance to related parties	(1,130,214)	(974,473)	(846,388)
Placement of restricted bank deposits	(426,570)	(274,054)	(144,516)
Deposit paid for acquisition and purchase of property, plant and equipment	(8,773)	(27,462)	(70,776)
Advance to third parties	(1,052)	(217)	—
Proceeds from disposal of property, plant and equipment	82	119	108
Dividend received	1,375	2,420	—
Interest received	20,938	21,662	1,650
Repayment of loans to third parties	43,615	4,763	1,923
Withdrawal of restricted bank deposits	443,383	302,078	180,537
Repayment from related parties	1,098,905	1,057,786	1,021,741
Receipt of government subsidies	<u>—</u>	<u>—</u>	<u>33,000</u>
NET CASH FROM INVESTING ACTIVITIES	<u>41,689</u>	<u>112,622</u>	<u>177,279</u>

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES			
Repayment of bank borrowings	(951,433)	(1,449,831)	(1,682,557)
Repayment to related parties	(946,115)	(964,441)	(68,661)
Interest paid	(66,302)	(75,312)	(54,487)
Repayment to third parties	(55,635)	(14,602)	(2,547)
Proceeds from issue of shares of a subsidiary	8,779	—	—
Advance from third parties	51,473	4,395	—
Advance from related parties	872,091	880,378	150,779
New bank borrowings raised	1,323,249	1,169,470	1,238,713
Distribution to the Controlling Shareholders	—	—	(133,319)
Acquisition of additional interest in subsidiaries	—	—	(2,069)
	<u>236,107</u>	<u>(449,943)</u>	<u>(554,148)</u>
NET CASH FROM FINANCING ACTIVITIES			
	<u>236,107</u>	<u>(449,943)</u>	<u>(554,148)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(23,828)	(1,706)	67,603
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>54,121</u>	<u>30,293</u>	<u>28,587</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u>30,293</u>	<u>28,587</u>	<u>96,190</u>

NOTES TO THE FINANCIAL INFORMATION**1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 March 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, one subscriber share was allocated and issued, to the subscriber, which was then transferred on the same day, to Haiyi Limited (“Haiyi”), a company incorporated in the BVI and ultimately controlled by two individuals, namely Mr. Xu Songqing (“Mr. Xu”) and Mr. Luo Canwen (“Mr. Luo”) who represented to us that they have been acting in concert (collectively be referred to as the “Controlling Shareholders”). Haiyi is also held as to 1% by Mr. Chen Chunniu (“Mr. Chen”), an executive director of the Company. Haiyi is considered to be the immediate and ultimate holding company of the Company.

During the Track Record Period and up to 18 January 2015, Jiangmen Huajin was held as to 98% by the Controlling Shareholders, 1% by Mr. Chen and 1% by Mr. Ou Zhiyang, an independent third party. Pursuant to an equity transfer agreement dated 18 January 2015, Famous Stand Limited (“Famous Stand”), a company incorporated in Hong Kong and wholly owned by Mr. Xu Songman, younger brother of Mr. Xu, acquired 1% equity interest of Jiangmen Huajin from Mr. Ou Zhiyang for a consideration of RMB718,000 and Jiangmen Huajin remained to be held as to 98% by the Controlling Shareholders prior to the Reorganisation.

Throughout the Track Record Period and up to 18 January 2015, Jiangmen Huamu was wholly owned by the Controlling Shareholders. Pursuant to another equity transfer agreement dated 18 January 2015, Famous Stand acquired 1% equity interest of Jiangmen Huamu from Mr. Luo for a consideration of RMB638,000 and Jiangmen Huamu has then become a subsidiary owned as to 99% by the Controlling Shareholders prior to the Reorganisation.

From 5 April 2013 (date of incorporation) and prior to the Reorganisation, Inter Consortium was wholly owned by the Controlling Shareholders.

On 14 March 2015, Huajin Investments, a then shell company issued and allotted 100 shares to the Company, pursuant to which Huajin Investments became a direct wholly owned subsidiary of the Company. As part of the Reorganisation, on 30 April 2015, Huajin Investments acquired 100% equity interest in Inter Consortium from the Controlling Shareholders by issuing of 100 shares to the Company. On 13 May 2015, Inter Consortium acquired the entire interest in Jiangmen Huajin from the Controlling Shareholders, Mr. Chen and Famous Stand for an aggregate cash consideration of RMB71,544,000. On the same day, Inter Consortium also acquired the entire interest in Jiangmen Huamu from the Controlling Shareholders and Famous Stand for an aggregate cash consideration of RMB63,844,000. The transfer of the equity interest in Jiangmen Huajin and Jiangmen Huamu were completed on 20 May 2015.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 20 May 2015. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the Track Record Period (or since their respective date of incorporation) prior to and after the Reorganisation. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combination” issued by the HKICPA to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where it is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in RMB, which is the same as the functional currency of the Company.

The principal activity of the Company is investment holding. The Group's principal subsidiaries, Inter Consortium, Jiangmen Huajin and Jiangmen Huamu, are engaged in the processing and sales of processed steel products. The addresses of the Company's registered office and principal place of business are disclosed in the section "Corporate Information" of this Prospectus.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2015 throughout the Track Record Period.

At the date of this report, HKICPA has issued the following new standards and amendments to standards that are not yet effective. The Group has not early adopted these standards and amendments.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after a date to be determined

Except as described below, the directors of the Company anticipate that the application of these new standards and amendments will have no material impact on the Financial Information of the Group.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information incorporates the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements 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 consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales tax and discounts.

Revenue from sales of goods is recognised when the goods are delivered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the retirement contribution scheme including Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income/expense is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, loan receivables, amounts due from related parties, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables and others.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade, bills and other payables, loans from third parties, amounts due to related parties and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises the collateralised borrowing for the proceeds received.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis

of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables, receivable from a related party on disposal of an available-for-sale investment and amounts due from related parties

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, 2014 and 2015, the carrying amounts of trade receivables are RMB72,092,000, RMB78,720,000 and RMB101,458,000 respectively, while the carrying amounts of amounts due from related parties are RMB389,360,000, RMB306,047,000 and RMB122,411,000 respectively. As at 31 December 2014, the receivable from a related party on disposal of an available-for-sale investment is RMB31,490,000 (31 December 2013 and 2015: nil). No impairment loss on the above amounts were recognised during the Track Record Period.

5. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the Controlling Shareholders (the "CODM"), in order to allocate resources to segments and to assess their performance. During the Track Record Period, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in processing and sales of processed steel products. Therefore, the management considers that the Group only has one operating segment. The Group mainly operates in the PRC and the Group's non-current assets are also located in the PRC.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in note 3 and no further segment information is presented.

An analysis of the Group's revenue during the Track Record Period is as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Sale of processed steel products			
— Processed steel strips and sheets	1,406,599	1,417,707	1,626,121
— Welded steel tubes	190,995	197,130	216,562
Others	16,600	15,804	32,436
	<u>1,614,194</u>	<u>1,630,641</u>	<u>1,875,119</u>

The Group's revenue is mainly derived from customers located in the PRC and the Southeast Asia excluding the PRC. The Group's revenue by the geographical locations of the customers, determined based on the destination of good delivered, irrespective of the origin of goods, is detailed below:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
PRC	1,426,333	1,437,299	1,636,643
Southeast Asia excluding the PRC	187,861	193,342	238,476
	<u>1,614,194</u>	<u>1,630,641</u>	<u>1,875,119</u>

No revenue from any customer of the Group contributed to over 10% of the total revenue of the Group for any of the years during the Track Record Period.

6. INVESTMENT INCOME AND GAIN

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Dividend income from an available-for-sale investment	1,375	2,420	—
Gain on disposal of an available-for-sale investment	—	6,690	—
	<u>1,375</u>	<u>9,110</u>	<u>—</u>

7. FINANCE INCOME AND COSTS

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest income from:			
— bank deposits	3,114	3,735	1,650
— related parties	16,772	17,473	—
— third parties	<u>1,052</u>	<u>454</u>	<u>—</u>
	<u>20,938</u>	<u>21,662</u>	<u>1,650</u>
Interest expense on:			
— bank borrowings wholly repayable within five years, net of amounts capitalised in the cost of qualifying assets of RMB1,000,000, nil, and nil for the year ended 31 December 2013, 2014 and 2015 respectively	(54,046)	(66,148)	(54,487)
— bills endorsed from related parties wholly repayable within five years	<u>(11,256)</u>	<u>(9,164)</u>	<u>—</u>
	<u>(65,302)</u>	<u>(75,312)</u>	<u>(54,487)</u>
Finance costs, net	<u>(44,364)</u>	<u>(53,650)</u>	<u>(52,837)</u>

Borrowing costs capitalised during the year ended 31 December 2013, 2014 and 2015 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.6%, nil, and nil per annum, respectively, to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current tax:			
— Hong Kong Profits Tax	—	—	190
— PRC Enterprise Income Tax ("EIT")	5,919	12,610	36,137
— PRC withholding income tax	<u>—</u>	<u>—</u>	<u>3,000</u>
	5,919	12,610	39,327
Deferred tax (<i>note 26</i>)	<u>—</u>	<u>—</u>	<u>3,000</u>
	<u>5,919</u>	<u>12,610</u>	<u>42,327</u>

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>22,277</u>	<u>53,197</u>	<u>139,793</u>
Tax at the EIT rate of 25%	5,569	13,299	34,948
Tax effect of expenses not deductible for tax purposes	2,264	133	1,281
Tax effect of income not taxable for tax purposes	(344)	(716)	—
Tax effect of tax losses not recognised	70	—	—
Utilisation of tax losses previously not recognised	(1,676)	(70)	—
Withholding tax on undistributed earnings of subsidiaries	—	—	6,000
Effect of different tax rate of a subsidiary operating in another jurisdiction	<u>36</u>	<u>(36)</u>	<u>98</u>
Income tax expenses for the year	<u>5,919</u>	<u>12,610</u>	<u>42,327</u>

No provision for Hong Kong Profits Tax has been made in the Financial Information for the year ended 31 December 2013 as the Group had no assessable profit arising from Hong Kong in 2013. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2014 and 2015. For the year ended 31 December 2014, the assessable profit arising from Hong Kong had been set off by the loss brought forward from the year ended 31 December 2013.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC.

