KANGLI INTERNATIONAL HOLDINGS LIMITED
康利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 6890

GLOBAL OFFERING

Sole Sponsor

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

Sole Global Coordinator,
Joint Bookrunner and Joint Lead Manager

廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Joint Bookrunner and Joint Lead Manager

山證國際
SSIF

IMPORTANT

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

KangLi International Holdings Limited
康利國際控股有限公司

(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 Public Offer Shares	:	**15,000,000 Shares (subject to reallocation)**
Number of International Placing Shares	:	**135,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**Not more than HK$1.30 per Offer Share and expected to be not less than HK$1.00 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)**
Nominal value	:	**HK$0.001 per Share**
Stock code	:	**6890**

Sole Sponsor

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

廣發証券(香港)經紀有限公司
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山證國際
SSIF

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 "Documents Delivered To The Registrar Of Companies And Available For Inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the matters discussed in the section headed "Risk Factors" in this prospectus before making any investment decision in relation to our Company.

The Offer Price will not be more than HK$1.30 and is currently expected to be not less than HK$1.00. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, our Company 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 Public Offer, cause to be published the notice of such change on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.jnpmm.com**.

The final Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 8 November 2018 and, in any event, not later than Thursday, 15 November 2018.

If, for any reason, the final Offer Price is not agreed by 5:00 p.m. on Thursday, 15 November 2018 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not become unconditional and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the U.S. in offshore transactions in reliance on Regulation S.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus. Should the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement in accordance with its terms, the Global Offering will not become unconditional and will lapse.

31 October 2018

If there is any change in the following expected timetable of the Public Offer, we will issue announcement in Hong Kong on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.jnpmm.com**.

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[9]	11:30 a.m. on Thursday, 8 November 2018
Application lists open[2]	11:45 a.m. on Thursday, 8 November 2018
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[3]	12:00 noon on Thursday, 8 November 2018
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s).	12:00 noon on Thursday, 8 November 2018
Application lists close[2]	12:00 noon on Thursday, 8 November 2018
Expected Price Determination Date[4] to be on or around	Thursday, 8 November 2018
Announcement of the final Offer Price, the levels of indication of interest in the International Placing, the level of applications in the Public Offer and basis of allocation of the Public Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk**[5] and our Company's website at **www.jnpmm.com**[6] on	Friday, 16 November 2018
Results of allocations in the Public Offer (with successful applicants' identification document numbers, or passport numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How To Apply For Public Offer Shares — 11. Publication of results" from	Friday, 16 November 2018

Results of allocations in the Public Offer to be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function from	Friday, 16 November 2018
Despatch/collection of share certificates and/or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on[7]	Friday, 16 November 2018
Despatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on[7][8]	Friday, 16 November 2018
Dealing in the Shares on the Stock Exchange to commence on	Monday, 9:00 a.m. on 19 November 2018

The application for the Public Offer Shares will commence on Wednesday, 31 October 2018 through Thursday, 8 November 2018. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, 16 November 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 19 November 2018.

Note:

(1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Public Offer, are set out in the section headed "Structure And Conditions Of The Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 November 2018, the application lists will not open and close on that day. Please refer to the section headed "How To Apply For Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Thursday, 8 November 2018, the dates mentioned in this section headed "Expected Timetable" may be affected.

(3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How To Apply For Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(4) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Thursday, 8 November 2018 and, in any event, not later than 5:00 p.m. on Thursday, 15 November 2018. If, for any reason, the final Offer Price is not agreed by 5:00 p.m. on Thursday, 15 November 2018 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

(5) The announcement will be available for viewing on the "Main Board — Allotment of Results" page on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.jnpmm.com**.

(6) None of the websites or any of the information contained on those websites form part of this prospectus.

(7) Applicants who apply with **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have provided all required information may collect share certificates (if applicable) and/or refund cheques (if applicable) in person and may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22. Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 16 November 2018, or any other date as notified by us in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/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 corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited.

Applicants who have applied on **YELLOW** Application Forms 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. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Friday, 16 November 2018. Application who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through **HK eIPO White Form** service, on Friday, 16 November 2018, by ordinary post and at their own risk. 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 headed "How To Apply For Public Offer Shares" in this prospectus.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share 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 headed "How To Apply For Public Offer Shares" in this prospectus.

(9) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website, **www.hkeipo.hk**, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last date for submitting applications when the application lists close.

Share certificates are expected to be issued on Friday, 16 November 2018 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. 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 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 included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

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This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

BUSINESS OVERVIEW

We are a leading midstream galvanized steel products manufacturer in the home appliance sector in Jiangsu Province, the PRC. According to the F&S Report, we are the largest market player in the galvanized steel product market in Jiangsu Province in terms of revenue in 2017, and we ranked third with a market share of 3.9% in the galvanized steel product market in the home appliance sector in the PRC in terms of revenue in 2017. We ranked 16th with a market share of 0.5% in the galvanized steel product industry in the PRC by revenue in 2017. The market size by revenue of the galvanized steel product industry in the home appliance sector in Jiangsu Province amounted to approximately RMB3.5 billion in 2017. We primarily engage in production and sales of (i) unpainted galvanized steel products to midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products, for their onward sales mainly to home appliance manufacturers; and (ii) Cold Rolled Steel Products to home appliance manufacturers for production of home appliances such as refrigerators, washing machines and ovens. Our Directors confirm that we differentiate ourselves from our customers who are midstream steel products processors, in the light that we, via our hot-dip galvanisation production line, process hot rolled steel coils/hard steel coil into unpainted galvanised steel products which are then sold to these midstream steel products processors for their subsequent processing such as cutting, polishing and color coating. In the light that white home appliances require certain qualities including corrosion resistance, galvanized steel products, which are coated with a layer of zinc on the surface of steel and with lower costs than stainless steel, are considered superior in terms of cost and durability, and thus our Directors and F&S consider that there are no direct substitutes to our Group's products in the market. Our Cold Rolled Steel Products are sold under the trademark of "江南".

We procure hot rolled steel coils, for processing into our Cold Rolled Steel Products at our production facility located in Changzhou City, Jiangsu Province. Our main products include (i) hard steel coil (軋硬卷) and (ii) hot-dip galvanized steel products (熱鍍鋅產品), which can be further categorized into painted galvanized steel products (彩塗鍍鋅產品) and unpainted galvanized steel products (非彩塗鍍鋅產品). Hot-dip galvanized steel products, being our principal products, accounted for approximately 95.7%, 96.1%, 95.6% and 94.7% of our total revenue during the Track Record Period, respectively. For the years ended 31 December 2015, 2016 and 2017, we have managed to attain a growth of our hot-dip galvanized steel products in terms of revenue, which amounted to approximately RMB1,091.3 million, RMB1,215.3 million and RMB1,431.9 million for the same period, respectively.

Leveraging on our full line of high quality products with strong production know-how, our strategic location in Eastern China with close proximity to major customers and suppliers, our long-standing business rapport with key suppliers and customers, our stringent quality control and our experienced and dedicated management team, we achieved growth in earnings for the years ended 31 December 2015, 2016 and 2017. Our gross profit increased from approximately RMB94.0 million in 2015 to approximately RMB161.5 million in 2017, representing a CAGR of approximately 31.1%. Our gross profit decreased from approximately RMB57.4 million for the four months ended 30 April 2017 to RMB48.8 million for the corresponding period in 2018, respectively. For discussion of our financial results during the Track Record Period, please refer to the section headed "Financial Information — Results of operations" in this prospectus.

OUR PRODUCTS

We principally engage in manufacturing and sales of Cold Rolled Steel Products which include hard steel coil, unpainted galvanized steel products and painted galvanized steel products. Our Cold Rolled Steel Products are mainly produced by processing hot rolled steel coils. We apply different processes to the hot rolled steel coils to produce Cold Rolled Steel Products with different physical properties depending on our customers' specifications. Our main product is unpainted galvanized steel products which we mainly sell to (i) midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products; and (ii) home appliance manufacturers for their production of home appliance products such as refrigerators, washing machines and ovens.

Set forth below is a breakdown of our sales volume, average selling price, revenue and percentage of revenue by product type during the Track Record Period:

	For the years ended 31 December												For the four months ended 30 April							
	2015				2016				2017				2017				2018			
	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue
	(tonnes)	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*
Cold Rolled Steel Products																				
Hard steel coil	15,850	3,118	49,418	4.3	15,750	3,098	48,798	3.9	16,350	4,014	65,628	4.4	4,676	4,022	18,822	3.8	5,890	4,504	26,528	5.3
Hot-dip galvanized steel products	260,400	4,191	1,091,298	95.7	300,480	4,045	1,215,311	96.1	270,590	5,292	1,431,909	95.6	88,827	5,408	480,349	96.2	85,301	5,608	478,321	94.7
– unpainted galvanized steel products	224,370	3,981	893,206	78.3	247,630	3,832	948,931	75.0	229,840	5,152	1,184,024	79.1	76,117	5,263	400,617	80.2	71,338	5,410	385,940	76.4
– painted galvanized steel products	36,030	5,498	198,092	17.4	52,850	5,040	266,380	21.1	40,750	6,083	247,885	16.5	12,710	6,273	79,732	16.0	13,963	6,618	92,381	18.3
Total	276,250		1,140,716	100	316,230		1,264,109	100	286,940		1,497,537	100	93,503		499,171	100	91,191		504,849	100

Note:

1. Average selling price is calculated by the total revenue generated from the sales of each product during the respective period divided by the sales volume for each product during the same period.

We adopt a "cost-plus" pricing model whereby price quotations provided to our customers are reflective of our cost of production together with a mark-up. Our procurement team maintains close collaboration with our sales team in the formulation of the prices of our products. For details of our "cost-plus" pricing strategy, please refer to the section headed "Business — Pricing" in this prospectus.

PRODUCTION FACILITY AND EQUIPMENT

As at the Latest Practicable Date, our production facility is located in Changzhou City, Jiangsu Province, the PRC. The following table sets out further information of our major production equipment currently in use:

Type of production units	Number of major units in operation	Primary functions	Year of production commencement	Residual useful life[Note]
Pickling line (酸洗綫)				
Pickling unit (酸洗機組)	1	Pickling of hot rolled steel coils	2005	2 years
Cold Rolling line (冷軋綫)				
Cold rolling unit (冷軋機組)	2	Processing the pickled hot rolled steel coils into hard steel coil with specific thickness	2005 and 2007, respectively	2 and 4 years, respectively
Hot-dip Galvanization line (熱鍍鋅綫)				
Hot-dip galvanization unit (熱鍍鋅機組)	2	Processing the hard steel coil into unpainted galvanized steel products in coil form with optional single-sided embossing according to customers' specifications	2005 and 2006, respectively	2 and 3 years, respectively
Colour Coating line (彩塗綫)				
Colour coating unit (彩塗機組)	1	Processing the unpainted galvanized steel products in coil form into painted galvanized steel products in coil form	2017	14 years
Double-sided Embossing line (雙面壓花綫)				
Double-sided embossing unit (雙面壓花機組)	1	Processing the unpainted galvanized steel products and painted galvanized steel products in coil form by producing raised or sunken designs or patterns on both sides of the steel products	2014	11 years
Slitting and Cutting line (剪切綫)				
Slitting and Cutting unit (剪切機組)	5	Processing the painted galvanized steel products and unpainted galvanized steel products from coil form into sheet form with specific widths and lengths according to customers' specifications	In respect of one unit – 2010; in respect of other four units – 2015	In respect of one unit – 7 years; in respect of other four units – 12 years

Note: Based on expected useful life of 15 years. We are able to continue to use our production units after their respective expected useful life as we believe that we have maintained our production units in good working conditions.

Our Directors strive to maintain our machineries and equipment in good working conditions. Depending on costs implication, we may from time to time consider whether to upgrade our existing machineries and equipment to extend their useful life. For further details, please refer to the section headed "Business — Production — Equipment maintenance" in this prospectus.

Utilisation rate

The following table sets out our Group's designed maximum production capacity, actual production volume and utilisation rate of the following production lines during the Track Record Period:

	Year ended 31 December									Four months ended 30 April					
	2015			2016			2017			2017			2018		
	Designed maximum production capacity(1) (tonnes)	Actual production volume (tonnes)	Utilisation rate(2) (%)	Designed maximum production capacity(1) (tonnes)	Actual production volume (tonnes)	Utilisation rate(2) (%)	Designed maximum production capacity(1) (tonnes)	Actual production volume (tonnes)	Utilisation rate(2) (%)	Designed maximum production capacity(1),(3) (tonnes)	Actual production volume (tonnes)	Utilisation rate(2) (%)	Designed maximum production capacity(1),(3) (tonnes)	Actual production volume (tonnes)	Utilisation rate(2) (%)
Pickling line	318,240	284,895	89.5	318,240	309,530	97.3	318,240	289,020	90.8	106,080	95,533	90.1%	106,080	97,737	92.1%
Cold Rolling line	306,000	278,575	91.0	306,000	310,930	101.6(4)	306,000	284,537	93.0	102,000	93,572	91.7%	102,000	95,563	93.7%
Hot-dip Galvanization line	300,000	257,638	85.9	300,000	289,093	96.4	300,000	266,461	88.8	100,000	86,787	86.8%	100,000	88,638	88.6%
Colour Coating line	N/A	N/A	N/A	N/A	N/A	N/A	100,000	41,663	41.7	33,333	5,670	17.0%	33,333	14,087	42.3%

Notes:

1. The designed maximum production capacity is determined and calculated by an independent engineering design consultancy firm based on different widths, thicknesses and weights of the products being produced with the applicable production hours per year for each specification, and hence, the actual production volume may exceed the designed maximum production capacity.

2. The utilisation rate for each of the relevant periods is derived by dividing the actual production volume by the designed maximum production capacity.

3. The designed maximum production capacity for the four months ended 2017 and 2018 is calculated by dividing the designed annual maximum production capacity according to the number of months in the corresponding periods (i.e. four months).

4. The utilisation rate of the Cold Rolling line was over 100% in 2016 as the applicable production man hours increased with additional shifts deployed to cater for the increased production volume for the year ended 31 December 2016.

For further details, please refer to the section headed "Business — Production — Utilisation rate" in this prospectus.

OUR RAW MATERIALS AND SUPPLIERS

The raw materials used in our production include hot rolled steel coils, zinc and other ancillary materials and hot rolled steel coils are our primary raw materials. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, purchases of hot rolled steel coils amounted to approximately RMB758.0 million, RMB956.3 million, RMB1,159.9 million and RMB475.0 million, accounting for approximately 76.9%, 77.9%, 80.8% and 81.9% of the total purchases of 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												Four months ended 30 April							
	2015				2016				2017				2017				2018			
	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials
	(tonnes)	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*
Hot rolled steel coils	291,540	2,600	758,009	76.9	329,190	2,905	956,329	77.9	307,100	3,777	1,159,904	80.8	98,179	4,177	410,067	82.7	114,943	4,132	474,967	81.9
Zinc	6,720	14,755	99,151	10.1	7,728	14,006	108,238	8.8	5,968	23,208	138,503	9.6	1,686	23,010	38,800	7.8	2,064	25,667	52,980	9.1
Other raw materials[2]	N/A	N/A	128,787	13.0	N/A	N/A	163,493	13.3	N/A	N/A	137,610	9.6	N/A	N/A	47,126	9.5	N/A	N/A	51,914	9.0
Total			985,947	100			1,228,060	100			1,436,017	100			495,993	100			579,861	100

Notes:

1. Average purchase price is calculated by dividing the total purchases cost generated from the purchase of each category of raw materials during the respective period by the purchase volume for each category of raw materials during the same period.

2. Other raw materials mainly include liquid paint and cold rolling oil.

According to the F&S Report, the prices of steel products including hot rolled steel coils increased since 2015 as a result of the promulgation of a series of government policies supporting the plan of De-capacity (去產能化) in the steel industry. For further details, please refer to the section headed "Industry Overview — Downstream market analysis — De-capacity policies in the steel industry" in this prospectus. During the years ended 31 December 2015, 2016 and 2017, the average purchase price of hot rolled steel coils has increased from RMB2,600 per tonne for the year ended 31 December 2015 to RMB2,905 per tonne for the year ended 31 December 2016 and further increased to RMB3,777 per tonne for the year ended 31 December 2017. To alleviate the impact of price fluctuations on raw materials to our profitability, we continuously monitor fluctuations in steel prices and reserve capital to purchase certain level of raw materials in advance for long term customers. For the risks relating to the fluctuation of prices of our raw materials, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our gross profit margin and growth in profit may fluctuate in the future as there are sensitive factors including our purchase price of direct materials, in particular, hot rolled steel coils, selling price of Cold Rolled Steel Products and yield rate (成材率) which are beyond our control" in this prospectus.

Our largest supplier accounted for approximately 23.8%, 41.4%, 40.7% and 45.3% of our total purchases for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Our five largest suppliers in aggregate accounted for approximately 80.8%, 81.9%, 85.2% and 88.8% of our total purchases during the same periods, respectively.

OUR CUSTOMERS

We primarily sell our Cold Rolled Steel Products to midstream steel product processors and home appliance manufacturers for their production of end products. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the revenue of our five largest customers (taken, where relevant, on a group basis) in aggregate amounted to approximately RMB698.2 million, RMB768.4 million, RMB902.0 million and RMB312.3 million, respectively, which accounted for approximately 61.1%, 60.7%, 60.1% and 61.8% of our total revenue of the corresponding periods, respectively. Our largest customer (taken on a group basis) contributed to approximately 22.8%, 18.9%, 19.0% and 22.9% of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. For each of the years ended 31 December 2015, 2016 and 2017, there were major customers who were also our subcontractors (or vice versa). For details of the arrangements, please refer to the section headed "Business — Raw materials, procurement and suppliers — Subcontractors" in this prospectus.