At 31 December 2013, the Group had unused tax losses of RMB424,000 (At 31 December 2014 and 2015: nil) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

9. PROFIT FOR THE YEAR

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):			
Directors' remuneration:			
— Fees	—	—	—
— Other emoluments, salaries, bonus and other benefits	156	151	173
— Discretionary bonus	7,840	11,179	—
— Retirement benefit scheme contributions	10	10	16
	<u>8,006</u>	<u>11,340</u>	<u>189</u>
Other staff salaries, benefits and allowances	29,517	35,052	59,564
Retirement benefit scheme contributions, excluding those of directors	<u>3,481</u>	<u>3,755</u>	<u>8,807</u>
Total employee benefits expenses	<u>41,004</u>	<u>50,147</u>	<u>68,560</u>
Auditor's remuneration	115	90	70
Amortisation of prepaid lease payment	1,118	1,118	1,118
Depreciation of property, plant and equipment	26,132	28,039	31,045
Exchange loss (gain), net	1,565	(423)	(3,740)
(Gain) loss on disposal of property, plant and equipment	<u>(61)</u>	<u>(37)</u>	<u>350</u>

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable by entities now comprising the Group to the directors and the chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended 31 December 2013

Name of directors	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (note iii)	Retirement	Total RMB'000
				benefit scheme contributions RMB'000	
Executive directors:					
Mr. Xu (note i)	—	96	500	5	601
Mr. Luo (note ii)	—	—	500	—	500
Mr. Chen (note ii)	—	60	500	5	565
Mr. Xu Songman (note ii)	<u>—</u>	<u>—</u>	<u>6,340</u>	<u>—</u>	<u>6,340</u>
	<u>—</u>	<u>156</u>	<u>7,840</u>	<u>10</u>	<u>8,006</u>

For the year ended 31 December 2014

Name of directors	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (note iii)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Xu (note i)	—	95	500	5	600
Mr. Luo (note ii)	—	—	500	—	500
Mr. Chen (note ii)	—	56	500	5	561
Mr. Xu Songman (note ii)	—	—	9,679	—	9,679
	—	151	11,179	10	11,340

For the year ended 31 December 2015

Name of directors	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (note iii)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Xu (note i)	—	52	—	6	58
Mr. Luo (note ii)	—	49	—	4	53
Mr. Chen (note ii)	—	72	—	6	78
Mr. Xu Songman (note ii)	—	—	—	—	—
	—	173	—	16	189

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Notes:

- (i) Being appointed as a director of the Company on 13 March 2015.
- (ii) Being appointed as a director of the Company on 18 December 2015. Mr. Luo is also the chief executive of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive.
- (iii) Discretionary bonus is determined by the directors of the Company by reference to the individual performance and contribution to the Group.

(b) Employees' emoluments

The five highest paid individuals of the Group include four, four and nil directors of the Company for the years ended 31 December 2013, 2014 and 2015, respectively. The emoluments of the remaining one, one and five individuals for the years ended 31 December 2013, 2014 and 2015, respectively, are as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Salaries and other allowances	70	326	1,577
Retirement benefit scheme contributions	<u>4</u>	<u>12</u>	<u>41</u>
	<u>74</u>	<u>338</u>	<u>1,618</u>

The emoluments of the employees were within the following bands:

	Number of employee		
	Year ended 31 December		
	2013	2014	2015
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company, the chief executive of the Group, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the chief executive of the Group waived any emoluments during the Track Record Period.

11. DIVIDENDS

No dividend has been declared or paid by the Company during the Track Record Period.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share during the Track Record Period is based on the earnings attributable to owners of the Company and the weighted average number of ordinary shares of 450,000,000, which has been adjusted retrospectively for the effect of shares issued in connection with the Reorganisation as set out in note 1 and the effect of the capitalisation issue set out in the section headed "Share Capital" in this Prospectus as if both the Reorganisation and capitalisation issue had been effective since 1 January 2013.

No diluted earnings per share is presented for the Track Record Period as the Company did not have any dilutive potential shares in issue.

13. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2013	130,092	194,176	2,962	6,345	—	1,269	334,844
Additions	140	3,170	376	960	595	30,490	35,731
Disposals	—	—	—	(419)	—	—	(419)
Exchange realignment	—	—	(1)	(11)	—	—	(12)
At 31 December 2013	130,232	197,346	3,337	6,875	595	31,759	370,144
Additions	2,575	16,815	194	232	1,032	562	21,410
Transferred from construction in progress	21,441	5,077	—	—	—	(26,518)	—
Disposals	—	—	—	(1,638)	—	—	(1,638)
Exchange realignment	—	—	—	4	—	—	4
At 31 December 2014	154,248	219,238	3,531	5,473	1,627	5,803	389,920
Additions	3,955	2,881	571	6,602	—	42,736	56,745
Transferred from construction in progress	1,483	—	—	—	—	(1,483)	—
Disposals	—	(1,354)	—	(998)	—	—	(2,352)
Exchange realignment	—	—	6	37	5	—	48
At 31 December 2015	159,686	220,765	4,108	11,114	1,632	47,056	444,361
DEPRECIATION							
At 1 January 2013	4,086	27,818	789	4,655	—	—	37,348
Provided for the year	6,188	18,634	507	700	103	—	26,132
Disposals	—	—	—	(398)	—	—	(398)
Exchange realignment	—	—	—	(2)	—	—	(2)
At 31 December 2013	10,274	46,452	1,296	4,955	103	—	63,080
Provided for the year	7,190	19,410	559	600	280	—	28,039
Disposals	—	—	—	(1,556)	—	—	(1,556)
Exchange realignment	—	—	—	(1)	—	—	(1)
At 31 December 2014	17,464	65,862	1,855	3,998	383	—	89,562
Provided for the year	8,007	21,147	610	1,269	12	—	31,045
Disposals	—	(1,000)	—	(894)	—	—	(1,894)
Exchange realignment	—	—	3	26	2	—	31
At 31 December 2015	25,471	86,009	2,468	4,399	397	—	118,744
CARRYING VALUES							
At 31 December 2013	119,958	150,894	2,041	1,920	492	31,759	307,064
At 31 December 2014	136,784	153,376	1,676	1,475	1,244	5,803	300,358
At 31 December 2015	134,215	134,756	1,640	6,715	1,235	47,056	325,617

Building certificates of certain buildings of the Group have not been obtained as at 31 December 2014. At 31 December 2014, the carrying values of buildings in the PRC with no building certificates amounted to RMB5,645,000 (31 December 2013: nil). In the opinion of the directors, the absence of building certificates do not impair the value of the relevant buildings. All of the formal titles of the buildings were granted by the relevant authority in 2015.

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Building	Over the shorter of the term of the lease, or 20 years
Plant and machinery	9.5% per annum
Furniture, fixtures and equipment	9.5%–19.5% per annum
Motor vehicles	19%–33 $\frac{1}{3}$ % per annum
Leasehold improvement	Over the shorter of the term of the lease or 7 years

All of the building are situated on hand under medium-term lease and located in the PRC.

Details of property, plant and equipment pledged as securities for the Group's bank borrowings are set out in note 30.

14. PREPAID LEASE PAYMENT

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Analysed for reporting purpose as:			
Current asset	1,118	1,118	1,118
Non-current asset	<u>52,287</u>	<u>51,169</u>	<u>50,051</u>
	<u>53,405</u>	<u>52,287</u>	<u>51,169</u>

The carrying amount represents prepaid lease payments for medium-term land use rights in the PRC.

As set out in note 30, at the end of each reporting period, all of the prepaid lease payment were pledged as securities for the Group's bank borrowings.

15. AVAILABLE-FOR-SALE INVESTMENT

The investment as at 31 December 2013 represented unlisted equity securities issued by a private entity established in the PRC and was measured at cost less impairment because the range of reasonable fair value estimates was so significant that the directors of the Company are of the opinion that its fair value could not be measured reliably. The relevant investment has been disposed of during the year ended 31 December 2014.

16. INVENTORIES

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Raw materials	331,629	188,718	10,863
Work in progress	31,203	67,265	60,941
Finished goods	<u>6,253</u>	<u>24,819</u>	<u>53,560</u>
	<u>369,085</u>	<u>280,802</u>	<u>125,364</u>

17. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade receivables:			
— third parties	63,118	78,669	98,005
— related parties	<u>8,974</u>	<u>51</u>	<u>3,453</u>
	72,092	78,720	101,458
Bills receivables	99,613	101,190	61,757
Pledged bills receivables	17,302	—	—
Prepayments to suppliers	178,113	110,158	45,020
Value-added tax recoverable	63,407	38,660	1,856
Receivable from a related party on disposal of an available-for-sale investment	—	31,490	—
Other prepayments, deposits and other receivables	<u>3,656</u>	<u>5,704</u>	<u>6,788</u>
	<u>434,183</u>	<u>365,922</u>	<u>216,879</u>

No allowance for bad and doubtful was provided for each of the years ended 31 December 2013, 2014 and 2015 and no provision for bad and doubtful debt balances were recognised as at the end of each reporting periods.

The receivable from a related party on disposal of an available-for-sale investment was fully settled in 2015.

Details of the bills receivables pledged as securities for the Group's bank borrowings are set out in note 30.

The Group generally requests deposits in advance from customers (see note 22).

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days. For other customers, the Group demands for full settlement upon delivery of goods.

The following is an ageing analysis of trade receivables and bills receivables presented based on the invoice date at the end of each reporting period.

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade receivables			
Within 30 days	42,695	68,368	60,731
31–60 days	13,199	9,419	9,529
61–90 days	12,371	343	12,762
91–120 days	51	—	11,872
121–180 days	555	37	2,325
181–365 days	315	461	4,078
Over 1 year	<u>2,906</u>	<u>92</u>	<u>161</u>
	<u>72,092</u>	<u>78,720</u>	<u>101,458</u>

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Bills receivables			
Within 30 days	3,710	3,823	10,529
31–60 days	5,048	15,475	1,792
61–90 days	17,380	9,365	9,442
91–120 days	21,969	14,127	12,988
121–180 days	51,506	58,400	25,106
181–365 days	—	—	1,900
	<u>99,613</u>	<u>101,190</u>	<u>61,757</u>

As at 31 December 2013, all of the pledged bills receivables were aged between 181 to 365 days.

Details of the relevant transactions of the trade balances with related parties are set out in note 32(b).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. All of the trade receivables that are neither past due nor impaired have no history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB7,978,000, RMB933,000 and RMB22,592,000 as at 31 December 2013, 2014 and 2015, respectively, which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
61 to 90 days	4,151	343	4,156
91–120 days	51	—	11,872
121–180 days	555	37	2,325
181–365 days	315	461	4,078
Over 1 year	<u>2,906</u>	<u>92</u>	<u>161</u>
	<u>7,978</u>	<u>933</u>	<u>22,592</u>

Included in the Group's bills receivables are amounts of RMB63,503,000, RMB101,190,000 and RMB55,803,000 as at 31 December 2013, 2014 and 2015, respectively, being transferred to certain banks by discounting the relevant bills receivables on a full recourse basis. If the bills receivable is not paid on maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the receivable, it continues to recognise the full carrying amount of the receivable and has recognised the cash received on the transfer as bank borrowings from factoring of trade receivables with full recourse (note 24). The financial asset is carried at amortised cost in the consolidated statements of financial position.

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred asset	63,503	101,190	55,803
Carrying amount of associated liability	<u>(63,503)</u>	<u>(101,190)</u>	<u>(55,803)</u>
	<u>—</u>	<u>—</u>	<u>—</u>

18. LOAN RECEIVABLES

The amounts are due from third parties and are unsecured, repayable on demand and interest-bearing at fixed interest of 6.56% and 6.56% per annum, respectively, at 31 December 2013 and 2014. During the year ended 31 December 2015, third parties repaid RMB1,923,000 to the Group and the remaining balance of RMB3,213,000 has been assigned to Mr. Xu pursuant to deed of loan assignment entered into among relevant parties.

19. AMOUNTS DUE FROM/TO RELATED PARTIES

(a) Amounts due from related parties

	As at 31 December			Maximum amount outstanding during the year		
	2013	2014	2015	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Xu	19,649	20,634	122,411	61,326	21,244	389,119
Mr. Luo	1,780	—	—	2,566	1,780	—
Entities controlled by						
Mr. Xu, Mr. Luo and/or						
their family members	<u>367,931</u>	<u>285,413</u>	<u>—</u>	<u>381,972</u>	<u>310,593</u>	<u>285,413</u>
	<u>389,360</u>	<u>306,047</u>	<u>122,411</u>			

All of the amounts above are non-trade in nature, interest-free, unsecured and repayment on demand except for the amounts due from the entities controlled by Mr. Xu, Mr. Luo and/or their family members as at 31 December 2013 and 2014 which are interest-bearing at fixed interest rate of interest of 6.56% and 6.56% per annum, respectively, at 31 December 2013 and 2014. The directors of the Company have represented to us that the amount due from Mr. Xu is expected to be settled by Mr. Xu before listing of the shares of the Company on the Stock Exchange.

(b) Amounts due to related parties

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Xu	58,112	2,198	—
Entities controlled by Mr. Xu, Mr. Luo and/or their family members	<u>64,759</u>	<u>36,610</u>	<u>—</u>
	<u><u>122,871</u></u>	<u><u>38,808</u></u>	<u><u>—</u></u>

All of the amounts above as at 31 December 2013 and 2014 are non-trade in nature, unsecured, interest-free and repayable on demand.

During the year ended 31 December 2015, the full amounts due to the entities controlled by the Controlling Shareholders and/or their family members amounted to RMB3,118,000 have been assigned to Mr. Xu pursuant to deed of loan assignments entered into among the relevant parties. The amount due to Mr. Xu of RMB3,392,000 has also been set off with the amount due from Mr. Xu as at 31 December 2015.

(c) Amount due to a subsidiary

The amount due to a subsidiary of the Company is non-trade in nature, unsecured, interest-free and repayable on demand.

20. RESTRICTED BANK DEPOSITS

Restricted bank deposits represents deposits pledged to banks for banking facilities granted to the Group, as set out in note 30.

Restricted bank deposits carry interest at variable interest rates at 0.35%, 0.275% and 0.35% per annum as quoted by the People's Bank of China ("PBOC") as at 31 December 2013, 2014 and 2015, respectively.

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at variable rates which range from 0.001% to 0.35%, 0.001% to 0.35% and 0.001% to 0.35% per annum as at 31 December 2013, 2014 and 2015, respectively.

22. TRADE, BILLS AND OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade payables to			
— related parties	—	—	639
— third parties	39,327	17,424	23,556
Bills payables	34,230	83,126	68,591
Receipts in advance from customers			
— related parties	12,467	15,781	—
— third parties	79,776	90,774	65,699
Accrued staff costs	2,556	2,281	6,491
Construction payables	20,354	13,791	4,098
Transportation fees payables to			
— related parties	10,700	2,260	—
— third parties	9,841	3,094	1,251
Other tax payables	4,935	2,556	3,201
Other payables and accrued expenses	9,972	15,933	18,090
	<u>224,158</u>	<u>247,020</u>	<u>191,616</u>

The ageing analysis of the trade payables and bills payables presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade payables			
Within 30 days	8,651	7,506	14,291
31 to 60 days	3,820	2,863	2,023
61 to 90 days	14,535	777	2,573
91 to 120 days	5,215	463	2,107
121 to 180 days	4,031	787	948
181–365 days	1,851	856	1,934
Over 1 year	1,224	4,172	319
	<u>39,327</u>	<u>17,424</u>	<u>24,195</u>

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Bills payables			
Within 30 days	12,612	24,308	—
31 to 60 days	—	15,641	6,737
61 to 90 days	16,530	23,490	1,658
91 to 120 days	338	8,592	1,119
121 to 180 days	4,750	7,620	8,925
181–365 days	—	3,475	50,152
	<u>34,230</u>	<u>83,126</u>	<u>68,591</u>

The average credit period granted by suppliers on purchase of goods is no longer than 30 days from certain of its suppliers. For other suppliers, the Group is required to prepay in advance (see note 17) and make full payment upon receipt of the goods purchased.

Details of the relevant transactions of the trade balances with related parties are set out in note 32(b).

23. LOANS FROM THIRD PARTIES

The amounts as at 31 December 2013 and 2014 are unsecured, interest free and repayable on demand. During the year ended 31 December 2015, amounts of RMB8,104,000 have been assigned to Mr. Xu pursuant to deed of loan assignment entered into among the relevant parties. The remaining amount are fully settled during the year.

24. BANK BORROWINGS

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Fixed rate borrowings:			
Unsecured bank borrowings	80,300	106,780	90,000
Secured bank borrowings	860,392	625,887	381,499
Bank borrowings from factoring of bills receivables with full recourse (note 17)	63,503	101,190	55,803
Bills endorsed from related parties (note 32(b))	<u>247,312</u>	<u>137,289</u>	<u>—</u>
	<u>1,251,507</u>	<u>971,146</u>	<u>527,302</u>
The amount is repayable as per follows:			
— within one year	1,251,507	931,646	390,027
— more than one year, but not more than two years	<u>—</u>	<u>39,500</u>	<u>137,275</u>
	1,251,507	971,146	527,302
Less: amount due within one year shown under current liabilities	<u>(1,251,507)</u>	<u>(931,646)</u>	<u>(390,027)</u>
Amount shown under non-current liabilities	<u>—</u>	<u>39,500</u>	<u>137,275</u>

The effective interest rate on the Group's borrowings as at 31 December 2013, 2014 and 2015 were ranging from 5.60% to 8.60%, 5.60% to 8.40% and 4.60% to 8.40% per annum, respectively. The secured portion of the Group's borrowings are secured by certain assets of the Group as detailed in note 30, certain assets held by Mr. Xu, the related companies and personally guaranteed by Mr. Xu. The use of assets held by the related companies as securities of borrowings have been subsequently released in January 2016.

During the Track Record Period, the Group has made certain bank bills financing arrangements in order to obtain funding from banks for settlement of proposed purchases from related companies, which did not eventuate, and the funding arising from such arrangements was either advanced to related companies for their usage, or was utilised by the Group for settlement of the Group's own purchases (the "Bill Financing Arrangement").