MARKET AND COMPETITION

According to the F&S Report, China's galvanized steel product market in the home appliance sector is relatively fragmented as the aggregate revenue for sales of galvanized steel products of the five largest galvanized steel products manufacturers in the home appliance sector accounted for approximately 32.9% in 2017. The remaining 67.1% of the market is shared by over 100 market players. A substantial number of galvanized steel products manufacturers in the home appliance sector in the PRC are private market players as they typically possess stable client base and the ability to understand and adjust to clients' production requirements in a timely manner. Our Group is the largest market player in the galvanized steel product market in Jiangsu Province in the PRC in terms of revenue in 2017, and we ranked third in terms of revenue with a market share of 3.9% in the galvanized steel product market in the home appliance sector in the PRC in 2017. Going forward, we intend to leverage on our full line of high quality products with strong production know-how, our strategic location in Eastern China with close proximity to major customers and suppliers, our long-standing business rapport with key suppliers and customers, our stringent quality control and our experienced and dedicated management team to consolidate our leading position in the galvanized steel product industry in the home appliance sector in the PRC.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contributed to our past success and will continue to promote our expansion:

– we offer full line of high quality products with strong production know-how;

– we are strategically located in Eastern China with close proximity to major customers and suppliers;

– we have established long-standing business rapport with key suppliers and customers;

– we have developed stringent quality control; and

– we are led by an experienced and dedicated management team.

OUR BUSINESS STRATEGIES

We plan to develop and strengthen our Group's galvanized steel products manufacturing business and become a core midstream galvanized steel products manufacturer in the home appliance sector in the PRC. To achieve these goals, we plan to implement the following strategies:

– expand production capacity and product range diversity to increase our market penetration in the galvanized steel product market, in particular the home appliance sector; and

– further enhance product development capability.

OUR HISTORY AND SHAREHOLDER INFORMATION

Immediately following completion of the Global Offering, and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Newrich BVI and Star Century will directly hold approximately 57.0% and

14.25% of the issued share capital of our Company. Newrich BVI is wholly owned by Mr. Mei, being one of our founders and an executive Director. Star Century is wholly owned by Ms. Liu, an executive Director, our Chairman and the spouse of Mr. Mei. Each of Mr. Mei, Newrich BVI, Ms. Liu and Star Century is regarded as a Controlling Shareholder of our Company under the Listing Rules and they will together form a group of Controlling Shareholders upon Listing.

For details of our history and our major shareholders, please refer to the sections headed "History, Reorganisation And Development" and "Relationship With Our Controlling Shareholders" in this prospectus.

During the Track Record Period, we entered into certain transactions with connected persons of our Company. These transactions will continue after the Listing Date, thereby constituting continuing connected transactions of our Company under the Listing Rules. We expect the above will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement once the Shares are listed on the Stock Exchange in respect of such non-exempt continuing connected transactions. Please refer to the sections headed "Connected Transactions — Non-exempt continuing connected transactions — 1. Changzhou Nankai Trading Co. Ltd. (常州南凱物貿有限公司) ("Nankai Trading")" and "Connected Transactions — Non-exempt continuing connected transactions — 2. Changzhou Nankai Metal Co. Ltd. (常州南凱金屬製品有限公司) ("Nankai Metal")" in this prospectus for further information.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph 3.5 under Appendix IV — "Statutory And General Information" to this prospectus. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. No option has been granted under the Share Option Scheme.

PRE-IPO INVESTMENT

On 6 March 2018, our Company entered into a subscription agreement with West Capital, pursuant to which West Capital, as a strategic investor, agreed to subscribe for and our Company agreed to issue 10 Shares, representing 5% interest in our Company as enlarged by such subscription at a consideration of HK$20,000,000. The consideration was properly and legally completed and settled by West Capital on 12 March 2018 by a payment made by West Capital to our Company. The allotment and issue of 10 Shares to West Capital were completed on 16 March 2018. As a result, West Capital became a shareholder of our Company, holding 5% of the issued share capital of our Company.

Immediately after the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised), West Capital will hold 22,500,000 Shares, representing 3.75% of the issued share capital of our Company.

The Sole Sponsor has confirmed that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investment issued in January 2012 and updated in March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange based on their review of relevant documents.

KEY OPERATIONAL AND FINANCIAL DATA

The tables below set forth summary of financial information of our Group for the periods indicated and should be read in conjunction with our financial information in Appendix I to this prospectus.

Highlight of consolidated statements of profit or loss

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,140,716	1,264,109	1,497,537	499,171	504,849
Gross profit	93,960	116,093	161,478	57,422	48,765
Profit from operations	45,386	58,801	102,444	38,217	26,577
Profit for the year/period	16,542	33,980	66,143	25,896	16,076

We recorded healthy growth in revenue, which amounted to RMB1,140.7 million, RMB1,264.1 million, RMB1,497.5 million, RMB499.2 million and RMB504.8 million for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, respectively. Our profit for the year increased by approximately 105.4% from approximately RMB16.5 million in 2015 to approximately RMB34.0 million in 2016, and further increased by approximately 94.7% to approximately RMB66.1 million in 2017. Our profit for the four months ended 30 April 2018 decreased by approximately RMB9.8 million, or approximately 37.9%, from approximately RMB25.9 million for the four months ended 30 April 2017 to approximately RMB16.1 million for the four months ended 30 April 2018 primarily caused by the decrease in gross profit margin and the incurrence of the listing expenses during the period.

For further details, please refer to the section headed "Financial Information — Period to period comparison of results of operations" in this prospectus.

Revenue by geographical location

The table below is a breakdown of our revenue during the Track Record Period by geographical location of our customers:

	For the years ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
Location	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
China	1,108,107	97.1	1,208,737	95.6	1,403,072	93.7	477,711	95.7	464,195	92.0
Eastern China	828,623	72.6	932,342	73.7	1,137,354	75.9	399,173	79.9	374,816	74.3
Southern China	217,616	19.1	204,350	16.2	182,168	12.2	50,689	10.2	62,079	12.3
Other regions of China	61,868	5.4	72,045	5.7	83,550	5.6	27,849	5.6	27,300	5.4
South Korea	26,974	2.4	52,157	4.1	87,996	5.9	19,543	3.9	38,500	7.6
Other countries	5,635	0.5	3,215	0.3	6,469	0.4	1,917	0.4	2,154	0.4
Total	1,140,716	100	1,264,109	100	1,497,537	100	499,171	100	504,849	100

Note: The location of our customers is determined based on their place of incorporation.

During the Track Record Period, our sales to Southern China experienced a decreasing share of our total revenue from approximately 19.1% for the year ended 31 December 2015 to approximately 12.3% for the four months ended 30 April 2018, mainly due to the reduction in sales to customers in Southern China, especially Guangdong Province, which usually generated relatively lower profit margin due to relatively higher transportation costs than other customers with closer proximity. Eastern China region is the largest component in our domestic market in terms of revenue primarily due to our strategic location in Eastern China with close proximity to major customers and suppliers. For further details, please refer to the section headed "Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income — Geographical coverage" in this prospectus.

Revenue by customer type

The table below is a breakdown of our revenue by types of customers during the Track Record Period:

	For the years ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Home appliance manufacturers	553,287	48.5	669,598	53.0	677,361	45.2	218,046	43.7	233,248	46.2
Midstream steel product processors	587,429	51.5	594,511	47.0	820,176	54.8	281,125	56.3	271,601	53.8
Total	1,140,716	100	1,264,109	100	1,497,537	100	499,171	100	504,849	100

For further details, please refer to the section headed "Financial Information — Period to period comparison of results of operations" in this prospectus.

Cost of sales

Our cost of sales primarily consists of direct materials, utilities, depreciation and amortisation expenses, direct labour and others. The following table sets out the breakdown of our cost of sales for the periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct materials	832,705	79.6	926,075	80.7	1,130,340	84.6	372,123	84.2	390,062	85.5
Utilities	81,915	7.8	78,316	6.8	80,511	6.0	26,241	5.9	27,039	5.9
Depreciation and amortisation expenses	45,673	4.4	46,023	4.0	48,601	3.6	17,074	3.9	16,299	3.6
Direct labour	16,009	1.5	20,229	1.8	26,200	2.0	7,653	1.7	9,850	2.2
Others	70,454	6.7	77,373	6.7	50,407	3.8	18,658	4.3	12,834	2.8
Subcontracting fees - processing fee	33,859	3.2	35,126	3.1	13,717	1.0	4,359	1.0	4,898	1.1
Subcontracting fees - labour cost	16,495	1.6	20,992	1.8	17,048	1.3	8,217	1.9	2,148	0.5
Repairs and maintenance expenses in relation to rollers used in production	11,094	1.1	12,983	1.1	13,614	1.0	3,988	0.9	3,303	0.7
Others	9,006	0.8	8,272	0.7	6,028	0.5	2,094	0.5	2,485	0.5
Total	1,046,756	100	1,148,016	100	1,336,059	100	441,749	100	456,084	100

The largest component of our cost of sales was direct materials, primarily consists of hot rolled steel coils and zinc, and accounted for approximately 79.6%, 80.7%, 84.6% and 85.5% of our cost of sales during the Track Record Period, respectively. Direct materials increased by approximately RMB93.4 million, or 11.2% from approximately RMB832.7 million in 2015 to approximately RMB926.1 million in 2016 and by approximately RMB204.3 million or 22.1% from approximately RMB926.1 million in 2016 to approximately RMB1,130.3 million in 2017. The increase in 2016 primarily stemmed from the rising cost of raw materials and was in line with our increased total sales volume for the year ended 31 December 2016, while the increase in 2017 was primarily attributable to the substantial increase in price of raw materials, partially offset by decrease in our purchase volume. For further details, please refer to the section headed "Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income — Cost of sales" in this prospectus.

Gross profit and gross profit margin

The following table sets out the breakdown of our gross profit and gross profit margin for the periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cold Rolled Steel Products										
Hard steel coil	5,388	10.9	3,908	8.0	5,408	8.2	1,609	8.5	2,161	8.1
Hot-dip galvanized steel products	88,572	8.1	112,185	9.2	156,070	10.9	55,813	11.6	46,604	9.7
– unpainted galvanized steel products	67,572	7.6	75,106	7.9	114,435	9.7	41,085	10.3	32,604	8.4
– painted galvanized steel products	21,000	10.6	37,079	13.9	41,635	16.8	14,728	18.5	14,000	15.2
Total	**93,960**	**8.2**	**116,093**	**9.2**	**161,478**	**10.8**	**57,422**	**11.5**	**48,765**	**9.7**

For the years ended 31 December 2015, 2016 and 2017, the gross profit margin for our Cold Rolled Steel Products increased from approximately 8.2% for the year ended 31 December 2015 to approximately 9.2% for the year ended 31 December 2016 and further increased to approximately 10.8% for the year ended 31 December 2017 primarily due to improving yield rate (成材率) from 85.2% in 2015 to 85.5% in 2016 and further to 87.0% in 2017. Our gross profit margin decreased from 11.5% for the four months ended 30 April 2017 to 9.7% for the four months ended 30 April 2018 mainly because our Cold Rolled Steel Products sold for the four months ended 30 April 2017 were produced from raw materials purchased at a relatively lower price level, which was primarily due to a rising trend in market price of steel materials for the first quarter of 2017 in comparison to the relatively stable market price for the first quarter of 2018. For further details, please refer to the section headed "Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin" in this prospectus.

Highlight of consolidated statements of financial position

	At 31 December			At 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	432,066	413,080	377,361	370,332
Current assets	801,390	797,539	938,393	921,013
Current liabilities	839,377	777,726	821,188	780,932
Net current (liabilities)/assets	(37,987)	19,813	117,205	140,081
Non-current liabilities	75,703	80,537	78,106	75,522
Net assets	318,376	352,356	416,460	434,891

Our Group recorded net current liabilities of approximately RMB38.0 million as at 31 December 2015. Our net current liabilities position as at 31 December 2015 was mainly resulting from the bank and other loan of approximately RMB351.7 million and amounts due to related parties of approximately RMB199.3 million. We recorded a net current assets position of approximately RMB19.8 million as at 31 December 2016 due to (i) the decrease in the amount of bank and other loans to approximately RMB182.5 million and (ii) the increase in the amount of trade and bills receivables to approximately RMB443.3 million. Our net current assets position further increased to approximately RMB117.2 million as at 31 December 2017 principally due to the increase in the amount of trade and bills receivables to approximately RMB499.1 million and prepayments, deposits and other receivables to approximately RMB131.5 million, partially offset by the increase in the amount of bank and other loans to approximately RMB307.0 million. Our net current assets position further increased to approximately RMB140.1 million as at 30 April 2018 primarily due to the decrease in the amount of trade and bills payables to approximately RMB344.1 million and the increase in the amount of inventories to approximately RMB339.0 million, partially offset by the decrease in the amount of prepayments, deposits and other receivables to approximately RMB49.1 million. For further details of our net current liabilities as at 31 December 2015, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as materially and adversely affect our ability to expand our business" in this prospectus.

Highlight of consolidated statements of cash flow

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from operating activities	58,040	115,915	31,980	25,381	26,317
Net cash used in investing activities	(15,991)	(20,632)	(14,740)	(5,854)	(1,570)
Net cash used in financing activities	(48,332)	(104,518)	(11,056)	(22,108)	(14,952)
Net (decrease)/increase in cash and cash equivalents	(6,283)	(9,235)	6,184	(2,581)	9,795
Cash and cash equivalents at the beginning of the year/period	38,415	32,144	22,970	22,970	28,782
Effect of foreign exchange rate changes	12	61	(372)	(8)	(184)
Cash and cash equivalents at the end of the year/period	32,144	22,970	28,782	20,381	38,393

Key financial ratios

	Year ended/as at 31 December 2015	2016	2017	Four months ended/as at 30 April 2018
Current ratio	1.0 times	1.0 times	1.1 times	1.2 times
Quick ratio	0.7 times	0.7 times	0.8 times	0.7 times
Gross profit margin	8.2%	9.2%	10.8%	9.7%
Net profit margin	1.5%	2.7%	4.4%	3.2%
Return on assets	1.3%	2.8%	5.0%	N/A(2)
Return on equity	5.2%	9.6%	15.9%	N/A(2)
Interest coverage ratio	2.0 times	4.7 times	8.0 times	5.4 times
Net debt to equity ratio	1.3 times	0.9 times	0.8 times	0.7 times
Gearing ratio(1)	1.7 times	1.0 times	0.9 times	0.8 times

Note:

1. Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective year/period. Total debt includes all interest-bearing loans, amounts due to related parties and others under accrued expenses and other payables.

2. Return on assets and return on equity are calculated on a full year basis.

3. Please refer to the section headed "Financial Information — Summary of key financial ratios" in this prospectus for further details.

Accumulated losses as at 1 January 2015

As at 1 January 2015, our Group had accumulated losses of approximately RMB57.2 million. As mentioned in the section headed "Industry Overview — Competitive Landscape Analysis — Market opportunities of galvanized steel product industry in China — Entry barriers to galvanized steel product industry in China" in this prospectus, one of the major entry barriers of the galvanized steel product industry in China was capital investment. At the initial stage of our business development, a significant amount of capital investment was required despite the relatively small scale of operation (and hence the relatively higher average production cost). Losses during the initial stage of development also were attributable to the depreciation expenses and other fixed operation costs. Further, given time was required to establish cooperation and trust with the customers and processors from home appliance sector which are in general more concerned of the product quality, our initial focus of business could only be customers in the construction industries which have fewer requests in terms of the quality and specifications of the galvanized steel products, value added services from our Group and at the same time, commanded lower gross profit margin than customers from home appliance sector. Upon successfully building up our reputation in the industry and gradually shifting the focus of sales of galvanized steel products for home appliance sector in 2009, our Group was able to expand our customer base and establish new revenue streams since we managed to sell our products for home appliance sector which could command higher gross profit margin than before. We began to make a turnaround from loss to profit in 2010, and was able to sustain profitability and generate net profits during the Track Record Period.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

During the Track Record Period and up to the date of this prospectus, the United States imposed additional tariffs on imports from, amongst others, the PRC. The products which are subject to tariffs are set out in the U.S. Trade Action Section 232 ("**Section 232**") which was imposed on 23 March 2018 and U.S. Trade Action Section 301 ("**Section 301**") of which the third list containing products including, amongst others, refrigerators, washing machines and ovens, was imposed on 24 September 2018. As at the date of this prospectus, the tariffs remain effective and the rate of tariffs range from 10% to 25%. Although our Directors believe that during the Track Record Period and up to the date of this prospectus, we have not witnessed any decrease in orders placed by our customers due to the imposition of Section 232 and Section 301 tariffs, in view of the trade tariffs and anti-dumping measures imposed by the United States against China on our customers' products, our Directors consider this will lead to a reduction in the demand for their products in the United States. The reduction in demand for our customers' products might thereby lead to a reduction in demand for our Cold Rolled Steel Products, hence, our sales might decrease. In the event that these trade measures between the United States and China continue for an extended period of time, our results of operation could be materially and adversely affected. For further details, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Imposition of trade tariffs and/or anti-dumping measures by the United States against our customers' products, if any, may materially and adversely affect our results of operation" in this prospectus.

Apart from the listing expenses to be charged to our consolidated statements of profit or loss and comprehensive income for the year ending 31 December 2018, our Group's financial performance is expected to be adversely affected and our net profit for the year ending 31 December 2018 may record a year-on-year decrease, primarily due to slight increase in finance costs and expected salary expenses due to increase in head count and average salary level. For further details, please refer to the paragraph headed "Summary — Listing expenses" in this section below and the section headed "Financial Information — Listing expenses" in this prospectus.

Based on our Group's financial information for the eight months ended 31 August 2018, our operation and financial results remained relatively stable since 30 April 2018 and up to the date of this prospectus.

As far as our Directors are aware, save for the expenses in connection to the Listing, there was no material adverse change in the market condition or regulatory conditions in our industry and environment in which we operate that has materially and adversely affected our financial or operating position or prospects of our Group since 30 April 2018 and up to the date of this prospectus. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 30 April 2018, being the date to which our latest audited financial information was prepared up to the date of this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing. Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.15 (being the mid-point of the stated range of the Offer Price between HK$1.00 and HK$1.30), the estimated total expenses in connection with the Listing is approximately HK$37.2 million (equivalent to approximately RMB32.8 million), of which (i) approximately HK$8.2 million (equivalent to approximately RMB7.2 million) have already been reflected in the consolidated statements of profit or loss and other comprehensive income of our Group for the Track Record Period, and approximately HK$15.9 million (equivalent to approximately RMB14.0 million) is expected to be reflected in the consolidated statements of profit or loss and other comprehensive income of our Group after the Track Record Period; and (ii) approximately HK$13.1 million (equivalent to approximately RMB11.6 million) is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity. Accordingly, approximately HK$24.0 million (equivalent to approximately RMB21.2 million) had been or is expected to be reflected in our consolidated statements of profit or loss and other comprehensive income. Listing expenses are non-recurring in nature but based on the aforesaid, we expect that it will materially affect our Group’s financial performance and results of operations for the year ending 31 December 2018.

FUTURE PLANS AND USE OF PROCEEDS

The aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$1.15 per Share, being the mid-point of the indicative range of the Offer Price of HK$1.00 to HK$1.30 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK$135.3 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

1. approximately 96.1%, or HK$130.0 million (equivalent to approximately RMB114.7 million), of the net proceeds from the Global Offering will be used to implement our expansion plan to expand our production capacity and increase our production efficiency as follows:

   (i) approximately 36.1%, or HK$48.8 million (equivalent to approximately RMB43.1 million), of the net proceeds from the Global Offering will be used during the six months ending 31 December 2019 for the commencement of the construction of the buildings and instalment payment for production facilities and equipment;

   (ii) approximately 36.1%, or HK$48.8 million (equivalent to approximately RMB43.1 million), of the net proceeds from the Global Offering will be used during the six months ending 30 June 2020 for the completion of the construction of the buildings and instalment payment for production facilities and equipment and installation of the hot-dip galvanization line;

(iii) approximately 23.9%, or HK$32.3 million (equivalent to approximately RMB28.5 million), of the net proceeds from the Global Offering will be used during the six months ending 31 December 2020 for the final payment for production facilities and equipment; and

2. approximately 3.9%, or HK$5.3 million (equivalent to approximately RMB4.7 million), of the net proceeds from the Global Offering will be used to repay a bank loan at an interest rate of 5.76% per annum which will be due for repayment in December 2018.

We believe that expansion of our production capacity is essential to increasing our market penetration and maintaining our leading market position in the PRC. Frost & Sullivan estimates that the galvanized steel product market in the PRC is expected to grow at a CAGR of approximately 8.4% from 2018 to 2022, and the sales volume is expected to reach approximately 96.0 million tonnes in 2022. In particular, it is expected that the demand for high-end home appliance products would result in increased demand for galvanized steel products of higher quality. For each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the actual production volume of our hot-dip galvanization process were approximately 258,000 tonnes, 289,000 tonnes, 266,000 tonnes and 89,000 tonnes, respectively, and the utilisation rate has been persistently high during the Track Record Period, with an average utilisation rate of approximately 85.9%, 96.4%, 88.8% and 88.6%, respectively, for the same period. Over the years, we have been continuously expanding our manufacturing and processing capability by upgrading and expanding our manufacturing and processing facilities. In view of the substantially high utilisation rate of our hot-dip galvanization line during the Track Record Period and to enable our Group to grow persistently in the future by strengthening our market position and capturing the market growth, we intend to set up a new hot-dip galvanization line to increase our production capacity of unpainted galvanized steel products of approximately 320,000 tonnes, representing an increase of 106.7% of our current production capacity of unpainted galvanized steel products. The additional hot-dip galvanization unit not only could serve to increase our existing production capacity of unpainted galvanized steel products with widths of 700 mm to 1,250 mm, but also expand our product mix by producing unpainted galvanized steel products up to a width of 1,450 mm, which will allow us to offer a more diverse range of products for white home appliance manufacturers in the PRC. To accommodate the new production line, we intend to lease a piece of land in close proximity to our current production facility with a size of approximately 50 mu. Our Directors decided to locate the new hot-dip galvanization line in close proximity to the current production facility such that the new production facilities could continue to benefit from our strategic location in Changzhou City, Jiangsu Province and share the existing ancillary facilities with the current production facility to minimize the expansion and operating costs. For further details of our proposed expansion of production capacity, please refer to the section headed "Business — Our business strategies" in this prospectus.

For further details of our future plans and use of proceeds, please refer to the section headed "Future Plans And Use Of Proceeds" in this prospectus.

REASONS FOR LISTING IN HONG KONG

We believe that the Listing represents an important step to implement our business strategies. We have recorded substantially high utilisation rate of our major production lines during the Track Record Period. Our Directors believe that it is essential for our Group's persistent growth in the future to increase our production capacity by introducing a new production line through our expansion plan. For further details of the utilisation rate of our major production lines, please refer to the section headed "Business — Production — Utilisation rate" in this prospectus. Through the Listing, not only can we raise funds from the Global Offering and apply them to the above uses, we believe we can gain access to capital market for our further expansion plans as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with similar financing that can be obtained by a private company.

Further, our Directors believe that it is necessary to (a) maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run; and (b) maintain a cash level sufficient to support our Group's existing operations. In view of our Group's initial cash outflow exposure with respect to the upfront payment, including payment to suppliers and staff costs, our Directors believe that our Group does not have sufficient internally generated funds to fully finance our expansion plan while maintaining sufficient working capital for our Group's operations. Our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of Global Offering for the purpose of our business expansion. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings at a more commercially favourable term without personal guarantee or other form of collateral provided by our Controlling Shareholders.

Following the Listing, our Directors believe that our Group will be able to obtain higher bargaining power in negotiating terms with our business partners. In addition, our Directors believe that customers may prefer to conduct business with a listed company in Hong Kong given its reputation, listing status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. We also consider that the Listing will enhance our Group's corporate profile, market reputation and brand awareness which will strengthen our customers' confidence in our Group and in turn boost our business. Our products will also be better known by new potential local and overseas customers.

Our Company is applying for listing in Hong Kong because it has a high level of internationalisation and maturity in the global financial market with sufficient institutional capital and funds which focus on making investments in companies listed in Hong Kong. Therefore, our Directors believe that there will be higher liquidity and valuation, and greater exposure to a broader analyst and investment community, which would facilitate our future fund raising should such need arise.

DIVIDEND

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 and up to the date of this prospectus, we made no dividend declaration and payments to our then shareholders.

Our Company currently does not have a dividend policy or any pre-determined dividend distribution ratio and may declare dividends by way of cash or by other means that our Directors consider appropriate. Our Directors shall decide and recommend the amount of dividends (or decide not to recommend any dividend) based on our earnings, cash flows, financial conditions, capital requirements, future plans of our Group and any other conditions that our Directors deem relevant at such time. The foregoing, including our dividend distribution record, should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. There is no guarantee or representation or indication that our Directors must or will recommend and that our Group must or will pay dividends or declare and pay dividends at all.

SUMMARY OF MATERIAL RISK FACTORS

The major risks involved in our business operation are:

– The demand for our products depends on the end users' demand for our customers' products and the volume of their purchases from us may fluctuate in the future;
– Imposition of trade tariffs and/or anti-dumping measures by the United States against our customers' products, if any, may materially and adversely affect our results of operation;
– Our products may be subject to high tariff rates or anti-dumping measures under the trade war between the U.S. and the PRC, which could materially and adversely affect our sales volumes, profitability and results of operations;
– We may face difficulties in maintaining our existing customer base and developing new customers;
– We have a concentration of certain groups of customers during the Track Record Period;
– We are subject to certain risks relating to the delivery of our products including the delivery delays caused by suspension or interruption to the services of our third party logistics service providers;
– Our gross profit margin and growth in profit may fluctuate in the future as there are sensitive factors including our purchase price of direct materials, in particular, hot rolled steel coils, selling price of Cold Rolled Steel Products and yield rate (成材率) which are beyond our control;
– We are subject to credit risk in respect of our trade and bills receivables;
– Our business operations may be affected by the interruption or shortage of supply of hot rolled steel coils in the PRC; and
– We place reliance upon certain suppliers as a significant portion of our hot rolled steel coils were supplied by two suppliers and any decrease in supplies, quantity of supplies and breakdown in the business relationship between us and our suppliers could have a material and adverse effect on our business and financial conditions.

LEGAL COMPLIANCE

During the Track Record Period, we did not fully comply with the applicable PRC laws and regulations in respect of completing the completion inspection procedures of environmental protection for our production line automation project in relation to painted galvanized steel sheet for home appliances (家用彩塗板自動化生產線項目). In addition, we failed to open the housing provident fund accounts and make sufficient contributions for some of our employees during the Track Record Period as required under the applicable PRC regulations. For details regarding the non-compliance incidents, the remedial measures taken, the relevant risks and internal control measures adopted, please refer to the sections headed "Risk Factors", "Business — Legal proceedings and non-compliance matters" and "Business — Internal control and corporate governance" in this prospectus.

APPLICATION FOR THE PUBLIC OFFER SHARES

The application for the Public Offer Shares will commence on Wednesday, 31 October 2018 through Thursday, 8 November 2018. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, 16 November 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 19 November 2018.

GLOBAL OFFERING STATISTICS

	Based on the minimum Offer Price of HK$1.00 per Offer Share	**Based on the maximum Offer Price of HK$1.30 per Offer Share**
Market capitalisation of the Shares	HK$600 million	HK$780 million
Unaudited pro forma adjusted net tangible assets of our Group per Share	HK$1.02	HK$1.10

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme.

(2) The market capitalisation is calculated based on 600,000,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme).

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to Appendix II to this prospectus and on the basis of a total of 600,000,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme).

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

"Anhui Province"	Anhui Province, the PRC (中華人民共和國安徽省)
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 25 October 2018 and will come into effect upon Listing, a summary of which is set out in Appendix III to this prospectus, as amended, supplemented or otherwise modified from time to time
"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 449,999,800 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 about our Group — 1.3. Resolutions in writing of our Shareholders passed on 25 October 2018" in Appendix IV to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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
"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"	Ms. Liu, the chairman of our Board
"Chief Executive Officer"	Mr. Zhang, the chief executive officer of our Company
"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" or "COWUMPO"	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" or "our Company"	KangLi International Holdings Limited 康利國際控股有限公司, 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 21 December 2017
"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 Mr. Mei, Newrich BVI, Ms. Liu and Star Century, which together, form a group of Controlling Shareholders
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Deed of Indemnity"	the deed of indemnity dated 25 October 2018 and executed by our Controlling Shareholders in favour of our Company and our subsidiaries to provide certain indemnities, particulars of which are set out in the section headed "Statutory And General Information — 4. Other information — 4.1. Estate duty, tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 25 October 2018 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed "Relationship With Our Controlling Shareholders — Deed of Non-competition" in this prospectus
"Director(s)"	the director(s) of our Company
"Eastern China"	a geographical region that covers the eastern area of China and includes, for the purpose of this prospectus, Anhui Province, Fujian Province, Jiangsu Province, Jiangxi Province, Shandong Province and Zhejiang Province, as well as the municipality of Shanghai
"East Pacific"	EAST PACIFIC LIMITED, a company incorporated under the laws of BVI on 3 July 2017 with limited liability and a direct wholly owned subsidiary of our Company as at the Latest Practicable Date
"EIT"	enterprise income tax
"electronic application instruction(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares

"F&S Report"	an independent research report commissioned by our Company and prepared by Frost & Sullivan for the purpose of the Listing
"F&S" or "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 the galvanized steel product industry in the PRC
"GDP"	an acronym for gross domestic product
"Global Offering"	the Public Offer and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider, designated by our Company
"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)
"Guangdong Province"	Guangdong Province, the PRC (中華人民共和國廣東省)
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
"IFRSs"	the International Financial Reporting Standards issued by the International Accounting Standards Board, in effect from time to time
"INED(s)"	the independent non-executive director(s) 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
"International Placing"	the conditional placing of the International Placing Shares for and on behalf of our Company outside the United States (including professional and corporate investors but 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 together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, subject to adjustment, as further described in the section headed "Structure And Conditions Of The Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing that are expected to enter into the International Underwriting Agreement

"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around 8 November 2018 among our Company, our Controlling Shareholders, the executive Directors, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters in respect of the International Placing, as further described in the section headed "Underwriting — Underwriting arrangements and expenses — The International Placing" in this prospectus
"Issuing Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information on which is set forth in paragraph 1.3 under Appendix IV to this prospectus
"Jiangnan Precision"	Jiangsu Jiangnan Precision Metal Material Co., Limited (江蘇江南精密金屬材料有限公司, formerly named Jiangsu Jiangnan Cold-rolled Sheet Co., Limited (江蘇江南冷軋薄板有限公司)), a limited liability company established under the laws of PRC on 8 August 2003 and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
"Jiangnan Industrial Group"	Jiangsu Jiangnan Industrial Group Co., Limited (江蘇江南實業集團有限公司), a limited liability company established under the laws of PRC on 1 November 1999, which was owned as to 90% by Mr. Mei and 10% by Mr. Mei Hekang (梅鶴康先生), father of Mr. Mei, as at the Latest Practicable Date and a connected person of our Company
"Jiangnan Chuangjia"	Jiangsu Jiangnan Chuangjia Profile Co., Limited (江蘇江南創佳型材有限公司), a limited liability company established under the laws of PRC on 21 July 1999, which was owned as to 49.4% by Mr. Mei and 50.6% by Jiangnan Industrial Group as at the Latest Practicable Date and a connected person of our Company, and principally engages in production, processing and sales of aluminium alloy profile
"Jiangnan Tiehejin"	Jiangsu Jiangnan Tiehejin Co., Limited (江蘇江南鐵合金有限公司), a limited liability company established under the laws of PRC on 26 July 1999, which was owned as to 90% by Mr. Mei and 10% by Mr. Mei Hekang (梅鶴康先生), father of Mr. Mei, as at the Latest Practicable Date and a connected person of our Company, and principally engages in processing, manufacturing and sales of ferroalloy and acquiring scrap metal business, and was a shareholder of Jiangnan Precision prior to the Reorganisation
"Jiangsu Province"	Jiangsu Province, the PRC (中華人民共和國江蘇省)

"Joint Bookrunners" or "Joint Lead Managers"	GF Securities and SSIF Securities
"KangLi HK"	KangLi (HK) Limited (康利集團香港有限公司), formerly known as KangLi International Holding Limited (康利國際控股有限公司), a company incorporated under the laws of Hong Kong on 17 July 2017 with limited liability and an indirect wholly owned subsidiary of our Company as at the Latest Practicable Date
"KRW"	Korean Republic Won, the lawful currency of South Korea
"Latest Practicable Date"	22 October 2018, 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 expected to be on or about 19 November 2018, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time

"Mr. Mei"	Mr. Mei Zefeng (梅澤鋒先生), one of our Controlling Shareholders, our executive Director, spouse of Ms. Liu, cousin-in-law of Mr. Xu and cousin-in-law of Mr. Liu Yu
"Mr. Xu"	Mr. Xu Chao (許潮先生), an executive Director, cousin of Ms. Liu and cousin-in-law of Mr. Mei
"Mr. Zhang"	Mr. Zhang Zhihong (張志洪先生), our executive Director and our Chief Executive Officer
"Ms. Liu"	Ms. Liu Ping (劉萍女士), one of our Controlling Shareholders, our executive Director and our Chairman, spouse of Mr. Mei, cousin of each of Mr. Xu and Mr. Liu Yu
"Ms. Lu"	Ms. Lu Xiaoyu (陸小玉女士), an executive Director
"Newrich BVI"	NEWRICH LIMITED, a company incorporated under the laws of BVI on 3 July 2017 with limited liability, which was wholly owned by Mr. Mei as at the Latest Practicable Date, and is a Controlling Shareholder holding 76.0% of the total issued share capital of our Company as at the Latest Practicable Date
"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$1.30 per Offer Share and is expected to be not less than HK$1.00 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
"Offer Share(s)"	the Public Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue up to an aggregate of 22,500,000 additional Shares at the Offer Price (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocation in the International Placing, if any, details of which are described in the section headed "Structure And Conditions Of The Global Offering" in this prospectus
"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"	Commerce & Finance Law Offices, a qualified PRC law firm, which is the legal adviser to our Company as to PRC law
"Pre-IPO Investment"	the investments in our Company undertaken by West Capital before the Listing, details of which are set out in the section headed "History, Reorganisation And Development — Pre-IPO Investment" in this prospectus
"Price Determination Date"	the date on which the final Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), which is expected to be on or about 8 November 2018 and in any event not later than 15 November 2018
"Public Offer"	the offer for subscription or for sale of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed "Structure And Conditions Of The Global Offering") at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure And Conditions Of The Global Offering" in this prospectus

"Public Offer Shares"	the 15,000,000 newly issued Shares offered by us for subscription under the Public Offer, 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
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set out in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 30 October 2018 relating to the Public Offer entered into among our Company, our Controlling Shareholders, the executive Directors, the Sole Sponsor, the Sole Global Coordinator, and the Public Offer Underwriters, as further described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Public Offer Underwriting Agreement" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed "History, Reorganisation And Development — 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 — 1. Further information about our Group — 1.7. Repurchases 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
"Shandong Province"	Shandong Province, the PRC (中華人民共和國山東省)

"Share(s)"	ordinary share(s) of HK$0.001 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 25 October 2018, a summary of principal terms of which is set out in the paragraph headed "Statutory And General Information — 3. Further information about our Directors and Substantial Shareholders — 3.5. Share Option Scheme" in Appendix IV to this prospectus
"Sole Global Coordinator" or "GF Securities"	GF Securities (Hong Kong) Brokerage Limited (廣發証券(香港)經紀有限公司), a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"Sole Sponsor" or "GF Capital"	GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司), a licensed corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
"Southern China"	a geographical region that covers the southern coastal area of China and includes, for the purpose of this prospectus, Guangdong Province, Guangxi Zhuang Autonomous Region and Hainan Province
"SSIF Securities"	SSIF Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO
"Stabilizing Manager"	GF Securities
"Star Century"	STAR CENTURY CORPORATE LIMITED (星年有限公司), formerly known as Kangli International Holding Limited (康利國際控股有限公司), a company incorporated under the laws of BVI on 13 July 2017 with limited liability, which was wholly owned by Ms. Liu as at the Latest Practicable Date, and one of our Controlling Shareholders

"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilizing Manager (or its affiliate acting on its behalf) and Newrich BVI, pursuant to which Newrich BVI will agree to lend up to 22,500,000 Shares to the Stabilizing Manager on the terms set forth therein
"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
"SZSE"	Shenzhen Stock Exchange
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the period comprising the financial years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
"Underwriter(s)"	collectively, the Public Offer Underwriters and the International Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America
"US dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"West Capital"	WEST CAPITAL DEVELOPMENT LIMITED, a company incorporated in the BVI on 15 February 2017 with limited liability, which was wholly owned by Ms. Yu Rumin (於茹敏女士), and a direct Shareholder holding 5% Shares of our Company as at the Latest Practicable Date
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicants' own names

"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly in CCASS
"%"	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 Latest Practicable Date; 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.