Details of the Bill Financing Arrangement were as follows:

In prior years and during the years ended 31 December 2013 and 2014, each of Jiangmen Huajin and Jiangmen Huamu (hereinafter each of them referred to as the "Group Entity") has entered into purchase agreements with certain related companies controlled by the Controlling Shareholders (the "Alleged Suppliers") and each of Jiangmen Huajin and Jiangmen Huamu have arranged bank acceptance bills to settle such proposed purchases.

Despite these purchase transactions were subsequently cancelled and did not eventuate, the related bank bills have not been cancelled but were utilised by the Group and the Alleged Suppliers in the following manner. Firstly, the Alleged Suppliers which have received bank bills from one Group Entity have endorsed such bills to another Group Entity. In other words, after one Group Entity receiving bank bills (endorsed by related companies) which were originally issued by banks for settlement of proposed purchases made by another Group Entity, the receiving Group Entity holding such bills would either (i) discounted these bills to banks to obtain funding (and subsequently advancing such funding to related companies controlled by the Controlling Shareholders); or (ii) endorsed again these bills to the Group's suppliers to settle actual purchases of goods from third parties. The Group has ceased such Bill Financing Arrangement since the end of 2014 and all amounts due to the relevant banks have been fully repaid in May 2015.

As detailed in the section headed "Business — Legal proceedings and compliance" in the Prospectus (the "Relevant Section of the Prospectus"), despite the facts that Bill Financing Arrangement was considered as non-compliance of local laws and regulations, given the measure taken by the Group and after seeking legal advice, the directors of the Company have represented to us that they are of the view that such arrangement will have no material financial impact to the Group. For further details, please refer to the relevant section of the Prospectus.

25. DEFERRED INCOME

In November 2014, the People's Government of Jiangmen Municipal Xinhui District Muzhou Town, the PRC, has approved to grant a subsidy of RMB33,000,000 to the Group to support for its developments and the listing of the shares of the Company on the Stock Exchange. The Group has received the subsidy in full during the year ended 31 December 2015. The subsidy is conditional on, among other things, (i) the listing of the shares of the Company on the Stock Exchange before November 2016 or such a later date as agreed between the Group and the government and (ii) the construction of an aluminium-zinc coating factory in Muzhou Town for an amount not less than RMB100,000,000 and commencement of operations before November 2016. Accordingly, the subsidy is recorded as a deferred income and classified under non-current liabilities as at 31 December 2015, which will be recognised in the profit or loss over the useful lives of the relevant assets once the conditions are all fulfilled.

26. DEFERRED TAX LIABILITY

	Undistributed earnings of subsidiaries in the PRC RMB'000
At 1 January 2013 and 31 December 2013 and 2014	—
Charge for the year (<i>note 8</i>)	<u>3,000</u>
At 31 December 2015	<u><u>3,000</u></u>

As at 31 December 2015, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries upon completion of the Reorganisation on 20 May 2015 for which deferred tax liabilities have not been recognised was approximately RMB101,657,000 (31 December 2013 and 2014: nil). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. SHARE CAPITAL

For the purposes of presentation of the consolidated statements of financial position, the balances of paid-in capital/share capital as at 31 December 2013 and 2014 represent the aggregate of share capital of Jiangmen Huajin, Jiangmen Huamu and Inter Consortium attributable to the Controlling Shareholders prior to the completion of the Reorganisation.

As set out in note 1, the Reorganisation has been completed during the year ended 31 December 2015 and the balance of share capital as at 31 December 2015 represents the share capital of the Company. Details of movements of share capital of the Company are as follow:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 13 March 2015 (date of incorporation) and 31 December 2015	<u>38,000,000</u>	<u>380</u>
Issued:		
Issued on date of incorporation	1	—
Issue of shares	<u>99</u>	<u>—</u>
At 31 December 2015	<u><u>100</u></u>	<u><u>—</u></u>
		<i>RMB'000</i>
Shown in the consolidated statement of financial position at 31 December 2015		<u><u>—</u></u>

Other than the share allotments above, no other share transaction was undertaken by the Company from its incorporation to 31 December 2015.

28. CAPITAL COMMITMENTS

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure contracted but not provided for in the Financial Information in respect of acquisition of property, plant and equipment	<u>712</u>	<u>7,198</u>	<u>40,503</u>

29. OPERATING LEASE COMMITMENTS

	Year ended 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Minimum lease payments paid/payable under operating leases during the year in respect of office premises	<u>316</u>	<u>471</u>	<u>499</u>

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	467	117	523
In the second to fifth year inclusive	<u>117</u>	<u>—</u>	<u>131</u>
	<u>584</u>	<u>117</u>	<u>654</u>

Leases are negotiated for an average term of two years.

30. PLEDGE OF ASSETS

Certain of the Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of each reporting period are stated below:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	270,852	284,515	201,576
Prepaid lease payment	53,405	52,287	51,169
Bills receivables	17,302	—	—
Restricted bank deposit	<u>108,397</u>	<u>80,373</u>	<u>44,352</u>
	<u>449,956</u>	<u>417,175</u>	<u>297,097</u>

In addition, certain of the Group's borrowings are secured by assets held by Mr. Xu and the related companies, and personally guaranteed by Mr. Xu.

31. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 (HK\$1,250 before 1 June 2014) per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The Group also participates in a state-managed defined contribution retirement scheme organised by the relevant local governmental authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 13% to 15%, of the payroll and the local governmental authority is responsible for the pension liabilities to these employees upon their retirement.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the Track Record Period, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to RMB3,491,000, RMB3,765,000 and RMB8,823,000, respectively, for the years ended 31 December 2013, 2014 and 2015.

32. RELATED PARTY DISCLOSURES**(a) Related party balances**

Details of the outstanding balances with related parties are set out in the consolidated statements of financial position and in notes 17, 19 and 22.

(b) Related party transactions

During the Track Record Period, the Group entered into the following transactions with related parties, which are controlled by Mr. Xu, Mr. Luo and/or their family members:

Related party	Nature of transactions	Year ended 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
Hua Jin Trading Pte. Ltd.	Sales of processed steel products	88,097	81,242	162,213
江門市華逸貿易有限公司	Sales of processed steel products	1,658	6,737	—
佛山市順德區華寶鞍貿易有限公司	Sales of processed steel products	—	83	45,482
		<u>89,755</u>	<u>88,062</u>	<u>207,695</u>
江門市華集運輸有限公司	Transportation fees paid/payable by the Group	4,589	3,879	2,001
江門市華順運輸有限公司	Transportation fees paid/payable by the Group	6,413	8,316	3,291
佛山市順德區華銀貿易有限公司	Purchase of raw material	9,016	—	—
佛山市順德區華寶鞍貿易有限公司	Purchase of raw material	8,599	4,958	713
		<u>28,617</u>	<u>17,153</u>	<u>6,005</u>
江門市華順運輸有限公司	Purchase of property, plant and equipment	—	—	1,025
江門市華集運輸有限公司	Purchase of property, plant and equipment	—	—	838
		<u>—</u>	<u>—</u>	<u>1,863</u>
江門市華寶金屬製品有限公司	Interest received/receivable by the Group	6,165	3,309	—
江門市華旭金屬製品有限公司	Interest received/receivable by the Group	2,857	—	—
江門市華宇金屬製品有限公司	Interest received/receivable by the Group	2,281	7,190	—
江門市華志金屬製品有限公司	Interest received/receivable by the Group	1,969	2,718	—
佛山市順德區華津貿易有限公司	Interest received/receivable by the Group	1,129	54	—
江門市新會區展程制衣有限公司	Interest received/receivable by the Group	662	644	—
江門市華綽金屬製品有限公司	Interest received/receivable by the Group	432	450	—
江門市華哲金屬製品有限公司	Interest received/receivable by the Group	415	426	—
江門市華浦金屬製品有限公司	Interest received/receivable by the Group	398	396	—
江門市海逸酒店有限公司	Interest received/receivable by the Group	376	379	—
佛山市順德區華銀貿易有限公司	Interest received/receivable by the Group	82	776	—
江門市華津加油站有限公司	Interest received/receivable by the Group	6	3	—
江門市華匯投資管理有限公司	Interest received/receivable by the Group	—	929	—
江門市華逸貿易有限公司	Interest received/receivable by the Group	—	36	—
江門市華乾貿易有限公司	Interest received/receivable by the Group	—	9	—
佛山市順德區華寶鞍貿易有限公司	Interest received/receivable by the Group	—	154	—
		<u>16,772</u>	<u>17,473</u>	<u>—</u>
開平市海逸房地產開發有限公司	Disposal of an available-for-sale investment by the Group	—	31,490	—

During the Track Record Period, the Group also utilised certain land and building beneficially owned by Mr. Xu and an entity beneficially owned by Mr. Xu and Mr. Chen as its production premises free of charge. In addition, as set out in notes 24 and 30, certain of the Group's borrowings are secured by assets of Mr. Xu, entities controlled by Mr. Xu and/or personally guaranteed by Mr. Xu.

During the years ended 31 December 2013, 2014 and 2015, the Group entered into the Bill Financing Arrangement (as detailed in note 24) with the following related parties:

Related party	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
佛山市順德區華寶鞍貿易有限公司	165,496	108,575	—
佛山市順德區華銀貿易有限公司	<u>308,358</u>	<u>282,186</u>	<u>—</u>
	<u>473,854</u>	<u>390,761</u>	<u>—</u>

The above entities are controlled by Mr. Xu, Mr. Luo and/or their family members.