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
"CIF"	cost, insurance and freight
"Cold Rolled Steel Products"	our products that went through the cold rolling process, including hard steel coil and hot-dip galvanized steel products
"De-capacity"	reduction of excessive production capacity (去產能化), further details of which are set out in the section headed "Industry Overview — Downstream market analysis — De-capacity policies in the steel industry" in this prospectus
"galvanized steel product(s)"	a kind of steel products that is coated with a layer of zinc on the surface through galvanization, which is widely used in application where corrosion resistance is needed without the cost of stainless steel and is considered superior in terms of cost and life cycle
"hard steel coil(s)"	a kind of steel products which has not undergone the annealing process, a process that softens and reduces the hardness of cold rolled steel. As hard steel coil is harder but less ductile, it is relatively suitable for producing end products which require strenuousness, such as electric water heaters
"hot-dip galvanized steel products"	our unpainted galvanized steel products and painted galvanized steel products
"ISO"	International Organisation for Standardisation
"mu"	the traditional Chinese unit of area (畝), one mu is equivalent to approximately 666.67 sq.m.
"recrystallisation temperature"	a particular temperature point below the melting point of a metal. The recrystallisation temperature for steels is typically between 400°C and 700°C
"sq.m."	square metre(s)

"tonne"	metric ton
"yield rate (成材率)"	an indicator of the efficiency of our use of direct materials during the production process. It is a ratio of the production quantity of products available for sale over the amount of direct materials used

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would", "shall", "will" and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion about our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management's current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed "Risk Factors" in this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. 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. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed "Risk Factors" in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

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 conditions 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 GALVANIZED STEEL PRODUCT INDUSTRY

The demand for our products depends on the end users' demand for our customers' products and the volume of their purchases from us may fluctuate in the future

Our products are primarily sold to home appliance manufacturers for production of their end products and midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products. Demand for the end products such as refrigerators, washing machines and ovens manufactured and sold by our customers to the end users drive demand for our Cold Rolled Steel Products while frequent end product upgrades and innovation in the home appliance industry propel end users' demand for new products.

Although we have developed long term business relationships with most of our major customers, they are not obliged in any way to continue placing orders with us and the quantity of our Cold Rolled Steel Products they order from us depends on their sales forecast and/or the actual sales performance of their end products in the market. For instance, if for any reason the business environment of the home appliance industry deteriorates, our customers in this industry may discontinue or significantly reduce their purchase orders with us. We also derive a portion of our revenue from South Korea and overseas customers. During the Track Record Period, revenue attributed to South Korea and our overseas customers accounted for approximately 2.9%, 4.4%, 6.3% and 8.0%, of total revenue, respectively. As such, the risks that affect the macroeconomic environment and market conditions of those customers might be different from those faced by our PRC customers. Accordingly, the volume of purchase from our customers may fluctuate from period to period depending on the industry and economic environment which our customers operate in, and it is difficult for us to forecast the volume of their purchases from us in the future.

There is no assurance that demand for the end products of our customers could be maintained at a similar level to prior years. For instance, recently there was a slowdown of the PRC real estate market as indicated by the fall of property sales by floor area by approximately 3.6% in September 2018 as compared to a year earlier. The drop in property sales could adversely affect the demand for white home appliances which are essential to completed property units, which would in turn reduce demand for our Group's products. In addition, any change in government policies in China in relation to the promotion of the home appliance industry will affect demand for home appliances. Furthermore, the introduction of new products in the home appliance industry may slow down, thereby leading to reduced demand for our Cold Rolled Steel Products from home appliance manufacturers. As such, 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 new orders at a comparable level, our business and profitability could be materially and adversely affected.

Imposition of trade tariffs and/or anti-dumping measures by the United States against our customers' products, if any, may materially and adversely affect our results of operation

Some of our customers, including but not limited to Customer A and Customer Group EF, derive significant revenue from the export of their products. In particular, Customer A and Customer Group EF derived approximately 43.2% and 32.5% of its revenue in 2017 from geographical locations outside China, respectively. Although the exact geographical locations to where they export are not available to us, in view of North America accounted for approximately one-fourth of the total export value of home appliances products in the PRC in 2017, our Directors believe that the United States represents a major source of their export revenue. We have made enquiries to our major customers during the Track Record Period on the geographical locations of the end users of our customers' products and one of our major customers, namely, Customer E, indicated that they have been exporting their refrigerators and freezers, which composed of raw materials including our painted and unpainted galvanized steel products in sheet form, to the United States.

Recently, the United States decided to impose tariffs on imports from, amongst others, the PRC. The products which are subject to tariffs are set out in the U.S. Trade Action Section 232 ("**Section 232**") which was imposed on 23 March 2018 and in the three tariff lists under the U.S. Trade Action Section 301 ("**Section 301**") of which the third list was imposed on 24 September 2018. The third list under Section 301 contains products including, amongst others, refrigerators, washing machines and ovens. As such, our customers' products may directly or indirectly be included under Section 301. As at the Latest Practicable Date, the tariffs imposed under Section 232 and Section 301 remain effective and the rate of tariffs range from 10% to 25%. In view of the tariffs or anti-dumping measures imposed by the United States against China on our customers' products, our Directors believe this will lead to a reduction in the demand for their products in the United States. The reduction in demand for our customers' products will thereby lead to a reduction in demand for our Cold Rolled Steel Products, hence, our sales will decrease. In the event that these trade measures between the United States and China continue for an extended period of time, our results of operation could be materially and adversely affected.

Our products may be subject to high tariff rates or anti-dumping measures under the trade war between the U.S. and the PRC, which could materially and adversely affect our sales volumes, profitability and results of operations

The recent trade war between the U.S. and the PRC has seen additional tariffs ranging from 10% to 25% being imposed on certain products including but not limited to steel coated with zinc and cold-formed or cold finished flat-rolled steel products. The products which are subject to such increased tariffs are set out in Section 232 and Section 301.

Our Group did not export any Cold Rolled Steel Products to the U.S. during the Track Record Period. Our Group's production facility is located in the PRC and our Group generates revenue primarily from the sales of Cold Rolled Steel Products and therefore, according to F&S, our products are likely covered under the list of products which are subject to additional tariffs or anti-dumping measures. We cannot assure whether additional anti-dumping measures, tariffs or quota fees will be imposed on our products by the U.S. in the future. In case we intend to extend our market reach to the U.S. in the future, any trade restrictions imposed by the U.S. on our Cold Rolled Steel Products could significantly increase our customers' purchase costs of our products. The increase in our customers' purchase costs of our products may lead to a reduction in demand for our products, hence, our sales volume, profitability and results of operations could 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 develop business relationships with new customers. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our top five customers (taken, where relevant, on a group basis) in aggregate accounted for approximately 61.1%, 60.7%, 60.1% and 61.8% of our total revenue, respectively. There is no assurance that we will be successful in continuing to maintain our product quality or to deliver our products in a timely manner. We cannot assure that we will be able to retain our existing customers at desired levels or at all. For example, a decision made by a major customer, whether motivated by competitive considerations, disagreement over contract terms, economic conditions or otherwise, to reduce its purchases from us or any other adverse change in our business relationship with the customer could have a material adverse effect on our business, financial condition and results of operations. We also face the risk that our customers may choose to source hot rolled steel coils or unpainted galvanized steel products from other suppliers and further process these products in-house into different steel products according to their needs, thereby leading to a decline in our sales. There is also no assurance that we will be successful in procuring new customers as they may require specifications of Cold Rolled 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 procure new customers at desired levels or at all, or to develop and expand our product mix, or to meet product specifications, quality and delivery or any other requirements of our customers at reasonable or affordable costs, our relationship with our customers, our business, financial conditions and operating results would be materially and adversely affected.

We have a concentration of certain groups of customers during the Track Record Period

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our aggregate sales attributed to our top five customers (taken, where relevant, on a group basis) accounted for approximately 61.1%, 60.7%, 60.1% and 61.8% of our total revenue, respectively. For the same periods, the percentage of our total revenue attributable to Customer Group A amounted to approximately 22.8%, 18.9%, 13.9% and 12.0% respectively. For the same periods, revenue generated from Customer Group BI accounted for approximately 12.4%, 7.7%, 8.0% and 9.5% of our total revenue, respectively. For the same periods, revenue generated from Customer Group EF accounted for approximately 10.6%, 18.6%, 19.0% and 22.9% of our total revenue, respectively. For the same periods, revenue generated from Customer Group J accounted for approximately 6.8%, 9.6%, 9.9% and 9.7% of our total revenue, respectively. For details of our Group's top five customers during the Track Record Period, please refer to the section headed "Business — Our customers — Our top five customers" in this prospectus. There is no assurance that these customer groups will continue to place orders with our Group, or that their future orders will be at a level comparable with that in the previous years. If any of our major customer groups reduce or cease to place orders with us, our Group's business, financial condition and results of operations could be materially and adversely affected.

We are subject to certain risks relating to the delivery of our products including the delivery delays caused by suspension or interruption to the services of our third party logistics service providers

We employ third party logistics service providers to deliver our raw materials to us and our products to our customers. In particular, waterway shipping is one of our major delivery modes as we consider it as a cost-efficient logistic arrangement. For details in relation to our Group's suppliers and logistics arrangement, please refer to the sections headed "Business — Raw materials, procurement and suppliers — Our suppliers" and "Business — Pricing — Delivery and logistics" in this prospectus. The operation of waterway shipping is subject to inherent risks such as waterway accidents, oil spills or other pollution incidents, cargo and property losses or damages, grounding, fire, explosions, collisions, as well as business interruptions caused by mechanical failure and adverse weather conditions. If any of these events occur, we cannot assure that we will be able to receive our raw materials in a timely manner or deliver our products to our customers according to the delivery schedules. In the event that the operation of transportation services provided by our third party logistics service providers are suspended or interrupted and we cannot obtain alternative methods of transportation for the delivery of our raw materials and products in timely manner, our business operation and our profitability may be materially and adversely affected.

Our gross profit margin and growth in profit may fluctuate in the future as there are sensitive factors including our purchase price of direct materials, in particular, hot rolled steel coils, selling price of Cold Rolled Steel Products and yield rate (成材率) which are beyond our control

Our direct materials, which, among others, consist of hot rolled steel coils, constitute a majority of our cost of sales. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the cost of direct materials accounted for approximately 79.6%, 80.7%, 84.6% and 85.5% of our total cost of goods sold, respectively. Our cost of sales and gross profit margin are affected by the fluctuations of the purchase price of direct materials, in particular, hot rolled steel coils.

The purchase price of hot rolled steel coils fluctuated over the past few years due to the fluctuations in the supply of hot rolled steel coils. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our average purchase price for hot rolled steel coils was approximately RMB2,600, RMB2,905, RMB3,777 and RMB4,132 per tonne, respectively. For details of factors affecting our purchase price of different steel products, including hot rolled steel coils which are categorised as hot rolled steel products, please refer to the section headed "Industry Overview — Pricing analysis of steel product industry — Price analysis of different steel products" in this prospectus. The purchase price of hot rolled steel coils may in turn impact the selling price of our Cold Rolled Steel Products. If we are unable to pass on the impact of the increase in purchase prices of hot rolled steel coils to our customers by adjusting our selling price in a timely manner, our gross profit, cash flow and results of operations will be materially and adversely affected. Please refer to the section headed "Business — Pricing" in this prospectus for details of our pricing strategy. The purchase price of hot rolled steel coils and selling price of our Cold Rolled Steel Products are affected by a range of factors which we have limited control and there is no assurance that the upward trend of our gross profit margin for the years ended 31 December 2015, 2016 and 2017 will continue.

Our cost of sales and gross profit margin are also affected by our yield rate (成材率). Yield rate is a ratio of the production quantity of products available for sale over the amount of direct materials used. We have recorded improving yield rate throughout the Trade Record Period, from 85.2% in 2015 to 85.5% in 2016 and 87.0% in 2017, and further increased to 89.6% for the four months ended 30 April 2018. Our yield rate is affected by various factors, some of which are beyond our control. For example, during certain steps of our production process such as pickling and slitting and cutting, they would involve certain degrees of loss of direct materials. The amount of such loss of direct materials would depend on, amongst others, the dimensions of direct materials input into the production process vis-à-vis the specifications as required by our customers. In general, the larger the difference, the more of the loss of direct materials during the production process that will negatively impact the yield rate. As the dimensions of the direct materials are of less variety than the specifications from our customers from time to time, it is likely that the yield rate may vary across different periods of time.

In view of the above factors, the quantity of products available for sale after the production process may be lower than what we have expected, caused by the more loss of direct materials during the production and hence a lower yield rate. As such, there is a possibility that we may not be able to maintain our previous yield rate going forward, in particular, when there is a relatively larger gap between the dimensions of direct raw materials and the dimensions of products required by our customers.

As such, we cannot assure that we can maintain our gross profit margin and that the growth in our revenue can cover the increase in our cost of goods sold. For example, if there is an increase in the purchase price of hot rolled steel coils and we are unable to shift the increased cost to our customers by adjusting our selling price of Cold Rolled Steel Products or we cannot maintain our yield rate, our gross profit, cash flow and results of operations may be materially and adversely affected.

We are subject to credit risk in respect of our trade and bills receivables

We may receive a prepayment of 10% to 30% of the contract amount upon the commencement of the contract with the balance of the contract amount to be paid after delivery of the products. During the Track Record Period, the debtors' turnover days of our Group were approximately 28 days, 34 days, 28 days and 32 days respectively, which are mostly within our credit period of not longer than 90 days generally granted to our customers. As at 31 December 2015, 2016 and 2017 and 30 April 2018, we recorded trade and bills receivables of approximately RMB372.8 million, RMB443.3 million, RMB499.1 million and RMB468.8 million, respectively. Our Group also has exposure in respect of the settlement obligations of the bank acceptance bills under PRC laws should the issuing banks or financial institutions refuse or fail to settle the bills at maturity. There is no assurance that our customers or the issuing banks of the bank acceptance bills will continue to settle our invoices or bank acceptance bills on time and in full. Any difficulties in collecting a substantial portion of our trade and bills receivables could materially and adversely affect our cash flows and financial position.

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

Hot rolled steel coils are the most important raw materials for our production. Reliable and stable supply of steel raw materials is crucial to our business operations. If there is any interruption or shortage of supply of any of our hot rolled steel coils, we may not be able to meet the demands of our customers for our Cold Rolled Steel Products in a timely manner or the price of hot rolled steel coils will increase, and accordingly, our business and results of operations may be materially and adversely affected. In the event that there is an inadequate supply of hot rolled steel coils in the industry in the future, the relationship between us and our suppliers and the willingness and capability of our suppliers to supply the necessary quantities of hot rolled steel coils 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 disrupted, and our business, financial condition and operating results could also be materially and adversely affected.

We place reliance upon certain suppliers as a significant portion of our hot rolled steel coils were supplied by two suppliers and any decrease in supplies, quantity of supplies and breakdown in the business relationship between us and our suppliers could have a material and adverse effect on our business and financial conditions

During the Track Record Period, a significant portion of our principal raw materials, hot rolled steel coils, were supplied by two suppliers, Supplier A and Supplier C. Supplier A accounted for approximately 23.8%, 41.4%, 35.2% and 45.3% of our total purchases and Supplier C accounted for approximately 22.4%, 28.9%, 40.7% and 33.4% of our total purchases for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Our five largest raw materials suppliers accounted for approximately 80.8%, 81.9%, 85.2% and 88.8% of our total purchases for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Please refer to the section headed "Business — Raw materials, procurement and suppliers — Our suppliers" in this prospectus on our relationship with suppliers.

We cannot assure that there will not be any dispute with our major suppliers, or that we will be able to maintain business relationships with our existing suppliers, in particular Supplier A and Supplier C. Although we typically enter into annual framework agreement with Supplier C, there is no assurance that we are able to maintain business relationship with Supplier C or any other suppliers, or that we will be able to secure supply of steel raw materials at competitive prices. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which would materially and adversely affect our profitability.

We may face substantial claims from some of our customers over defective products

Under our product return policy, we are required to produce products in accordance with specifications of our customers which are free from material defects. If our products fail to meet the product requirements due to reasons attributable to us, our customers may, within 3 to 30 days from the date of acceptance of our products, notify us in writing to request for replacement at our expenses. Furthermore, we typically offer a warranty period of three months from the date of acceptance of our products to our customers. For these contracts, we are not only liable for the expenses incurred for rectifying defects within the warranty period, but also for the expenses incurred outside of the warranty period if defects are found again in the replacement products after the warranty expires.

During the Track Record Period, our average product replacement rate was approximately 0.06%, 0.05%, 0.16% and 0.17%, respectively, and we have neither incurred any material warranty expenses for our products nor did we receive any material complaints from our customers. However, there is no assurance that our products will continue to be free from material defects. As such, we may be exposed to substantial claims in relation to our warranty claims under the contracts. If any of these events happen, our business, operating results and profitability would be materially and adversely affected.

Our Group faces the risk of obsolescence of our inventory

The amount of our inventory, which consists of raw materials, finished goods and spare parts, amounted to approximately RMB235.3 million, RMB269.6 million, RMB266.5 million and RMB339.0 million as at 31 December 2015, 2016, 2017 and 30 April 2018, respectively. Our inventory turnover days was approximately 68 days, 62 days, 58 days and 65 days for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively.

Our procurement team monitors the inventory level and market conditions of our raw materials such as hot rolled steel coils. Hence, we may purchase additional raw materials based on the inventory level or market conditions as buffer inventory to cater for additional demand for our products or in anticipation of increase in price of hot rolled steel coils.

There is no assurance that our procurement team will correctly anticipate the market conditions of our raw materials or that the expected increase in sales volume of our products will materialize. Failure to correctly anticipate the market conditions, or overestimating our upcoming sales may lead to excess inventories of our raw materials and finished goods. Also, finished goods may be returned by our customers due to product quality issues, delayed or wrong delivery and such returned finished goods may become obsolete if it is no longer sold again.

Our net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as materially and adversely affect our ability to expand our business

We recorded net current liabilities of approximately RMB38.0 million as at 31 December 2015. Our net current liabilities position as at 31 December 2015 was primarily attributable to (i) the amount due to related parties of approximately RMB199.3 million, as a result of advances from one of our Controlling Shareholders and their affiliated companies; and (ii) bank and other loans of approximately RMB351.7 million. Although our net current liabilities position reversed to a net current assets position as at 31 December 2016 and 2017 and 30 April 2018, there is no assurance that our Group will not fall into a net current liabilities position in the future.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as materially and adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables, as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. We cannot assure that we will be able to obtain adequate external financing as and when required promptly or at satisfactory terms, and any liquidity problems could materially and adversely affect our business, financial conditions, results of operations and prospects.

We face relatively fierce competition in the galvanized steel product 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 similar to ours. According to the F&S Report, the revenue of the top five players in the industry occupied approximately 32.9% of the total galvanized steel product industry in the home appliance sector in China in 2017. State-owned companies, namely, Competitor A and Competitor B, are the top two players of the industry, taking up approximately 13.2% and 10.5% of the total galvanized steel product industry in the home appliance sector in China in 2017, respectively. Large state-owned steel companies take up a larger portion of the market than private companies due to long term operating experience in the steel industry as well as high quality supplier and client resources. There is also a large number of private companies in China in the galvanized steel product industry in the home appliance sector. These companies possess steady client resources and are familiar with clients' specific requirements so that they could provide customized products catering to downstream customers. For details in relation to the competitive landscape of the galvanized steel product industry, please refer to the section headed "Industry Overview — Competitive landscape analysis" in this prospectus.

Further, our Directors confirm that we differentiate ourselves from our customers who are midstream steel products processors, in light that we, via our hot-dip galvanisation production line, process hot rolled steel coils/hard steel coil into unpainted galvanised steel products which are then sold to these midstream steel products processors for their subsequent processing such as cutting, polishing and color coating, and we derive a significant portion of our revenue from selling unpainted galvanized steel products to customers who are painted galvanized steel processors. These midstream steel processors also sell painted galvanized steel products. Hence, the business of these customers may compete with our business and there is no assurance that our painted galvanized steel products would be more competitive in terms of price and quality. Also, there is no assurance that these customers would continue to buy unpainted galvanized steel products from us in the event that they choose to manufacture the unpainted galvanized steel products in-house.

Existing competitors and new entrants may reduce our competitiveness and thus market share by adopting aggressive pricing policies or by developing technology and products that are more cost effective than our products, which may result in reduced demand for our products or lowering of our gross profit margin to secure our sales to customers. If we 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.

Any failure or interruption of power or water supply to our production facility could have a material and adverse effect on our business, financial conditions and operating results

Our production facility is mainly 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 processing operations. Although we have not experienced any sudden power grid failure or suspension of electricity to our production facility, there is 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 restriction on power supply which may interrupt our processing activities. In addition, our galvanizing process requires stable water supply for the cooling of the galvanized workpiece. If there is a sudden failure or interruption of power or water supply to our production facility and we could not reinstate the power or water supply in a timely manner, our business, financial conditions and results of operations could be materially and adversely affected.

Increase in utilities prices could have a material and adverse effect on our business, financial conditions and operating results

Our production facility is mainly powered by electricity and natural gas and the cost of utilities accounted for a portion of our cost of sales. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our cost of utilities was approximately RMB81.9 million, RMB78.3 million, RMB80.5 million and RMB27.0 million, respectively, representing approximately 7.8%, 6.8%, 6.0% and 5.9%, respectively, of our cost of sales for the corresponding periods. There is no assurance that utilities prices, including water, electricity and natural gas prices will remain stable or that it will not increase. In the event that there is a significant increase in utilities prices, our cost of sales will increase and our gross profit will be reduced. As such, our financial conditions and results of operation could be materially and adversely affected.

Increase in delivery costs could have a material and adverse effect on our business, financial conditions and operating results

We enter into legally binding service agreements with our third party logistics service providers for the provision of the transportation services for the transportation of our Cold Rolled Steel Products. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our total cost of delivery amounted to approximately RMB32.1 million, RMB38.7 million, RMB28.6 million and RMB9.8 million, respectively, representing approximately 74.0%, 75.4%, 63.8% and 68.3%, respectively, of our total selling expenses for the corresponding periods.

There is no assurance that delivery costs will remain stable or that it will not increase. In the event that there is an increase in delivery costs and we cannot locate alternative logistics service providers at reasonable prices, our selling expenses will increase and our net profit will be reduced. As such, our financial conditions and results of operation could be materially and adversely affected.

Failure to retain our senior management and key personnel or hire other qualified personnel may disrupt our operations and growth prospect

The continued service of our senior management has led to the sustainable growth of our business. The industry experience, expertise and contributions of our executive Directors and other members of our senior management are important assets to our operation. We rely on our management team for their extensive knowledge, experience and deep understanding of the metallic manufacturing and steel processing industry, technical knowledge, business environment and regulatory regime. Please refer to the sections headed "Directors And Senior Management — Directors" and "Directors And Senior Management — Senior management" in this prospectus for details of our Directors and senior management's experience in the metallic manufacturing and steel processing industry. A sufficient number of experienced and competent executives is required to implement our growth plans. If we lose a number of our key management members and are unable to recruit and retain personnel with equivalent qualifications, the growth of our business could be materially and adversely affected.

We also employ a significant number of operation and production staff. These employees who work at our production facility are trained and equipped with the prerequisite knowledge of our operation equipment and safety policies. As such, if our existing operation and production staff resigns and we are unable to recruit staff with the prerequisite knowledge and licenses, our business operations may be materially and adversely affected.

The galvanized steel product industry in the home appliance sector is generally labour intensive. Our business, financial performance and prospects depend on our ability to employ, train and retain highly skilled personnel, including managerial and other technical professionals. In the PRC, competition for experienced personnel is generally intense. The regions near our production facility may not have a sufficient sizable workforce. Also, labour cost in the PRC have been on a rising trend and it may continue to rise going forward. As such, we cannot assure that, we will be able to maintain an adequate experienced labour force, and staff costs may increase as a result of a shortage in supply of qualified personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or if we fail to maintain an adequate experienced labour force, it may materially and adversely affect our business operations and may hinder our future growth and expansion.

We may not be able to implement our business strategies successfully or manage our growth effectively

Our business strategies are to expand our production capacity and efficiency to increase our market penetration in the galvanized steel product market and further enhance our product development capability. To achieve this, we plan to invest in additional production machinery and equipment. For details, please refer to the section headed "Business — Our business strategies" in this prospectus. Our business plans 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, changes in the labour market, market competition, government policies and political and economic developments in the PRC. These assumptions may not be correct, which could affect the commercial feasibility and visibility of our business plans.

In addition, the costs involved in executing the aforementioned business strategies may be expensive and ultimately fail. Technology may change such that we have to replace our machinery and equipment more frequently than we anticipated. Our investment in product development may not necessarily be fruitful. 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 facility and increased operation costs. If our future business plans delay or fail to achieve the anticipated results, our financial conditions, operation results and growth prospects may be materially and adversely affected.

We expect to incur substantial depreciation expenses from the purchase of additional production machinery and equipment, which may materially and adversely affect our results of operations and financial conditions

We may be subject to significant depreciation expenses arising from the purchase of additional production machinery and equipment for our production line when it is ready for use. Our consolidated financial information has been prepared in accordance with IFRSs. According to IFRSs, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. For details of the depreciation expenses, please refer to the section headed "Accountants' Report — Notes to the historical financial information — 12. Property, plant and equipment" in Appendix I to this prospectus. As disclosed in the sections headed "Business — Our business strategies" and "Future Plans And Use Of Proceeds" in this prospectus, we will invest in additional production machinery and equipment, which is expected to cost approximately RMB150.0 million, in which approximately HK$130.0 million (equivalent to approximately RMB114.7 million) will be funded by approximately 96.1% of the net proceeds from the Global Offering and the remaining of approximately RMB35.3 million will be funded by our Group's internal resources. Our new production machinery will be ready for trial production in 2020 and we expect to put such machinery into full commercial production in the first quarter of 2021. We estimate that depreciation expenses associated with the purchase of additional production machinery and equipment for our production line will be substantially increased following the commencement of production from our new production machinery and equipment. Based on an estimated residual value of 5.0% and estimated useful life of 15 years, it is expected that such additional machinery and equipment will incur an additional depreciation expenses of approximately RMB6.7 million each year following 2021. Such depreciation expenses would have a negative effect on our profitability, results of operations and financial conditions.

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

We possess 16 utility model patents and two invention patents in the PRC as at the Latest Practicable Date. 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 designated 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. We could lose our proprietary rights over our intellectual property rights and we may be required to pay expensive legal costs in the event that we do not succeed in these proceedings. Also, defending legal claims may be costly and would divert the efforts of our management and technical personnel.

We are subject to stringent environmental 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 such as the Pollutant Discharge License from the relevant PRC Government authorities for the operation of our production facility. In particular, we are required to complete the completion inspection procedures of environmental protection for our production line automation project in relation to painted galvanized steel sheet for home appliances (家用彩塗板自動化生產線項目). For details on our Group's environmental non-compliance incident, please refer to the section headed "Business — Legal proceedings and non-compliance matters — Non-compliance matters" in this prospectus.

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. We cannot assure that we will be able to obtain or renew all the relevant licenses and permits. 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 equipment or other related expenses substantially, and thus materially and 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 facility could have a material and adverse effect on our business, financial condition and operating results

The consistency of our 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 is 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 brand reputation in the market among our existing and prospective customers. Although there has not been any large scale product returns during the Track Record Period, there is no assurance that our products will continue to be generally free from defects. 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, significant 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 the alleged defect. As a result, our business, financial conditions and operation results could be materially and adversely affected.

Furthermore, smooth and consistent daily operations of our production facility is highly crucial to our business. We cannot assure 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 that there will be no sudden malfunction or stoppage of our production facility during our daily operations or that our production facility may experience a shorter than expected useful life and if any breakdown or malfunctions of machinery happen, our business, financial conditions and operating results could be materially and adversely impacted.

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

Due to the nature of our operations, we are subject to the risks of our employees being exposed to industrial-related accidents at our production facility and pollutants created during the production process. Although we follow the safety measures in connection with us being accredited as a Class II Enterprise for Work Safety Standardization (安全生產標準化二級企業), we cannot assure that industrial accidents and pollution, whether due to malfunctions of machinery or other reasons, will not occur in the future at our production facility. Under such circumstances, our business and financial performance will be materially and adversely affected.

In such event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines and penalties for violation of applicable PRC laws and regulations. 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 governmental investigations or the implementation of safety measures due to accidents or pollution. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Our insurance may not cover every potential loss and claim

We have taken out property all risks insurance policy, environmental pollution liability insurance policy and employer's liability insurance policy 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 such as warranty claims over defective products and payments by our insurers may not fully compensate us for the full amount of our claims. 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, power outage, war, civil disorder, terrorist attacks or other disruptive events. 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 and the increment in the cost of insurance policies after successful claims could have a material and adverse effect on our business, results of operations and financial position.

Our non-compliance with certain laws and regulations in the PRC could lead to the imposition of fines and penalties on us

In accordance with relevant PRC laws and regulations, we are required to complete the completion inspection procedures of environmental protection for our production line automation project in relation to painted galvanized steel sheet for home appliances (家用彩塗板自動化生產線項目) (the "**Inspection Procedures**"). However, during the Track Record Period, we did not complete the Inspection Procedures before commencement of formal operation. On 23 April 2018, we have received environmental protection completion inspection approval ("**Inspection Approval**") regarding our production line automation project in relation to painted galvanized steel sheet for home appliances from Changzhou Environmental Protection Bureau (常州市環境保護局), in which Changzhou Environmental Protection Bureau approved our production line automation project in relation to painted galvanized steel sheet for home appliances as we have constructed the prevention facilities of noise and solid waste basically as required, and such prevention facilities has passed inspection procedures and approved as qualified to be put into operation.

In addition, we failed to open the housing provident accounts and make sufficient contributions for some of our employees during the Track Record Period as required under the applicable PRC regulations due to the reluctance of some of our employees. For details on our Group's non-compliance incidents, please refer to the section headed "Business — Legal proceedings and non-compliance matters — Non-compliance matters" in this prospectus.

Although as at the Latest Practicable Date, we have completed all the relevant Inspection Procedures and undertook to make contributions to our employees' housing provident fund accounts as and when required by the relevant government authorities, there is no assurance that we will not be subject to penalties by the relevant PRC authorities for our past non-compliances. Any penalties imposed on us could have a material and adverse impact on our financial condition and results of operation.

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 with our customers, or subject to any material claims, damages, losses or product returns. 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 and adverse effects on our business, results of operations and financial positions.

Any future occurrence of force majeure events, natural disasters, terrorist attacks or outbreaks of contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations

Any future occurrence of force majeure events, natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in an area where we operate. These areas may be under the threat of typhoon, tornado, snow storm, earthquake, flood, drought, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome, various types of influenza, Ebola virus, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in tremendous casualties and destruction of assets and disrupt our business and operations. Severe contagious disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities and operations in the affected regions. Acts of war or terrorist activities, riots or disturbances may also cause casualties to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could have a material and adverse effect on the overall business environment of the areas where we or our customers operate and therefore our business and results of operations.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as regulatory policies, will significantly affect financial markets in China, as well as our liquidity, access to capital and ability to operate our business

Our production facility is located in the PRC, and we derive all of our revenue from our operations. Accordingly, our results of operations, financial conditions and prospects are subject to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange, environmental policies and allocation of resources. While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and economic sectors. The local government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial conditions and results of operations may be materially and adversely affected by government control over capital investments or changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially and adversely affected.

The slowdown of the PRC economy caused in part by the recent challenging global economic conditions may adversely affect us

Our business relies on the continued growth of the PRC economy. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, approximately 97.1%, 95.6%, 93.7% and 92.0%, respectively, of our revenue were derived from customers in the PRC.

Although the PRC economy has recently grown more quickly than most developed economies, its CAGR nominal GDP growth rate is expected to decline from 8.9% for the period from 2012 to 2017 to 7.1% for the period from 2018 to 2022. A number of factors have contributed to this slowdown, including the appreciation of the RMB, which has adversely affected China's exports, and the PRC Government's austerity measures and monetary policies aimed at preventing overheating of the PRC economy and controlling China's high level of inflation. The slowdown has been further exacerbated by the challenging global economic conditions in the financial and credit markets, which in recent years have resulted in extreme volatility and dislocation in the global capital and credit markets.

It is uncertain how long the challenging global economic conditions in the financial services and credit markets will continue, and the extent of the adverse effect on the global economy and the PRC economy in particular. The slowdown of the PRC economy could lead to a decrease in business for our customers, which could reduce demand for our products and could materially and adversely affect our business, financial conditions and results of operations.