The uses of the Bill Financing Arrangement are analysed as follow:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
— Discounted to banks directly	370,612	307,694	—
— Endorsed to suppliers to settle payments of purchases	<u>103,242</u>	<u>83,067</u>	<u>—</u>
	<u>473,854</u>	<u>390,761</u>	<u>—</u>

The balances under Bill Financing Arrangement as at 31 December 2013 and 2014 are analysed as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
— Discounted to banks directly	212,047	126,280	—
— Endorsed to suppliers to settle payments of purchases	<u>35,265</u>	<u>11,009</u>	<u>—</u>
	<u>247,312</u>	<u>137,289</u>	<u>—</u>

The Group did not enter into such transactions during the year ended 31 December 2015.

(c) Compensation of key management personnel

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Salaries and other allowances	276	262	857
Discretionary bonus	7,840	11,179	—
Retirement benefit scheme and contributions	<u>19</u>	<u>20</u>	<u>36</u>
Total	<u>8,135</u>	<u>11,461</u>	<u>893</u>

The remuneration of key management personnel are determined having regard to the performance of the individuals and contribution to the Group.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes loans from third parties, amounts due to related parties and bank borrowings, net of cash and cash equivalents and amounts due from related parties, and equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payments of dividends, new shares issued as well as issue of new debt and redemption of existing debts.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale investment	24,800	—	—
Loans and receivables (including cash and cash equivalents)	<u>730,395</u>	<u>637,247</u>	<u>432,956</u>
	<u>755,195</u>	<u>637,247</u>	<u>432,956</u>
Financial liabilities			
Amortised cost	<u>1,519,660</u>	<u>1,156,233</u>	<u>643,527</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade, bills and other receivables, loan receivables, restricted bank deposits, bank balances and cash, trade, bills and other payables, amounts due from (to) related parties, loans from third parties and bank borrowings.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks**(i) Currency risk**

The functional currencies of the Company and its subsidiaries are RMB and USD and most of their transactions are denominated in RMB and USD.

The Group's exposure to foreign currency risk related primarily to certain bank balances, trade receivables, amounts due from/to related parties and inter-companies balances that are denominated in HKD and USD. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Monetary assets			
HKD	9,117	1,530	580
USD	<u>253</u>	<u>6,059</u>	<u>6,582</u>
Monetary liabilities			
HKD	<u>158</u>	<u>2,261</u>	<u>72</u>

Sensitivity analysis

The Group exposes foreign currency risk on fluctuation of HKD and USD during the Track Record Period. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD or USD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates increase (decrease) in post-tax profit where RMB weakened 5% against HKD or USD. For a 5% strengthening of RMB against HKD or USD, there would be an equal and opposite impact in the profit or loss.

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
HKD	374	(31)	21
USD	<u>9</u>	<u>227</u>	<u>246</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the restricted bank deposit (note 20) and bank balances (note 21). It is the Group's policy to keep its balances and at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate loan receivables (note 18), amounts due from related parties (note 19) and bank borrowings (note 24).

Sensitivity analysis

Management considers that the exposure of the Group to interest rate risk on its variable-rate bank balances and restricted bank deposit is limited during the Track Record Period as the management does not anticipate a material change in interest rate on restricted bank deposits and bank balances. Accordingly, no sensitivity analysis is preformed.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade receivables, bills receivable, receivable on disposal of available-for-sale investment, other receivables, loan receivables and amounts due from related parties. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of material receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the bills receivables, restricted bank deposits and bank balances is limited because the counterparties are banks with good reputations.

As at 31 December 2013, 2014 and 2015, the Group has concentration of credit risk from trade receivables as 20.1%, 22.2% and 19.4% respectively, of the total balances were due from the Group's five largest customers. The management of the Group considers the credit risk of amounts due to these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

As at 31 December 2013, 2014 and 2015, the Group also has concentration of credit risk from amounts due from related parties as 91.0% and 78.8% and 100% respectively, of the total balances were due from the Group's five largest related parties. As at 31 December 2014, the amount receivable from disposal of an available-for-sale investment was due from one related party. The management of the Group considers the credit risk of the amounts due from these related parties is limited as they are controlled by Mr. Xu, Mr. Luo and/or their family members and have good relationship with the Company and good settlement history. As at 31 December 2015, the Group has concentration of credit risk from amount due from Mr. Xu. The management of the Group considers the credit risk of the amount due from Mr. Xu is limited as Mr. Xu himself is financially sound.

Other than the concentration of the credit risk on trade receivables, bills receivables, bank balances, restricted bank deposits and amounts due from related parties, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on borrowings as a significant source of liquidity. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group can be required to pay.

Liquidity tables

As at 31 December 2013

	Weighted average effective interest rate %	Repayable on demand or less than 1 month RMB'000	1-3 months RMB'000	4 months to 1 year RMB'000	Over 1 year to 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2013 RMB'000
Non-derivative financial liabilities							
Trade, bills and other payables	—	124,424	—	—	—	124,424	124,424
Amounts due to related parties	—	122,871	—	—	—	122,871	122,871
Loans from third parties	—	20,858	—	—	—	20,858	20,858
Bank borrowings	6.45%	508,172	317,399	452,593	—	1,278,164	1,251,507
		<u>776,325</u>	<u>317,399</u>	<u>452,593</u>	<u>—</u>	<u>1,546,317</u>	<u>1,519,660</u>

As at 31 December 2014

	Weighted average effective interest rate %	Repayable on demand or less than 1 month RMB'000	1-3 months RMB'000	4 months to 1 year RMB'000	Over 1 year to 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2014 RMB'000
Non-derivative financial liabilities							
Trade, bills and other payables	—	135,628	—	—	—	135,628	135,628
Amounts due to related parties	—	38,808	—	—	—	38,808	38,808
Loans from third parties	—	10,651	—	—	—	10,651	10,651
Bank borrowings	7.03%	208,799	138,065	618,227	42,277	1,007,368	971,146
		<u>393,886</u>	<u>138,065</u>	<u>618,227</u>	<u>42,277</u>	<u>1,192,455</u>	<u>1,156,233</u>

As at 31 December 2015

	Weighted average effective interest rate %	Repayable on demand or less than 1 month RMB'000	1-3 months RMB'000	4 months to 1 year RMB'000	Over 1 year to 2 years RMB'000	Over 2 to 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2015 RMB'000
Non-derivative financial liabilities								
Trade, bills and other payables	—	116,225	—	—	—	—	116,225	116,225
Bank borrowings	6.05%	13,413	160,029	228,037	132,562	13,018	547,059	527,302
		<u>129,638</u>	<u>160,029</u>	<u>228,037</u>	<u>132,562</u>	<u>13,018</u>	<u>663,284</u>	<u>643,527</u>

(c) Fair value

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

35. FINANCIAL INFORMATION OF THE COMPANY**(a) Interest in a subsidiary of the Company**

As at
31 December
2015
RMB'000

Investment in Huajin Investments, at cost

2

- (b) The followings are the movements of the Company's reserves from 13 March 2015 (date of incorporation) to the end of the reporting period.

	Capital reserve	Accumulated loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 13 March 2015	—	—	—
Loss and total comprehensive expense for the period	—	(5,252)	(5,252)
Arising from Reorganisation	<u>2</u>	<u>—</u>	<u>2</u>
At 31 December 2015	<u><u>2</u></u>	<u><u>(5,252)</u></u>	<u><u>(5,250)</u></u>

36. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2015

- (i) The amounts due to the Controlling Shareholders of RMB123,658,000 were waived and accounted for as deemed contributions therefrom.
- (ii) As detailed in note 19(b), amounts of RMB3,118,000 due to entities controlled by the Controlling Shareholders and/or their family members have been assigned to Mr. Xu. The amount due to Mr. Xu of RMB3,392,000 has also been set off with the amount due from Mr. Xu.
- (iii) As detailed in note 23, amounts of RMB8,104,000 loans from third parties have been assigned to Mr. Xu.
- (iv) As detailed in note 18, amounts of RMB3,213,000 loan receivables from third parties have been assigned to Mr. Xu.

B. SUBSEQUENT EVENTS

Other than those disclosed in the Section A of the Financial Information, the following significant events took place subsequent to 31 December 2015:

- (a) On 4 January 2016, the Group entered into a sale and purchase agreement pursuant to which the Group will purchase from Mr. Xu certain land and building for an aggregate consideration of RMB45,000,000. Up to the date of this report, the transaction has not yet been completed.

(b) Dividends

Subsequent to the Track Record Period, 2015 interim dividends of USD20,000 (equivalent to RMB129,872), USD20,000 (equivalent to RMB129,872), RMB90,000, USD12,000 (equivalent to RMB77,760) and USD15,000 (equivalent to RMB97,200) per share, amounting to USD2,000,000 (equivalent to approximately RMB12,987,000), USD2,000,000 (equivalent to approximately RMB12,987,000), RMB9,000,000, USD1,200,000 (equivalent to approximately RMB7,776,000) and USD1,500,000 (equivalent to approximately RMB9,720,000) have been declared and approved by the directors of the Company on 11 January 2016, 1 February 2016, 15 February 2016, 7 March 2016 and 14 March 2016, respectively. The aggregate sum of dividends declared and approved by the directors of the Company subsequent to the Track Record Period amounted to approximately RMB52,470,000.

(c) Share option scheme

Pursuant to the written resolution of all the shareholders of the Company passed on 23 March 2016, the Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in section headed "Statutory and General Information — 7. Share Option Scheme" in Appendix IV to the Prospectus. No option was granted as at the date of this report.