Further tightening or reinforcement of the De-capacity policies could materially and adversely affect our business, results of operations and financial condition

Since 2016, the PRC Government has implemented De-capacity policies with an aim to reducing excess production of crude steel (being the raw materials of hot rolled steel coils). Besides reducing supply of steel, the De-capacity policies include plans to improve environmental protection, energy consumption, quality, safety and technology in the steel industry. For details of the De-capacity policies, please refer to the section headed "Industry Overview — Downstream market analysis — De-capacity policies in the steel industry" in this prospectus. As a result, the supply of crude steel decreased, leading to an increase in the prices of hot rolled steel coils. Since hot rolled steel coils are one of the key raw materials of our Cold Rolled Steel Products, the increase in the prices of crude steel and hot rolled steel coils will likely increase our cost of sales and may reduce our gross profit margin in the event that we could not pass on the increase in cost of raw materials to our customers. Furthermore, the decline in supply of crude steel may make it more difficult for our Group to secure raw materials. The inability to source raw materials may in turn cause delays in the delivery of our products. In the event that this occurs, our cash flows, financial position and results of operation may be materially and adversely affected.

Uncertainties with respect to the PRC legal system could materially and adversely affect us

Our operations are governed by PRC laws and regulations in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation, trade and intellectual property has been promulgated by the PRC.

However, many of these laws and regulations, such as the Regulation on Environmental Protection Management for Construction Projects (建設項目環境保護管理條例) are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. The value of your investment can be affected by these uncertainties relating to the remedies and protections available to you and the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions.

Any future changes in safety laws or enforcement policies could materially and adversely affect our business, results of operations and financial condition

Our operations are regulated by various safety laws or enforcement policies. Future changes in safety laws or enforcement policies are unpredictable and the ultimate cost of compliance with such laws and regulations are inestimable. The requirements of existing safety laws and enforcement policies have generally become stricter in recent years, and it is likely to be a continuing trend. The regulatory environment in which we operate is subject to frequent changes and has become more heavily regulated in recent years. New or revised legislations or regulations or changes in the interpretation or enforcement of existing laws and regulations may adversely affect our business. We could be required by new regulations to acquire costly equipment, refit existing facilities or to incur other significant expenses.

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 subsidiary, 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 subsidiary, we may make loans, additional capital contributions to our PRC subsidiary or a combination thereof. Any loans to our PRC subsidiary are subject to PRC regulations and approvals. For example, loans by our Company to our subsidiary 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 subsidiary must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiary. If we fail to obtain such registrations or approvals, our ability to use the proceeds of the Global Offering 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 operation of our production facility in the PRC. We cannot assure 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.

Fluctuation of Renminbi could materially and adversely affect our financial condition and results of operations

We collect most of our revenue in RMB with a small portion of our revenue from our overseas customers in US dollar. Some of our RMB reserves will need to be converted into foreign currencies to pay dividends to our Shareholders. The value of the RMB fluctuates and is subject to changes in China's political and economic conditions.

It is possible that PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. In the event of significant change in the exchange rates of Hong Kong dollars and US dollars against RMB, our ability to pay dividends in foreign currencies may be materially and adversely affected. Accordingly, our financial conditions and results of operations could also be materially and adversely affected. In addition, any dividends in respect of our Shares will be declared in RMB and paid in Hong Kong dollars. Accordingly, holders of Shares in countries other than the PRC are subject to risks arising from adverse movements in the value of the RMB against the Hong Kong dollar, which may reduce any dividends paid in respect of our Shares.

Under the EIT Law, we may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavourable tax consequences to us and our non-PRC shareholders

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered PRC tax resident enterprises and will generally be subject to the uniform 25% PRC enterprise income tax rate on their global income. Under the implementation rules to the EIT Law, a de facto management body is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. In addition, the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), or Circular 82, issued by the SAT on 22 April 2009 and has retrospective effect from 1 January 2008, amended on 29 December 2017, regarding the standards used to classify certain Chinese-controlled enterprises established outside of China as resident enterprises clarified that dividends and other income paid by such resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognised by non-PRC enterprise shareholders. Circular 82 also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. Circular 82 further details that certain Chinese-controlled enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) major assets, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of the senior management or directors having voting rights. Although the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by foreign individuals or foreign enterprises like us. Also, currently there are no detailed rules or precedents governing the procedures and specific criteria for determining de facto management bodies which are applicable to our Cayman Islands holding company or our overseas subsidiary. Therefore, we do not currently consider our Cayman Islands holding company or our overseas subsidiary to be a PRC resident enterprise. If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavourable PRC tax consequences could follow.

First, our Cayman Islands holding company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as PRC enterprise income tax reporting obligations.

Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiary would qualify as tax-exempted income (at a rate of 5%), we cannot assure that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

Finally, dividends payable by us to our investors and gain on the sale of our Shares may become subject to PRC withholding tax. It is possible that future guidance issued with respect to the new resident enterprise classification could result in a situation in which a withholding tax of 10% for our non-PRC enterprise investors or a potential withholding tax of 20% for non-PRC individual investors is imposed on dividends we pay to them and with respect to gains derived by such investors from transferring our shares. In addition to the uncertainty regarding how the new resident enterprise classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If we are required under the EIT law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of our Shares under the circumstances mentioned above, the value of your investment in our Shares may be materially and adversely affected. It is unclear whether, if we are considered a PRC resident enterprise, holders of our Shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. By comparison, there is no taxation on such income in the Cayman Islands.

It may be difficult to enforce any judgments obtained from non-PRC courts against our Company or our Directors, supervisors or senior management officers residing in the PRC

It may not be possible for investors to serve process upon us or those persons in the PRC, or to enforce against us or them in the PRC, any judgments obtained from non-PRC courts. In addition, judgments of a court of any other jurisdiction related to any matter not subject to a binding arbitration provision may be difficult or impossible to enforce.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholders may differ from those of our Shareholders

Prior to the Reorganisation, Jiangnan Precision, our operating subsidiary, was jointly owned by Jiangnan Tiehejin, Jiangnan Industrial Group and Mr. Mei. Immediately following the completion of the Global Offering, and without taking into account of any Shares which may be allotted and issued pursuant to the Over-allotment Option and any options which may be granted under the Share Option Scheme, Mr. Mei, our Controlling Shareholder, will hold approximately 57.0% of the issued share capital of our Company through Newrich BVI. Mr. Mei is also the shareholder of Jiangnan Tiehejin and Jiangnan Industrial Group, which, according to their respective business licences, may engage in a variety of operations including, but not limited to, the manufacturing of non-ferrous metals and alloy products. Besides, Jiangnan Tiehejin, Jiangnan Industrial Group, Mr. Mei and his close associates may also engage in other operations including but not limited to the processing of non-ferrous metals and alloy products. As such, there is no guarantee that our Controlling Shareholders will consider our interests or the interests of our Shareholders. While our Controlling Shareholders have entered into the Deed of Non-competition with our Company, we cannot guarantee that our Controlling Shareholders will not breach the terms of the Deed of Non-competition.

There has not been any prior public market for our Shares and an active trading market may not develop

Prior to the Global Offering, there was no public market for our Shares. The initial offer price range for our Shares was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the market price for our Shares following the Global Offering may differ significantly from the Offer Price. We have applied to list and trade our Shares on the Stock Exchange. However, the Global Offering does not guarantee that an active and liquid public trading market for our Shares will develop. Furthermore, the price and trading volumes of our Shares may be volatile. Factors such as fluctuations in our results of operations, general market conditions or other developments affecting us or our industry may affect the volume and price at which our Shares will be traded.

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 our products 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 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 paragraphs headed "Underwriting — Underwriting arrangements and expenses — Undertakings pursuant to the Public Offer Underwriting Agreement — Undertakings by us" and "Underwriting — Underwriting arrangements and expenses — Undertakings pursuant to the Public Offer Underwriting Agreement — Undertakings by our Controlling Shareholders" 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 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

In the future, our capabilities and business may be expanded by our Group through acquisition, joint venture and strategic partnership with parties who can add value to our Group's business. Additional equity funding after the Global Offering may be required by our Group and the equity interests of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances. In addition, offering and issuing additional Shares in the future may be considered by our Group to the extent that our ordinary Shares are issued upon the exercise of Share options which may be granted in the future. In this regard, if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share, you may experience further dilution in the net tangible asset book value per Share.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

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.

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

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the core business, major assets and operations of our Group are primarily located in the PRC, all of our executive Directors are currently and will, in the foreseeable future, continue to be ordinarily resident in the PRC after the Listing.

We have applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with the management presence requirements under Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, namely Mr. Mei (our executive Director) and Mr. Chung Yau Tong (our company secretary), to act as our principal channel of communication with the Stock Exchange. Mr. Chung Yau Tong is ordinarily resident in Hong Kong. Each of the authorised representatives shall be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange, and will also be accessible by telephone, facsimile and electronic means. Our Company will inform the Stock Exchange promptly in respect of any change in our authorised representatives or the contact details of any of them;

(b) each of the authorised representatives has means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact them for any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange; each of our Directors, authorised representatives and the company secretary has provided his or her mobile and office contact phone numbers, fax number and email address (if those contact details are available) to the Stock Exchange, should the Stock Exchange find it necessary to contact any of them;

(c) those Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or are entitled to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant officers of the Stock Exchange within a reasonable period of time when required;

(d) each Director has confirmed that, in the event that he or she expects to travel or be out of office, he or she will provide the phone number of the place of his or her accommodation or other means of communications to our authorised representatives;

(e) pursuant to Rule 3A.19 of the Listing Rules, we have appointed GF Capital (Hong Kong) Limited to act as our compliance adviser for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange; and

(f) our Company will maintain a principal place of business in Hong Kong.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group has entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the COWUMPO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Global Offering which comprises the Public Offer and the International Placing. The Public Offer comprises the offer of 15,000,000 new Shares by our Company initially for subscription at the Offer Price while the International Placing comprises the offer of 135,000,000 new Shares by our Company initially for subscription at the Offer Price.

The Global Offering is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator. Details of the structure and conditions of the Global Offering are set out in the section headed "Structure And Conditions Of The Global Offering" in this prospectus.

The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. Please refer to the section headed "Underwriting" in this prospectus for further details of the underwriting arrangements.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any public offer of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws, rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. As far as the Global Offering is concerned, no person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her/its acquisition of the Offer Shares as confirmed, that he/she/it is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Shares, in circumstances which contravene any such restrictions.

Prospective investors should consult their professional advisers and take advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the relevant regulatory requirements of investing in the Offer Shares and any applicable exchange control regulations in the jurisdictions of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus.

None of our Company or any of our subsidiaries is presently listed on any stock exchange on which any part of the equity or debt securities of our Company or any of our subsidiaries is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought.

THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be allotted and issued on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, 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 (as defined in the Listing Rules) after any trading day. All necessary arrangements have been made enabling the 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. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors of the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, agents or advisers or any other persons involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder.

SHARE REGISTRARS AND STAMP DUTY

All Shares to be allotted, issued and transferred pursuant to the Global Offering will be registered on the register of members of our Company in Hong Kong maintained by the Hong Kong Branch Share Registrar. The principal register of members of our Company in the Cayman Islands is maintained by Conyers Trust Company (Cayman) Limited. Only Shares registered on the register of members of our Company in Hong Kong may be traded on the Stock Exchange.

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB and US dollars amounts into Hong Kong dollars.

Unless we indicate otherwise or for transactions that have occurred at historical exchange rates, the translation of foreign currencies into Hong Kong dollars in this prospectus was made at the following rates:

RMB1.0 = HK$1.133
RMB1.0 = US$0.144
US$1.0 = HK$7.841

Such conversions shall not be construed as representations that amount of such currencies were or may have been converted into Hong Kong dollars and vice versa at such rates or any other exchange rates or at all.

LANGUAGE

The English translations of the names of PRC nationals, entities, departments, facilities, certificates, titles, laws, rules, regulations, licences and permits in this prospectus are not official names for, and do not form any official part of, such nationals, entities, departments, facilities, certificates, titles, laws, rules, regulations, licences and permits. If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail.

ROUNDING

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

DIRECTORS AND SENIOR MANAGEMENT

Name	Residential Address	Nationality
Executive Directors		
Mr. Mei Zefeng (梅澤鋒先生)	No. 76, Huxin Dao Shimao Xiangbinhu Taihu East Road Xinbei District Changzhou City Jiangsu Province the PRC	Chinese
Ms. Liu Ping (劉萍女士)	No. 76, Huxin Dao Shimao Xiangbinhu Taihu East Road Xinbei District Changzhou City Jiangsu Province the PRC	The Federation of Saint Kitts and Nevis
Mr. Zhang Zhihong (張志洪先生)	Wenlongyuan Hengshanqiao Town Wujin District Changzhou City Jiangsu Province the PRC	Chinese
Ms. Lu Xiaoyu (陸小玉女士)	No. 86, Meijia Village Wuyi Village, Hengshanqiao Town Wujin District Changzhou City Jiangsu Province the PRC	Chinese
Mr. Xu Chao (許潮先生)	No. 46, Xujiatang County Qinxincunwei Yaoguan Town Wujin District Changzhou City Jiangsu Province the PRC	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Mr. Li Yuen Fai Roger (李苑輝先生)	Flat C 3/F Pak Hoi Mansion Taikoo Shing Quarry Bay Hong Kong	Chinese
Mr. Cao Baozhong (曹寶忠先生)	Chegongzhuang Street West City District Beijing City the PRC	Chinese
Mr. Yang Guang (楊廣先生)	No. 33 Baoshan No. 8 Town Baoshan District Shanghai City the PRC	Chinese
Senior Management		
Mr. Guo Zhongyi (過中毅先生)	No. 2-C-202 Wenlongyuan Hengshanqiao Town Wujin District Changzhou City Jiangsu Province the PRC	Chinese
Mr. Wu Xiaojun (吳曉俊先生)	No. 3-B-2001 Longzhou Yiduhuayuan Tianning District Changzhou City Jiangsu Province the PRC	Chinese
Mr. Liu Yu (劉宇先生)	No. 63 Weinanliucun Huayuancun, Zhenglu Town Tianning District Changzhou City Jiangsu Province the PRC	Chinese

Name	Residential Address	Nationality
Ms. Huang Yue (黃粵女士)	7-1-202, Zhuyujiayuan Haidian District Beijing the PRC	Chinese
Mr. Chung Yau Tong (鍾有棠先生)	Flat A, 14/F Ko Fung Court, Harbour Heights 5 Fook Yum Road North Point Hong Kong	Chinese

For detailed information on our Directors and senior management, please refer to the section headed "Directors And Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**GF Capital (Hong Kong) Limited** 29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator	**GF Securities (Hong Kong) Brokerage Limited** 29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**GF Securities (Hong Kong) Brokerage Limited** 29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **SSIF Securities Limited** Unit A 29/F Admiralty Center Tower 1 18 Harcourt Road Admiralty Hong Kong
Co-lead Manager	**Sinomax Securities Limited** Room 2705-6, 27/F, Tower One Lippo Centre 89 Queensway Hong Kong
Legal advisers to our Company	*As to Hong Kong law* **P. C. Woo & Co.** 12th Floor, Prince's Building 10 Chater Road Central Hong Kong *As to PRC law* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing 100022, the PRC

	As to Cayman Islands law **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **Chiu & Partners** 40/F, Jardine House 1 Connaught Place Central Hong Kong
	As to PRC law **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing 100025, the PRC
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500, Yunjin Road Xuhui District Shanghai 200232 the PRC
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Compliance adviser	**GF Capital (Hong Kong) Limited** 29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Suite 812, 8/F Ocean Centre Harbour City 5 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Headquarters in the PRC	Wuyi County, Hengshanqiao Town Wujin District, Changzhou City Jiangsu Province, the PRC
Company's website address	www.jnpmm.com *(information contained in this website does not form part of this prospectus)*
Company secretary	Mr. Chung Yau Tong (鍾有棠先生), *member of HKICPA* Flat A, 14/F Ko Fung Court, Harbour Heights 5 Fook Yum Road North Point Hong Kong
Authorised representatives	Mr. Mei Zefeng (梅澤鋒先生) No. 76, Huxin Dao Shimao Xiangbinhu Taihu East Road Xinbei District Changzhou City Jiangsu Province the PRC Mr. Chung Yau Tong (鍾有棠先生) Flat A, 14/F Ko Fung Court, Harbour Heights 5 Fook Yum Road North Point Hong Kong

Audit Committee	Mr. Li Yuen Fai Roger (李苑輝先生) *(Chairman)* Mr. Cao Baozhong (曹寶忠先生) Mr. Yang Guang (楊廣先生)
Remuneration Committee	Mr. Cao Baozhong (曹寶忠先生) *(Chairman)* Mr. Li Yuen Fai Roger (李苑輝先生) Mr. Yang Guang (楊廣先生) Mr. Zhang Zhihong (張志洪先生)
Nomination Committee	Ms. Liu Ping (劉萍女士) *(Chairman)* Mr. Li Yuen Fai Roger (李苑輝先生) Mr. Cao Baozhong (曹寶忠先生) Mr. Yang Guang (楊廣先生)
Principal share registrar and transfer office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong Branch Share Registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	**China Construction Bank** **(Changzhou Hengshanqiao sub-branch)** 180 Gexin Road, Hengshanqiao Town Wujin District, Changzhou City Jiangsu Province, the PRC **Agricultural Bank of China** **(Changzhou Hengshanqiao sub-branch)** 36 Jiangnan Road, Hengshanqiao Town Wujin District, Changzhou City Jiangsu Province, the PRC **Jiangnan Rural Commercial Bank** **(Changzhou Hengshanqiao sub-branch)** 160 Luheng Road, Hengshanqiao Town Wujin District, Changzhou City Jiangsu Province, the PRC

This section contains certain information which has been derived from official government publications, industry sources and the F&S Report, which was commissioned by us. References to F&S should not be considered as the opinion of F&S 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 F&S 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 F&S Report has not been independently verified by us, or any of our affiliates or advisers, nor by the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners or the Joint Lead Managers or any of their affiliates or advisers or any other party involved in the Global Offering (which for the purpose of this paragraph, excludes Frost & Sullivan) and no representation is given as to its accuracy or completeness. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the F&S Report up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section.

SOURCE OF INFORMATION

We engaged F&S, an independent global consulting firm, to prepare the F&S Report for use in this prospectus. Founded in 1961 in New York, F&S offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China 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.

The F&S Report is prepared by F&S independent of our influence. We agreed to pay F&S a fee of RMB720,000 for the preparation and use of the F&S Report. We believe that such fee reflects market rates and the statistics presented in the F&S Report are not skewed in favour of us. F&S is independent of and not connected with our Company (within the meaning of the Listing Rules).

Research methodologies and assumptions

In compiling and preparing the F&S Report, F&S has adopted the following methodologies:

- conducting detailed primary research which involves discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties;
- conducting secondary research which involves reviewing company reports, independent research reports and data based on F&S's own research database; and
- preparing historical data analysis and estimation of total market size by comparing and considering macroeconomic data and key industry drivers.

F&S prepared the research report based on the following assumptions:

- China's social, economic and political environment is likely to remain stable in the forecast period; and
- key industry drivers are likely to drive the growth of China's galvanized steel product industry.

RELIABILITY OF INFORMATION IN THE F&S REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the F&S Report. Our Directors believe that the F&S Report is reliable and not misleading as F&S is an independent professional research agency with extensive experience in its profession.

GDP GROWTH IN CHINA

The PRC economy has maintained a solid growth pace from 2012 to 2017. During this period, the PRC Government has taken effective stimulus policies and successfully maintained the economic stability. According to F&S, nominal GDP increased from approximately RMB54.0 trillion in 2012 to RMB82.7 trillion in 2017, representing a CAGR of approximately 8.9% during such period. Per capita disposable income increased from approximately RMB24,500 in 2012 to RMB36,400 in 2017, representing a CAGR of approximately 8.2% during such period. Going forward, the PRC Government will tend to maintain consistent and stable macroeconomic policies to maintain macroeconomic stability.

OVERVIEW OF STEEL PRODUCTS

Introduction of steel products

Steel products include hot rolled steel products, cold rolled steel products, unpainted galvanized steel products and painted galvanized steel products.

The table below sets forth the characteristics and average prices of different types of steel products used in the home appliance sector:

Steel Products	Key Properties	Key Applications	Average Price(1) (2017-Tax excluded)	Average Price – Home Appliance Sector(2) (2017-Tax excluded)	Price Range (2017-Tax excluded)	Price Range – Home Appliance Sector (2017-Tax excluded)
Hot Rolled Steel Products	• Relatively lower hardness • Good extensibility • Good ductility	• Mainly building construction and automobiles, electrical appliance, etc. • Can be further processed to be cold rolled steel products	Approximately RMB3,800/tonne	Approximately RMB3,800/tonne	Approximately RMB3,200-4,500/ tonne	Approximately RMB3,200-4,500/ tonne
Cold Rolled Steel Products	• High hardness • High strength • Not easy to deform • High smoothness	• Mainly building construction and automobiles, home appliances, precision instrument, aviation, food can, etc.	Approximately RMB4,000/tonne	Approximately RMB4,000/tonne	Approximately RMB3,300-5,000/ tonne	Approximately RMB3,300-5,000/ tonne
Unpainted Galvanized Steel Products	• Good corrosion resistance • Good oxidation resistance	• Construction, home appliances, automobiles, precision instrument, agriculture, transportation, etc. • Can be further processed to be painted galvanized steel products	Approximately RMB4,400/tonne	Approximately RMB4,800/tonne	Approximately RMB4,100-5,300/ tonne	Approximately RMB4,600-5,300/ tonne
Painted Galvanized Steel Products	• Good corrosion resistance • Good oxidation resistance • Aesthetic appearance • Good texture	• Consturction, home appliances, automobiles, agriculture, transportation, etc.	Approximately RMB5,600/tonne	Approximately RMB6,000/tonne	Approximately RMB5,100-6,300/ tonne	Approximately RMB5,700-6,300/ tonne

Source: F&S Report

Note:

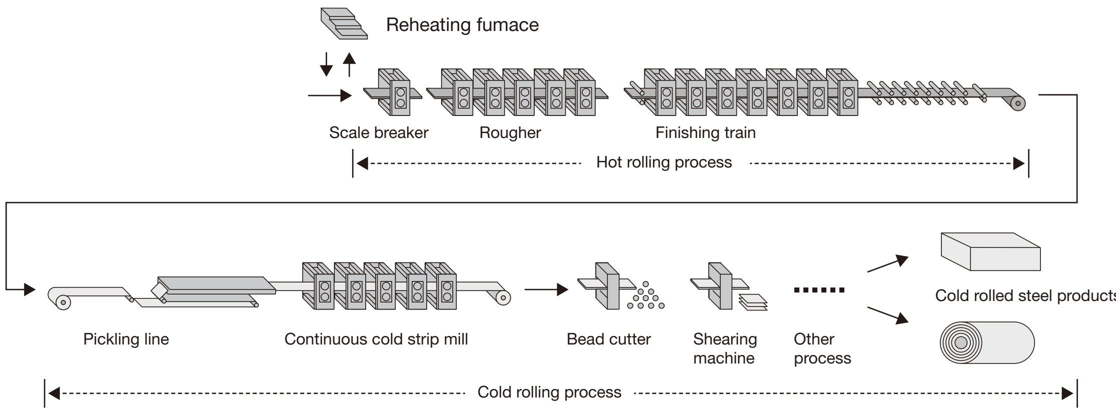
(1) "Average Price" refers to the average price of corresponding steel products applied in all downstream industries, including construction, automobile and home appliances.

(2) "Average Price-Home Appliance Sector" refers to the average price of corresponding steel products applied in home appliance industry, which is usually higher than that of steel products applied in all downstream industries as home appliance sector sets higher requirements on the steel products' quality, properties, customizability, aesthetics and so on, according to the Frost & Sullivan research through cross-industry and in-depth expert interviews, consumers questionnaire survey and Frost & Sullivan Global Database.

Overview of cold rolled steel products

Cold rolled steel is a type of processed steel and is essentially hot rolled steel that have been through further processes to increase their strength and smoothness. Once hot rolled steel has cooled off, it is then re-rolled at room temperature to achieve more accurate dimensions and better surface qualities. The key properties of cold rolled steel are high hardness, high strength, high smoothness and high resistance against deformation as the metal is shaped at lower temperature in the manufacturing process.

Cold rolled steel is manufactured by taking hot rolled steel plates and undergo hot rolling and cold rolling process. Through hot rolling process, the hot rolled steel can be shaped and formed easily and the cold rolling process will produce steel with closer dimensional tolerances and a wider range of surface finishes. The diagram below sets forth the hot rolling and cold rolling processes involved in the manufacturing process of cold rolled steel:



Source: F&S Report

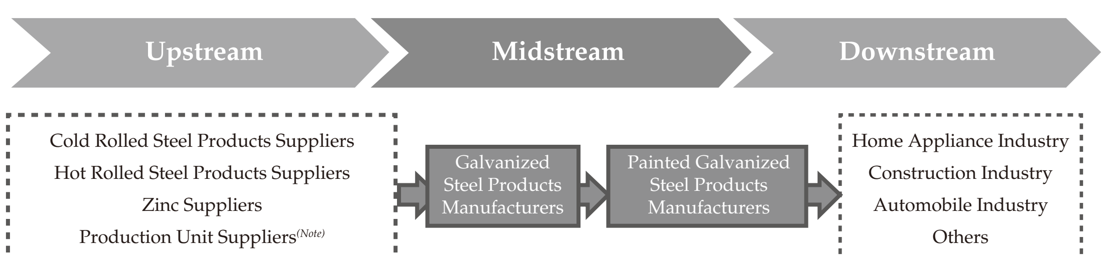
OVERVIEW OF GALVANIZED STEEL PRODUCT INDUSTRY IN CHINA

Introduction of galvanized steel products

Galvanized steel products are coated with a layer of zinc on the surface of steel and are widely used in application where corrosion resistance is needed without the cost of stainless steel, and are considered superior in terms of cost and life-cycle. Galvanized steel products could be classified into unpainted galvanized steel products and painted galvanized steel products. Painted galvanized steel products are usually of a higher price than unpainted galvanized steel products as they require more advanced techniques from manufacturers and they have higher added-value applying to final products such as home appliances and automobiles.

Industry Chain of Galvanized Steel Product Industry

The industrial chain of galvanized steel product industry consists of (i) upstream suppliers; (ii) midstream steel products manufacturers; and (iii) downstream clients. The diagram below briefly sets out the industrial chain of galvanized steel product industry:



Source: F&S Report

Note: Production unit suppliers represent suppliers of equipment and machineries in the pickling line and hot-dip galvanization line of galvanized steel products manufacturers.

Upstream suppliers supply the main raw materials, such as cold rolled steel products, hot rolled steel products and zinc to galvanized steel products manufacturers.

These midstream galvanized steel products manufacturers process the raw materials for the production of painted and unpainted galvanized steel products. Painted galvanized steel products manufacturers purchase unpainted galvanized steel products and colour-coat the products according to the requirements of customers, which are then sold to downstream customers. Downstream clients mainly include clients from home appliances, construction and automobile industries then apply the painted and unpainted galvanized steel products for different purposes.

Market Size of Galvanized Steel Products in China

According to the F&S Report, the sales volume of galvanized steel products in China continued to experience growth. Driven by the increasing demand from downstream industries including construction, home appliances, automobiles and consumer electronics industries, the sales volume of galvanized steel products has increased from approximately 35.5 million tonnes in 2012 to 63.8 million tonnes in 2017, representing a CAGR of approximately 12.5%. In line with the growth of sales volume, the sales value of galvanized steel products increased from approximately RMB185.0 billion in 2012 to RMB289.7 billion in 2017.

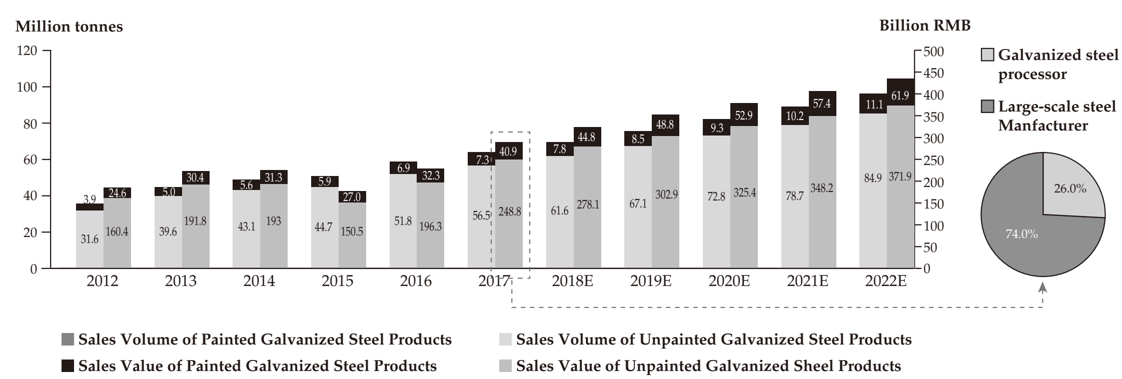
Looking forward, the continuous demand from downstream industries will continue to drive sales volume of galvanized steel products in China. According to the forecast of F&S, the sales volume of galvanized steel products in China is anticipated to grow at a CAGR of approximately 8.4% from 2018 to 2022. In line with the forecasted growth in sales volume of galvanized steel products, the sales value of galvanized steel products is anticipated to grow at a CAGR of approximately 7.7% from 2018 to 2022.

In 2017, the sales volume of unpainted galvanized steel products occupied a major part of the industry, amounting to approximately 88.6%. Going forward, painted galvanized steel products are expected to develop rapidly driven by the increasing demand of high-end home appliances and automobiles and the progressive processing techniques.

The diagrams below illustrate the sales volume and sales value of galvanized steel products in China from 2012 to 2017, and the forecasted figures from 2018 to 2022 as well as the 2017 market share of galvanized steel processors and large scale steel manufacturers by sales value:

Market Size by Sales Volume and Sales Value of Galvanized Steel Product Industry (China), 2012-2022E

CAGR	Total Volume	Volume of Unpainted Steel Products	Volume of Painted Steel Products	Total Value	Value of Unpainted Steel Products	Value of Painted Steel Products
2012-2017	12.5%	12.3%	13.4%	9.4%	9.2%	10.7%
2018E-2022E	8.4%	8.4%	9.2%	7.7%	7.5%	8.4%



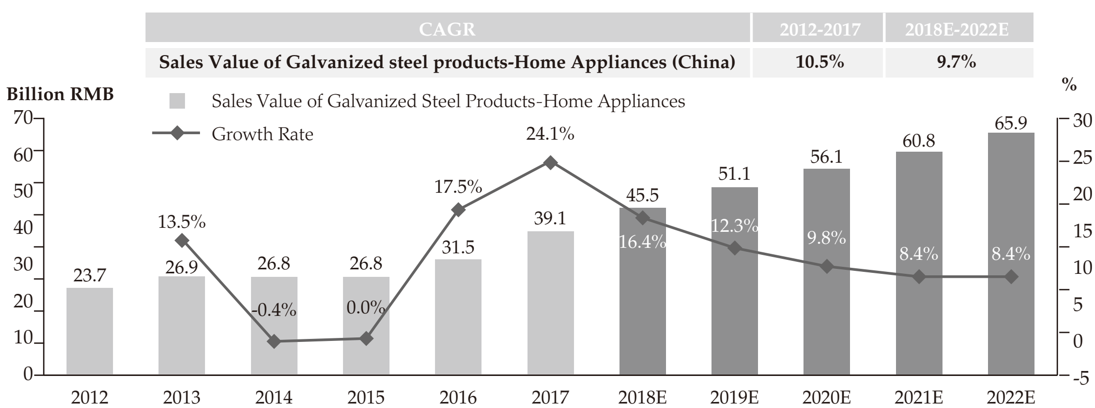
Source: F&S Report

Large-scale steel manufacturers account for a large share of the galvanized steel product market, whose sales volume and sales value was approximately 74.9% and 74.0%, respectively, of total market volume whilst steel processors account for the rest in 2017. Looking forward, with the increasing demand for customized galvanized steel products from downstream industries, galvanized steel processors are expected to gain more weights in the market and grow at a CAGR of approximately 10.2% from 2018 to 2022. For the same period, the share of galvanized steel processors in terms of the sales volume is also expected to increase from approximately 25.1% to 27.2%.

Market size of galvanized steel product industry for home appliance market in China

According to F&S, the home appliance market is one of the major downstream industries which consumes galvanized steel products in China. Such market has observed a CAGR of approximately 10.5% from 2012 to 2017. The growth of the sales value in the home appliance market segment was mainly due to the large demand from white home appliances which include washing machines, refrigerators and air-conditioners. Going forward, driven by the increasing demand in downstream market, including home appliance industry, due to rising living standard and purchasing power of people in China, the sales value of galvanized steel products to the home appliance market in China is expected to grow at a CAGR of approximately 9.7%. The diagram below sets forth the historical and forecasted sales value of galvanized steel products to the home appliance market segment in China from 2012 to 2022:

Market Segmentation by Sales Value of Galvanized Steel Product Industry-Home Appliances (China), 2012-2022E



Source: F&S Report

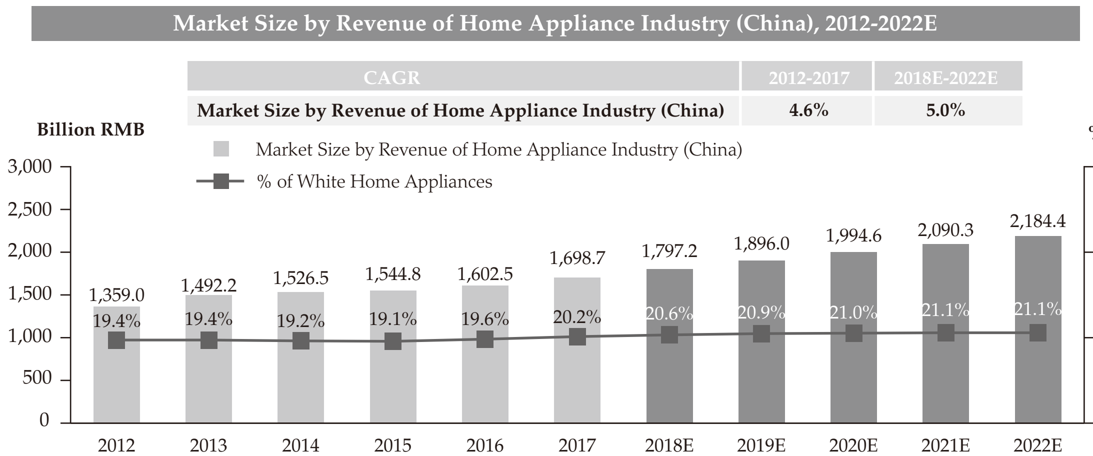
DOWNSTREAM MARKET ANALYSIS

The downstream application of galvanized steel products include home appliances, consumer electronics, automobile, agriculture, and medical. Our Group's customers include customers from the home appliance industry. Galvanized steel products are applied in the home appliances for the production of white home appliances such as refrigerators and black home appliances such as televisions.

Market size of home appliance industry in China

Going forward, galvanized steel products will still be applied to the aforementioned industries. Besides, home appliance industry are expected to generate more demand for galvanized steel products whose shares are likely to reach 15.2% in 2022.