- (d) Pursuant to the written resolutions passed by the shareholders of the Company on 23 March 2016, conditional upon the crediting of the Company's share premium account as a result of the issue of the offer shares pursuant to the global offering, the directors of the Company were authorised to capitalise an amount of approximately HK\$4,499,999 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 449,999,900 shares for allotment and issue to the shareholders as of 23 March 2016, on a pro rata basis.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The following information set out in this Appendix does not form part of the Accountants' Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I, to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with information set out elsewhere to this prospectus the section entitled "Financial Information" in this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma adjusted statement of consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 as if the Global Offering had taken place on 31 December 2015.

This unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 December 2015 or at any future dates. It is prepared based on the consolidated net tangible assets of the Group as at 31 December 2015 as set out in the consolidated financial statements contained in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of 31 December 2015 <i>RMB'000</i> <i>(note 1)</i>	Estimated net proceeds from the Global Offering <i>RMB'000</i> <i>(note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share	
				<i>RMB</i> <i>(note 3)</i>	<i>HK\$</i> <i>(note 3)</i>
Based on the Offer Price of HK\$1.88 per Offer Share	223,473	211,785	435,258	0.73	0.88
Based on the Offer Price of HK\$2.48 per Offer Share	223,473	284,904	508,377	0.85	1.02

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 is extracted from the consolidated financial statements as set out in Appendix I to this prospectus.

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- (2) The estimated net proceeds from the Global Offering are based on 150,000,000 Shares at the Offer Price of HK\$1.88 or HK\$2.48 per Offer Share, respectively, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses, and does not take into account the related expenses already recognised in profit or loss on or before 31 December 2015 or any Offer Share which may be issued upon the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the general mandate granted to the Directors.

The estimated net proceeds from the Global Offering is converted to Renminbi into the rate of RMB1.00 to HK\$1.20. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 31 December 2015, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the general mandate granted to the Directors.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted to Hong Kong dollars at the rate of RMB1.00 to HK\$1.2. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

- (4) No adjustment has been made to reflect any of our trading results or other transactions entered into subsequent to 31 December 2015.

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- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company in the table above has not been adjusted to show the aggregate effect of the dividends of USD2,000,000 (equivalent to RMB12,987,000), USD2,000,000 (equivalent to RMB12,987,000), RMB9,000,000, USD1,200,000 (equivalent to RMB 7,776,000) and USD1,500,000 (equivalent to RMB9,720,000) declared and approved by the Company on 11 January 2016, 1 February 2016, 15 February 2016, 7 March 2016 and 14 March 2016 (the “Dividends”) respectively. Had the Dividends in the aggregate amount of approximately RMB52,470,000 been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to owners of the Company per share would be further adjusted as follow:

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after taking into account of the Dividends	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after taking into account of the Dividends	
	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on the Offer Price of HK\$1.88 per Offer Share	382,788	0.64	0.77
Based on the Offer Price of HK\$2.48 per Offer Share	455,907	0.76	0.91

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted to Hong Kong dollars at the rate of RMB1.00 to HK\$1.2. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

To the Directors of Huajin International Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Huajin International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted net tangible assets as at 31 December 2015 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 5 April 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at 31 December 2015 as if the event had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

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The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 April 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 March 2015 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 23 March 2016. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Financial assistance to purchase shares of the Company or its subsidiaries

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing Director, joint managing Director, deputy

managing Director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall 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 by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall 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 the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate Director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing Director, joint managing Director, or deputy managing Director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of Directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such Directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the Directors may determine;

- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution — majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from

the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of 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 must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the Directors to 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 instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 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 instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the

Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the Directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as above 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; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in

determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may

direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the above 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 24 March 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the 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 Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION

A. Incorporation

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 13 March 2015. Our Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Unit 18, 5/F, Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 July 2015, with Mr. Xu Songqing appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the Companies Law. Our Company's constitution comprises the memorandum of association and articles of association. A summary of various provisions of the memorandum and articles of association and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

B. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following sets out the changes in our Company's issued share capital since our Company's incorporation:

- (a) On 13 March 2015, one subscriber's Share of HK\$0.01 was allotted and issued as nil paid to the initial subscriber and was further transferred to Haiyi;
- (b) On 13 March 2015, 99 Shares of HK\$0.01 each were allotted and issued as nil paid to Haiyi;
- (c) On 31 December 2015, the 100 nil-paid Shares were credited as fully paid up by Haiyi; and
- (d) Pursuant to the written resolutions of our Shareholders passed on 23 March 2016, the authorised share capital of our Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of a further 7,962,000,000 Shares of HK\$0.01 each.

A total of 150,000,000 new Shares will be offered to the public under the Global Offering.

Conditional on the share premium account of our Company being credited with the proceeds from the Global Offering, HK\$4,499,999 will be capitalised from the share premium account and applied in paying up in full 449,999,900 Shares which will be allotted and issued to Haiyi on or before the Listing.

Immediately following the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option or any options which may be granted under the Share Option Scheme), the issued share capital of our

Company will be HK\$6,000,000 divided into 600,000,000 Shares fully paid or credited as fully paid and 7,400,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as above, there has been no alteration in the share capital of our Company since its incorporation.

C. Written resolutions of our Shareholders passed on 23 March 2016

Pursuant to the written resolutions of our Shareholders passed on 23 March 2016, among other things:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of a further 7,962,000,000 Shares;
- (b) conditional on the conditions as set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus:
 - i. the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - ii. conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalised HK\$4,499,999 standing to the credit of the share premium account of our Company applying such sum in paying up in full at par a total of 449,999,900 Shares for allotment and issue to Haiyi;
 - iii. the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;
 - iv. a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other 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 our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of our Company or a specific authority granted by our Shareholders in

general meeting, Shares with a total nominal value not exceeding the aggregate of (1) 20% 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 (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the repurchase mandate as mentioned in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles of Association or any applicable laws of Cayman Islands; or
- (3) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate; and

v. a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate 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 any Shares which may be issued pursuant to the exercise of the any options may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles of Association or any applicable laws of Cayman Islands; or
- (3) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate; and

(c) our Memorandum and Articles of Association were conditionally approved and adopted.

2. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

Our subsidiaries are set out under the Accountants' Report as included in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries. Save as disclosed in the section headed "History, Reorganisation and Group Structure" in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

3. REORGANISATION

In preparation for the Global Offering, we underwent the Reorganisation, details of which are set out in the section headed “History, Reorganisation and Group Structure” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) is set out in the section headed “History, Reorganisation and Group Structure” in this prospectus.

4. REPURCHASE BY OUR COMPANY OF OUR OWN SECURITIES

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders’ approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on 23 March 2016, a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of any options may be granted under the Share Option Scheme). The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first (the “**Buyback Mandate**”).

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the memorandum and articles of association of our Company, the Listing Rules and any applicable laws and regulations from time to time in force of the Cayman Islands.

(iii) *Trading restrictions*

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be held as treasury shares or treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Stock Exchange Listing Rules) and (b) the deadline for a listed company to publish an announcement of 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, the listed company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

Under the Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Buyback Mandate

Exercise in full of the Buyback Mandate, on the basis of 600,000,000 Shares in issue immediately after the Listing, could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the period in which the Buyback Mandate remains in force. On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Buyback Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this prospectus). However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share or both.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our memorandum and articles of association, the Listing Rules and the applicable laws and regulations from time to time in force of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or from sums standing to the credit of the share premium account of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the articles of association of our Company and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorised by our Articles of Association and subject to the Companies Law, out of capital.

(e) General

None of our Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the memorandum and the articles of association of our Company and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Buyback Mandate is exercised.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of Codes of Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as above, our Directors are not aware of any consequence which would arise under the Code due to any repurchase made pursuant to the Buyback Mandate immediately after the Listing.

5. FURTHER INFORMATION ABOUT OUR BUSINESS**A. Summary of our material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within two years immediately preceding the date of this prospectus which are or may be material:

- (a) the Underwriting Agreement;
- (b) the Deed of Non-competition;
- (c) the Deed of Indemnity;
- (d) an equity transfer agreement dated 13 May 2015 and entered into between Inter Consortium as purchaser and Mr. Xu as vendor whereby Mr. Xu agreed to transfer his 86% equity interest in Jiangmen Huajin to Inter Consortium at a consideration of RMB61,527,512.39;
- (e) an equity transfer agreement dated 13 May 2015 and entered into between Inter Consortium as purchaser and Mr. Luo as vendor whereby Mr. Luo agreed to transfer his 12% equity interest in Jiangmen Huajin to Inter Consortium at a consideration of RMB8,585,234.29;
- (f) an equity transfer agreement dated 13 May 2015 and entered into between Inter Consortium as purchaser and Mr. Chen as vendor whereby Mr. Chen agreed to transfer his 1% equity interest in Jiangmen Huajin to Inter Consortium at a consideration of RMB715,436.19;
- (g) an equity transfer agreement dated 13 May 2015 and entered into between Inter Consortium as purchaser and Famous Stand as vendor whereby Famous Stand agreed to transfer its 1% equity interest in Jiangmen Huajin to Inter Consortium at a consideration of RMB715,436.19;
- (h) an equity transfer agreement dated 13 May 2015 and entered into between Inter Consortium as purchaser and Mr. Xu as vendor whereby Mr. Xu agreed to transfer his 90% equity interest in Jiangmen Huamu at a consideration of RMB57,459,361.53;
- (i) an equity transfer agreement dated 13 May 2015 and entered into between Inter Consortium as purchaser and Mr. Luo as vendor whereby Mr. Luo agreed to transfer his 9% equity interest in Jiangmen Huamu at a consideration of RMB5,745,936.15; and
- (j) an equity transfer agreement dated 13 May 2015 and entered into between Inter Consortium as purchaser and Famous Stand as vendor whereby Famous Stand agreed to transfer its 1% equity interest in Jiangmen Huamu at a consideration of RMB638,437.35.

B. Our intellectual property rights*(a) Trademarks**(i) Registered trademarks owned by our Group*

As at the Latest Practicable Date, we have registered the following trademarks which are material to our business:

Trademark	Place of Registration	Registration number	Name of registrant	Class	Expiry date
	PRC	5818666	Jiangmen Huajin	6	20 September 2019
	PRC	6763536	Jiangmen Huajin	6	6 April 2020
	PRC	6821074	Jiangmen Huajin	20	27 May 2020
	PRC	7446510	Jiangmen Huajin	28	20 October 2020
	PRC	7446537	Jiangmen Huajin	28	13 November 2020
	PRC	7446528	Jiangmen Huajin	28	20 November 2020
	Hong Kong	303425265	Huajin Investments	6, 36, 39	28 May 2025
^A 	Hong Kong	303425274	Huajin Investments	6, 36, 39	28 May 2025
^B 					

(ii) Application for registration of trademarks

As at the Latest Practicable Date, we have made the following trademark registration applications:

Trademark	Place of Registration	Application number	Name of applicant	Class	Date of application
華睦	Hong Kong	303590497	Huajin Investments	6, 36, 39	9 November 2015
華睦	Hong Kong	303625065	Huajin Investments	6, 36, 39	11 December 2015
華津	Hong Kong	303625074	Huajin Investments	6, 36, 39	11 December 2015
HUAJIN	Hong Kong	303625083	Huajin Investments	6, 36, 39	11 December 2015
A 	Hong Kong	303640220	Huajin Investments	16	24 December 2015
B 					
	PRC	17461757	Jiangmen Huajin	39	20 July 2015
華津	PRC	17461758	Jiangmen Huajin	39	20 July 2015
華津 HUAJIN	PRC	18683313	Jiangmen Huajin	6	Acceptance pending
華津 HUAJIN	PRC	18683314	Jiangmen Huajin	39	Acceptance pending
華睦 HUAMU	PRC	18683312	Jiangmen Huamu	6	Acceptance pending
華睦 HUAMU	PRC	18683311	Jiangmen Huamu	39	Acceptance pending

(b) Patents*(i) Registered patents owned by our Group*

As at the Latest Practicable Date, we have registered the following patents in PRC which are material to our business:

Patent type	Patent description	Patent number	Patentee	Date of application	Patent term
Utility	a cutting fluid filtration device for a grinding machine (一種磨床切削液過濾裝置)	201520443783.0	Jiangmen Huajin	24 June 2015	10 years
Utility	an overturning machine (一種翻料機)	201520443827.X	Jiangmen Huajin	24 June 2015	10 years
Utility	a support block for the heat treatment of steel (一種用於鋼帶熱處理的支承塊)	201520449198.1	Jiangmen Huajin	26 June 2015	10 years
Utility	a single-drive transport vehicle for steel (一種單傳動鋼材運輸車)	201520463592.0	Jiangmen Huajin	30 June 2015	10 years
Utility	a heavy duty transport vehicle for steel (一種重型鋼材運輸車)	201520464217.8	Jiangmen Huajin	30 June 2015	10 years
Utility	a peeling machine (一種剝皮機)	201520469970.6	Jiangmen Huajin	1 July 2015	10 years
Utility	an electromagnetic tension control unwinding device (一種電磁張力控制放卷裝置)	201520470016.9	Jiangmen Huajin	1 July 2015	10 years
Utility	an automatic start control system for air conditioning in the room for horizontal drawing machine (平拉機機台電房空調自動啟動控制系統)	201520485615.8	Jiangmen Huajin	3 July 2015	10 years
Utility	a tension control device for rolling machines (一種軋機張力控制裝置)	201520485826.1	Jiangmen Huajin	6 July 2015	10 years
Utility	an automatic start control system to adjust the frequency of pickling dryers (酸洗烘乾電機變頻自動啟動控制系統)	201520485860.9	Jiangmen Huajin	6 July 2015	10 years

Patent type	Patent description	Patent number	Patentee	Date of application	Patent term
Utility	an automatic start-stop controller of pickling sprinkling pump (酸洗噴淋泵自動啟停程序控制)	201520485906.7	Jiangmen Huajin	6 July 2015	10 years
Utility	a roll-changing device for rolling machines (一種軋機換輓裝置)	201520495517.2	Jiangmen Huajin	9 July 2015	10 years
Utility	an anti-shake roll for steel levelling machines (一種鋼帶平整機的防顫輓)	201520449326.2	Jiangmen Huamu	26 June 2015	10 years
Utility	a hydraulic centering device for rolling machines (一種軋機液壓對中裝置)	201520449430.1	Jiangmen Huamu	26 June 2015	10 years
Utility	a speed-measuring roll bearing for rolling machines (一種軋機測速輓軸承座)	201520470005.0	Jiangmen Huamu	1 July 2015	10 years
Utility	a steel strips pinch device (一種鋼帶夾送裝置)	201520470008.4	Jiangmen Huamu	1 July 2015	10 years
Utility	an automatic control device of gas supply system for degreasing production lines (脫脂生產線供氣系統的自動控制裝置)	201520480561.6	Jiangmen Huamu	2 July 2015	10 years
Utility	an energy-conserving power supply system for transformers of rolling machines (一種節省能耗的軋機變壓器供電系統)	201520480543.8	Jiangmen Huamu	2 July 2015	10 years
Utility	amplification and protection circuit for controllable silicon resistance-capacitance absorption in rolling machines (軋機可控矽阻容吸收的放大和保護電路)	201520485730.5	Jiangmen Huamu	3 July 2015	10 years
Utility	a degreasing device for rolling machines (一種軋機除油裝置)	201520485748.5	Jiangmen Huamu	3 July 2015	10 years
Utility	an efficiently operating systems to supply lubricant in rolling machines (一種高效運行的軋機乳化液供液系統)	201520485772.9	Jiangmen Huamu	3 July 2015	10 years

Patent type	Patent description	Patent number	Patentee	Date of application	Patent term
Utility	a constant pressure control system of automatic adjustment of frequency in cooling tower that can be shared by two units (一種可供兩套機組共用的冷卻塔自動變頻恒壓控制系統)	201520485835.0	Jiangmen Huamu	3 July 2015	10 years
Utility	a single-drive, linkage tension building control system of unwinding and rewinding for levelling machines (拉矯機放卷和收卷單動、聯動建張控制系統)	201520485625.1	Jiangmen Huamu	6 July 2015	10 years
Utility	synchronous control system for oil and gas for rolling machines and dedicated air compressor (軋機油氣與專用空氣壓縮機同步控制系統)	201520485877.4	Jiangmen Huamu	6 July 2015	10 years
Utility	a control system of temperature monitoring and over-temperature alarm for the room of rolling machines (軋機機台電房溫度檢測和超溫報警控制系統)	201520485898.6	Jiangmen Huamu	6 July 2015	10 years
Utility	a real time adjustment equipment for the roller of levelling machine (一種拉矯機矯直輥實時調整裝置)	201520485909.0	Jiangmen Huamu	6 July 2015	10 years
Utility	a steel roll-changing vehicle for levelling machines (一種平整機鋼輥換輥車)	201520486377.2	Jiangmen Huamu	6 July 2015	10 years
Utility	a degreasing electrode plate used in electrolytic sections of steel plate washing lines (一種用於鋼板清洗線電解段的脫脂電極板)	201520486443.6	Jiangmen Huamu	6 July 2015	10 years

Patent type	Patent description	Patent number	Patentee	Date of application	Patent term
Utility	a control system to adjust the speed, frequency and supply of lubricant in rolling machines (一種軋機變速變頻變量乳化液供液控制系統)	201520495136.4	Jiangmen Huamu	8 July 2015	10 years
Utility	a roll-changing bearing device for rolling machines (一種軋機換輓支承裝置)	201520494722.7	Jiangmen Huamu	9 July 2015	10 years
Utility	an equipment for degreasing and squeezing (一種脫脂擠幹裝置)	201520495618.X	Jiangmen Huamu	9 July 2015	10 years

(ii) *Application for registration of patents*

As at the Latest Practicable Date, we have made the following patent registration applications in PRC:

Patent type	Patent description	Patent application number	Applicant	Date of application
Invention	cold-rolled carbon steel sheet surface texturing process optimisation (冷軋碳素薄鋼板表面毛化優化工藝)	201510521349.4	Jiangmen Huajin	24 August 2015
Invention	a real time adjustment equipment for the roller of levelling machine (一種拉矯機矯直輓實時調整裝置)	201510397339.4	Jiangmen Huamu	6 July 2015
Invention	control system and method to adjust the speed, frequency and supply of lubricant in rolling machines (軋機變速變頻變量乳化液供液控制系統及控制方法)	201510401987.2	Jiangmen Huamu	8 July 2015

(c) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which are material to our business:

Domain name	Registrant	Registration date	Expiry date
Huajin-hk.com	Inter Consortium	10 December 2015	10 December 2016
Huajingsteel.com	Inter Consortium	2 November 2005	2 November 2017

6. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of interests

(a) Disclosure of interests of Directors and chief executive

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering without taking into account the options which may be granted under the Share Option Scheme, the interests and short positions of our 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 will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein will be as follows:

Name of Director/chief executive	Company/ associated corporation	Capacity/ Nature of Interest	Number of shares	Approximate percentage of shareholding
Mr. Xu	Our Company	Interest held jointly with another person (<i>Note 1</i>); Interest of controlled corporation (<i>Note 2</i>)	450,000,000	75%
Mr. Luo	Our Company	Interest held jointly with another person (<i>Note 1</i>); Interest of controlled corporation (<i>Note 2</i>)	450,000,000	75%

Note:

1. On 4 January 2016, Mr. Xu and Mr. Luo entered into the Acting in Concert Agreement, according to which, among other things, Mr. Xu and Mr. Luo acknowledge and confirm that they, as ultimate shareholders of our Group, have been parties acting in concert throughout the Track Record Period and up to the date thereof and will continue to act in concert thereafter. Details of the Acting in Concert Agreement are set out in the section headed “Relationship with Controlling Shareholders” in this prospectus. As such, immediately following the completion of the Global Offering, our ultimate Controlling Shareholders together control 75% interest in the share capital of our Company through Intrend Ventures, Zhong Cheng and Haiyi. As a result, each of our ultimate Controlling Shareholders and their respective holding companies are deemed to be interested in such 75% interest in the share capital of our Company; and
2. The entire issued share capital of Intrend Ventures is legally and beneficially wholly-owned by Mr. Xu. Intrend Ventures owns 87% of the issued share capital of Haiyi and is taken to be interested in all the Shares held by Haiyi for the purposes of the SFO. Haiyi is legally and beneficially owned as to 12% by Zhong Cheng, an investment holding company wholly-owned by Mr. Luo, and as to 1% by Irichest Enterprises, an investment holding companies wholly-owned by Mr. Chen.

(b) Disclosure of interests of Substantial Shareholders

For the information on the persons who will, immediately after the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying shares which are required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company or any other members of our Group, please refer to the section headed “Substantial Shareholders” in this prospectus.

B. Particulars of Directors' service contracts and letters of appointment*Executive Directors*

Each of the executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, each of our executive Directors is entitled to such discretionary management bonus by reference to the audited consolidated profit of our Group before taxation and extraordinary items as our Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her. The current basic annual salary of our executive Directors are as follows:

Name	Amount
Mr. Luo	HK\$400,000
Mr. Xu Songman	HK\$300,000
Mr. Chen	HK\$200,000
Mr. Xu	HK\$100,000

Independent non-executive Directors

The independent non-executive Directors have been appointed with effect from 23 March 2016, subject to retirement by rotation and re-election at annual general meetings of our Company and until terminated by not less than three months' notice in writing served by either the Company or the relevant Director. Our Company intends to pay a director's fee of HK\$200,000 per annum to the independent non-executive Directors. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as above, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

C. Directors' remuneration

During the Track Record Period, the aggregate of the remuneration (including salaries and allowance) paid and benefits in kind granted by our Group to the Directors for the three years ended 31 December 2013, 2014 and 2015 was approximately RMB8.0 million, RMB11.3 million and RMB189,000 respectively.

Under the arrangements currently in force, the estimated aggregate remunerations, excluding discretionary bonus and share-based payments expense, if any, of the Directors for the year ending 31 December 2016 is approximately RMB211,000.

None of the Directors or any past directors of any member of the Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

D. Disclaimers

Save as disclosed in this Appendix IV, as at the Latest Practicable Date:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Global Offering will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either 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 the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed "8. Other Information — G. Qualification of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years

immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors nor Substantial Shareholders 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 or otherwise be interested in our five largest customers and/or five largest suppliers; and
- (e) Save for the Underwriting Agreement, none of the experts named in the paragraph headed “8. Other Information — G. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our existing Shareholders on 23 March 2016.

For the purpose of this section, unless the context otherwise requires:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means any full-time or part-time employee of our Company or any member of our Group, including any executive Director, non-executive Director and independent non-executive Director, and any supplier, customer, agent, adviser and consultant of our Group who, in the sole opinion of the Board, will contribute or have contributed to our Group;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the Share Option Scheme but shall end in any event not later than 10 years from such date;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;

“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 15 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its absolute discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of option

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any 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 period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Appendix 10 prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by our Shareholders in general meeting with such Participant and his associates abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders’ meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the new issue price per Share under the initial public offerings of Shares in connection with such listing shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) provided that the Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 600,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 60,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and

Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information required by the Listing Rules.

- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Share Option Scheme.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that the Options have become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Option and the subscription price shall be conditional on the auditors of our Company or an independent financial adviser appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased.

(j) Rights on take-over

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code.

(k) Rights on a compromise or arrangement

- (i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law, the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement

becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

- (ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(l) Lapse of option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period;
- (iii) the first anniversary of the death of the Participant;
- (iv) the commencement of the winding up of the Company;
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

- (vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:
- (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
 - (2) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph;
 - (3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;
 - (4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or
 - (5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (v) or (vi)(1) to (4);
- (vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
- (viii) the date the Participant commits any breach of the provisions of paragraph (g).

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Company's articles of association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue 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 or issue.

(n) Cancellation of options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that, (a) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 17 of the Listing Rules; and (b) any material alteration to the terms and conditions of the Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the new scheme to be established after such termination.

(q) Granting of options to a Director, chief executive or substantial shareholder of our Company or any of their associates

Where Options are proposed to be granted to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on

the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by the Shareholders. All connected persons of our Company must abstain from voting at such general meeting. The circular must contain the information required under Rule 17.04(3) of the Listing Rules. In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders as to voting; and
- (iii) all other information as required by the Listing Rules. For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

(r) Performance target

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a written resolution to adopt the Share Option Scheme by all of our existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

As at the Latest Practicable Date, no Options have been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.

8. OTHER INFORMATION

A. Tax and other indemnities

The Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any taxation (including tax penalty, if any) falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Global Offering becomes unconditional or any event, act or omission occurring or deemed to occur on or before such date whether alone or in conjunction with any other event, act, omission or circumstance whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to the amount of any and all taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date.

The Deed of Indemnity does not cover any claim and the Indemnifier shall be under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any member of the Group up to 31 December 2015 (the “**Accounts**”);
- (b) to the extent that such taxation arises or is incurred as a result of any change in the law having retrospective effect coming into force after the date on which the Global Offering becomes unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date on which the Global Offering becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period);
- (c) falling on any member of our Group in respect of any period commencing on the day immediately after the date on which the Global Offering becomes unconditional unless liability for such taxation would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Global Offering becomes unconditional) without the prior written consent or agreement of the Indemnifiers; or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

B. Litigation

Save as disclosed in the section headed “Business — Legal Proceedings and Compliance” in this prospectus, as at the Latest Practicable Date, we are not involved in any material litigation, arbitration or administrative proceedings. So far as the Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

C. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company agreed to pay the Sole Sponsor an aggregate fee of HK\$4,250,000 as the sponsor to our Company for the Global Offering. Such sponsor’s fee relates solely to services provided by the Sole Sponsor in the capacity of sponsor, and not other services which it may provide, such as, but without limitation, book building, pricing and underwriting. Our Company further agrees that (i) our responsibility for the said sponsor’s fee is not contingent on the success or the final size of the Global Offering; and (ii) any termination of the agreement with the Sole Sponsor will not affect any accrued rights or obligations of both parties, including the duty to settle the said sponsor’s fee.

D. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Shenwan Hongyuan Capital (H.K.) Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

E. Preliminary expenses

The preliminary expenses incurred and payable by our Company are approximately HK\$60,000.

F. Promoters

Our Company has no promoter.

G. Qualification of experts

The qualifications of the experts, as defined under the Listing Rules, who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualifications
Shenwan Hongyuan Capital (H.K.) Limited	Licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
AllBright Law Offices	PRC legal adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Greater China Appraisal Limited	Property valuer

H. Consents of experts

Each of Shenwan Hongyuan Capital (H.K.) Limited, Deloitte Touche Tohmatsu, AllBright Law Offices, Conyers Dill & Pearman, Frost & Sullivan and Greater China Appraisal Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included in this prospectus the form and context in which they respectively appear.

I. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

J. Miscellaneous

- (a) Save as disclosed in the section headed “History, Reorganisation and Group Structure” in and this Appendix IV to this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (d) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) there is no arrangement under which future dividends are waived or agreed to be waved;
- (g) None of the experts as set out in the paragraph headed “8. Other Information — G. Qualification of experts” in this Appendix IV to this paragraph:
 - (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;
- (h) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (i) Our Company has no outstanding convertible debt securities; and
- (j) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

K. Related party transactions

Our Group entered into the related party transactions within the Track Record Period as mentioned in notes 24 and 32 of the “Accountants’ Report” in Appendix I to this prospectus.

L. Bilingual prospectus

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in the paragraph headed “Statutory and General Information — 8. Other Information — H. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Statutory and General Information — 5. Further Information about our Business — A. Summary of our material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stevenson, Wong & Co. at 4th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum and articles of association of our Company;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report relating to the unaudited pro forma financial information of our Group, the texts of which are set out in Appendix II to this prospectus;
- (d) the PRC legal opinions issued by AllBright Law Offices, our PRC legal adviser, in respect of our general matters and property interests of our Group;
- (e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands Company law referred to in Appendix III to this prospectus;
- (f) the material contracts referred to in the paragraph headed “Statutory and General Information — 5. Further Information about our Business — A. Summary of our material contracts” in Appendix IV to this prospectus;
- (g) the written consents referred to in the paragraph headed “Statutory and General Information — 8. Other Information — H. Consents of experts” in Appendix IV to this prospectus;
- (h) the service contracts and appointment letters referred to in the paragraph headed “Statutory and General Information — 6. Further Information about our Directors and Substantial Shareholders — B. Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus;
- (i) the Companies Law;

- (j) the Share Option Scheme;
- (k) the Frost & Sullivan Report; and
- (l) the valuation reports prepared by Greater China Appraisal Limited.



Huajin International Holdings Limited
華津國際控股有限公司