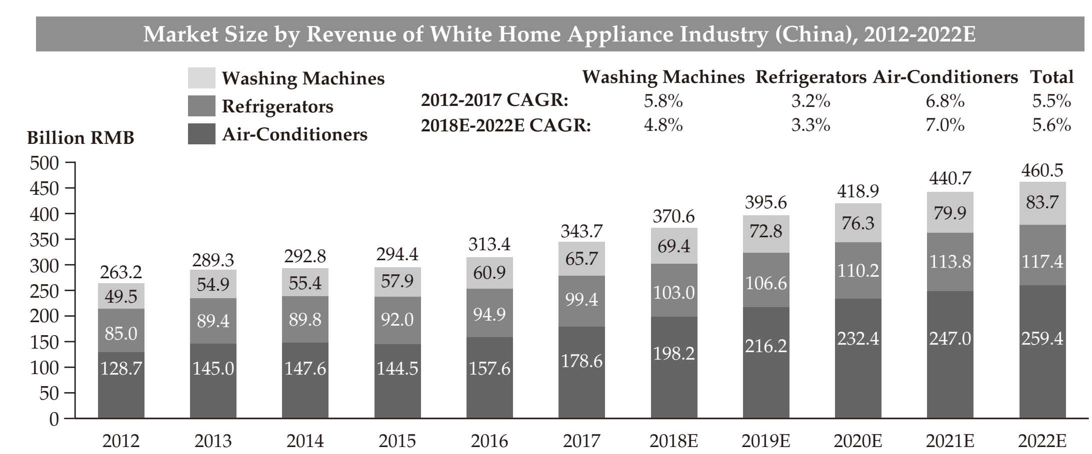
According to F&S Report, in 2017, home appliance industry consumed approximately 13.5% of the total sales value of galvanized steel products. Galvanized steel products are used in the production of refrigerators, air-conditioners and washing machines. The market size by revenue of home appliance industry in China recorded steady growth over the past few years and reached approximately RMB1,698.7 billion in 2017, at a CAGR of approximately 4.6% from 2012. The continuous growth is attributed to the rising purchasing power and the awareness of improving living standards among customers. Going forward, with the ongoing urbanization trend, there would be more demand for home appliance products and the market size by revenue is expected to reach approximately RMB2,184.4 billion by 2022, at a CAGR of approximately 5.0% from 2018. The diagram below sets forth the historical and forecasted revenue of home appliance industry in China from 2012 to 2022:



Source: F&S Report

Market size of white home appliance industry in China

White home appliances consist of washing machines, refrigerators and air-conditioners. From 2012 to 2017, the market size by revenue of white home appliance industry in China grew at a CAGR of approximately 5.5%. The growth was contributed by the household's uplifting consumption level and the upgrading of white home appliances. Going forward, driven by consumer demand for purchase and replacement of white home appliances, China's white home appliance industry is expected to develop further and its revenue is likely to reach approximately RMB460.5 billion in 2022, at a CAGR of 5.6% from 2018. The diagram below sets forth the historical and forecasted revenue of white home appliance industry in China from 2012 to 2022:



Source: F&S Report

De-capacity policies in the steel industry

According to F&S, since 2012, the excess capacity of the steel industry has become increasingly serious and led to supply-over-demand situation. The profitability of steel companies deteriorated over the years, and many inefficient and outdated production lines were gradually eliminated by the market. In 2015, the demand for crude steel registered an obvious decrease and the average profitability of this industry fell into a loss, thus the production of crude steel decreased in 2015 for the first time. As a result, the price of steel products decreased at the same time and hit the bottom in 2015. In order to address this issue, the PRC Government begun to implement the supply-side structural reform policy of the steel industry in early 2016.

In February 2016, the State Council of the PRC promulgated the Opinions on Resolving Overcapacity and Difficulties in the Steel Industry (Guo Fa [2016] No. 6)《關於鋼鐵行業化解過剩產能實現脱困發展的意見》(國發[2016]6號), which set the objective to reduce the steel capacity by 100 to 150 million tonnes in five years. The reforms to achieve the reduction in steel capacity include (i) prohibiting new production capacity and (ii) eliminating obsolete production units that do not comply with energy consumption standards. In addition, the reforms encourage industry participants to innovate and produce higher quality steel products.

Such De-capacity policies led to the further closing down of small inefficient steel plants and amounts of outdated production equipment have been dispersed into the market.

On 17 April 2017, the NDRC and other 22 departments promulgated the Opinions on Due Performance of Steel and Coal Industries in Resolving Superfluous Production Capacity for Purposes of Poverty Alleviation and Development for 2017 (Fa Gai Yun Xing [2017] No. 691)《關於做好2017年鋼鐵煤炭行業化解過剩產能實現脱困發展工作的意見》(發改運行[2017]691號) to eliminate production capacity that does not comply with industry regulations.

On 9 April 2018, the NDRC and other five departments together issued the Circular on Properly Undertaking Work for the Dissolution of Excess Capacity in Key Sectors in 2018 (Fa Gai Yun Xing [2018] No. 554)《關於做好2018年重點領域化解過剩產能工作的通知》(發改運行[2018]554號), which strives to reduce steel production capacity by approximately 30 million tonnes.

In the two years following the promulgation of the De-capacity policies, the steel industry has reduced more than 120 million tonnes excess production capacity of crude steel, being the upstream industry of hot rolled steel coils industry. Following the negative growth of crude steel output in 2015, the output of crude steel started to bounce back and kept a slow growth trend. The average market price of steel products rebounded since 2016 and is expected to grow further going forward.

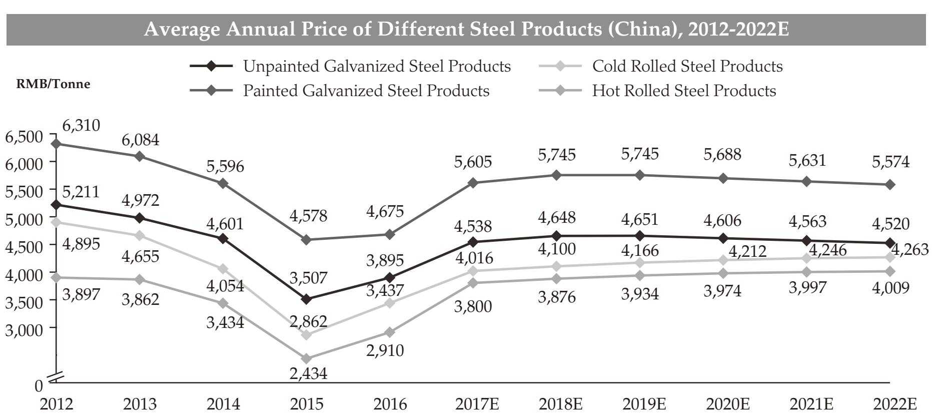
The De-capacity policies mainly impacted the survival of uncompetitive steel manufacturers with outdated production technology and equipment, and as such, to the galvanized steel products manufacturers, there is still plenty of supply of crude steel and thus hot rolled steel coils in the PRC, as the production volume of crude steel is expected to increase going forward, albeit at a lower growth rate. Our Directors are of the view that, with the long-established relationship with our hot rolled steel coils suppliers as well as our "cost-plus" pricing approach, notwithstanding the price of our raw materials increased during the Track Record Period leading to the corresponding increases in the selling price of our Cold Rolled Steel Products, we are capable of minimizing the impact of increased price in raw materials resulting from the De-capacity policies. For the risks relating to the fluctuation of prices of our raw materials, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our gross profit margin and growth in profit may fluctuate in the future as there are sensitive factors including our purchase price of direct materials, in particular, hot rolled steel coils, selling price of Cold Rolled Steel Products and yield rate (成材率) which are beyond our control" in this prospectus.

PRICING ANALYSIS OF STEEL PRODUCT INDUSTRY

Price analysis of different steel products

Due to the different complexity and length of manufacturing procedures, the price of steel products varies accordingly. The average annual prices of different steel products in China have experienced similar patterns in the past few years. Due to the over-capacity of China steel industry since 2012, the price of steel products fell down as the level of demand could not meet the level of supply. Since 2015, with the promulgation of a series of policies supporting the plan of De-capacity in the steel industry, the supply-demand structure became more balanced and the prices of steel products recovered. Going forward, the prices of steel products are expected to grow gradually in the next two to three years with the sound development of China steel industry, and in the following years the prices might dip slightly due to the decreasing manufacturing cost benefiting from the continuously improved techniques.

The diagram below sets forth the historical and forecasted average annual price of different steel products, including hot rolled steel products, our Group's primary raw materials, in China from 2012 to 2022:

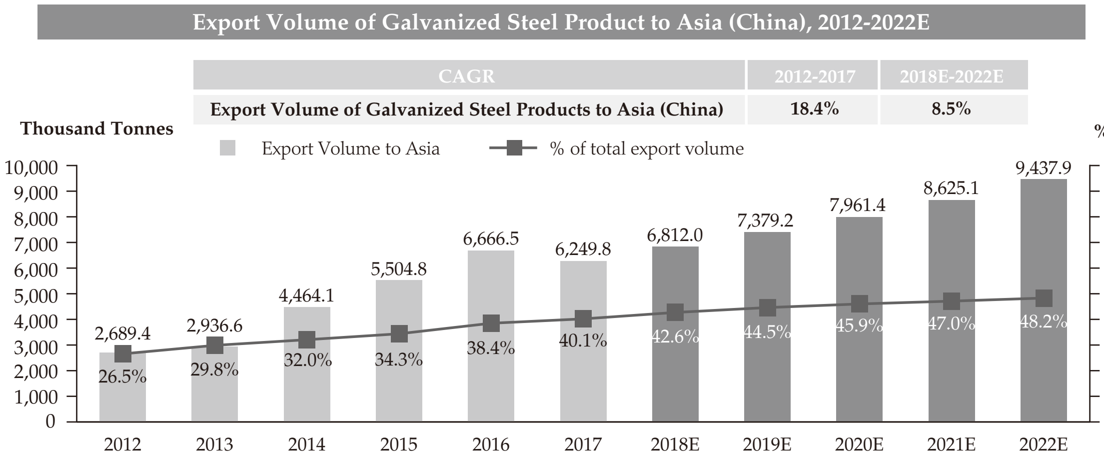


Source: F&S Report

EXPORT VOLUME OF GALVANIZED STEEL PRODUCTS TO ASIA

China's export volume of galvanized steel products to Asia had an increasing percentage share of the total export volume from approximately 26.5% in 2012 to 40.1% in 2017. Since western countries tried to protect their domestic market by implementing related policy and regulation, it was estimated that China's export volume of galvanized steel products to Asia will grow further in future years to reach approximately 6,812.0 thousand tonnes in 2018, representing approximately 42.6% of the total export volume. Going forward, the export volume to Asia will continue to increase to approximately 9,437.9 thousand tonnes in 2022 with a CAGR of approximately 8.5% from 2018 to 2022.

The diagram below sets forth the historical and expected export volume of galvanized steel products to Asia and its growth rate from 2012 to 2022:



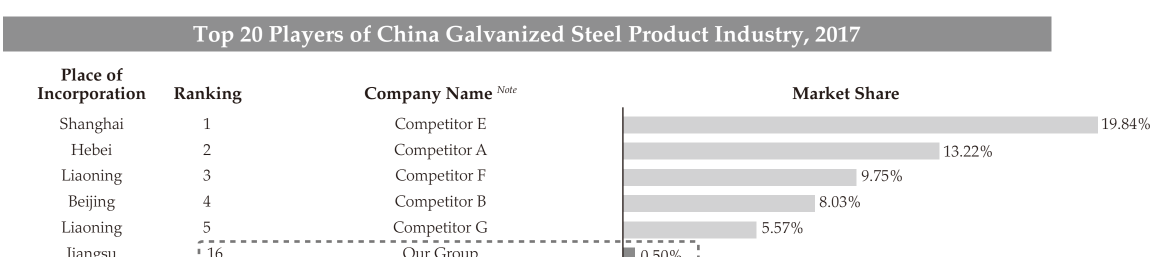
Source: F&S Report

COMPETITIVE LANDSCAPE ANALYSIS

Competitive landscape of galvanized steel product industry in China

China's galvanized steel product industry is quite fragmented and the competition among the manufacturers is relatively fierce. According to the F&S Report, the revenue of the galvanized steel product industry amounted to approximately RMB289.7 billion in 2017 and the top five market players accounted for approximately 56.4% of the total market by revenue. There are approximately 300 to 400 market players in the galvanized steel product industry and the majority of them are small scale steel processors.

Our Group is the largest market player in the galvanized steel product industry by revenue in Jiangsu Province in 2017. We ranked 16th in the galvanized steel product industry by revenue in the PRC in 2017. In the light that white home appliances require certain qualities including corrosion resistance, galvanized steel products, which are coated with a layer of zinc on the surface of steel and with lower costs than stainless steel, are considered superior in terms of cost and durability, and thus our Directors and F&S consider that there are no direct substitutes to our Group's products in the market. Set forth below is a ranking summary of the top players of the galvanized steel product industry in China in 2017:



Note: The names of the competitors are not disclosed since no consent of disclosure has been obtained from them.

The competitive landscape of galvanized steel product industry in China in relation to the home appliance sector is also fragmented. The revenue of this industry amounted to approximately RMB39.1 billion in 2017, with the top five players occupying around 32.9% of the total galvanized steel product industry in home appliance sector in 2017. Our Group ranked third in 2017 and took up around 3.9% of the total revenue generated from the galvanized steel product industry in the home appliance sector in China. There are approximately 100 to 150 market players in the galvanized steel product industry in the home appliance sector in China and the majority are small scale steel processors.

Set forth below is a brief summary of China's competitive landscape of galvanized steel product industry in home appliance sector:

Ranking	**Market player** *Note*	**Market share (in terms of revenue in 2017) (%)**
1	Competitor A	13.2
2	Competitor B	10.5
3	Our Group	3.9
4	Competitor C	3.0
5	Competitor D	2.3
	Top 5 sub-total	32.9
	Others sub-total	67.1
	Total	100.0

Source: F&S Report

Note: The names of the competitors are not disclosed since no consent of disclosure has been obtained from them.

Market Opportunities of Galvanized Steel Product Industry in China

Increasing downstream market demand

With the sustained and rapid development of the economy and continuous growth in GDP, the manufacturing industry developed rapidly, accompanied with the improvement in people's consumption level. The increase in people's consumption level has led to increase in demand for downstream products such as home appliances, automobiles and construction. As a result, there is also rising demand for galvanized steel products. For home appliances, galvanized steel products could be used for a variety of products such as refrigerators, washing machines, air conditioners, etc. With the increasing trend of people's living standard and purchasing power, the home appliance industry is expected to grow in the next few years.

Trend of high end products

With the increasing trend of people's living standard and purchasing power, downstream markets are expected to have higher demand for quality galvanized steel products. For the home appliance industry, consumers are willing to spend more on high-end products (i.e. products composed of higher quality galvanized steel products which in general encompass higher ductility and better surface roughness) with well-known brands, better performance and great user experience. In order to develop these high end home appliances, higher quality galvanized steel products are required and the galvanized steel product industry has undergone technological innovation and improvement in processing technology to achieve this. Our Group focuses on producing higher quality galvanized steel products to cater for our customers' needs. For instance, our major customers, such as (i) Customer A and Customer E, who are two of the leading home appliance manufacturers in the PRC; and (ii) Customer B and Customer C, who are two of the leading painted galvanized steel manufacturers in the PRC, have a higher standard of requirement than other smaller home appliance manufacturers and painted galvanized steel manufacturers in the PRC and they are mainly producing high-end products. The trend of developing and upgrading of home appliance products will continue to raise higher requirements for the mechanical performance, surface quality and smoothness of galvanized steel products.

Entry Barriers to Galvanized Steel Product Industry in China

Technology barrier, customer stickiness and capital investment are the major entry barriers of the galvanized steel product industry in China.

Technological and environmental requirement	Manufacturing enterprises are required to have a comprehensive understanding of processing technologies and the government has set clear industry standards and detailed specifications for quality performance of galvanized steel products production. The PRC Government also promulgated laws and regulations in connection with environmental protection requirements for market players to comply with. Hence, technologically advanced production equipment is required to produce high quality galvanized steel products and meet the legal requirements set by the PRC Government.
Customer stickiness	Customers tend to stick with certain galvanized steel products manufacturers whom they maintained long term co-operation and trust. Customers seeking high quality galvanized steel products with high aesthetic and intelligent requirements usually would not switch their suppliers once they establish a trustworthy relationship.
Capital investment	Production of galvanized steel products requires large capital investment in order to acquire more advanced production equipment which yields lower defect rate and higher production efficiency.

Factors leading to our success to initially overcome the industry entry barriers

With the experience accumulated and know-how developed in the early years of our operations in the production and sales of galvanized steel products for construction industries, our Group successfully transformed the orientation to the production and sales of galvanized steel products for use in home appliance sector in 2009. With nearly 10 years of experience consolidated, we managed to have sufficient understanding of the technical know-how as well as the standard required in the galvanized steel product industries, in particular, customers in the home appliance sector. As early as in 2006, we were awarded ISO9001 related certifications and in 2007, our products were awarded as high and new technology products. Through our early success to serve clients in construction industries sector, our reputation has been gradually built up and attracted customers from home appliance sectors. For further details, please refer to the section headed "Summary — Key operational and financial data — Accumulated losses as at 1 January 2015" in this prospectus.

We believe that our long and strong presence in the galvanized steel product market also helped build up our reputation and customer loyalty, which is coupled with the expertise and experience of our Directors and senior management members in the galvanized steel product market, in particular, our founder, Mr. Mei, who has over 15 years of experience in the steel processing industry. As for the capital investment, the capital injection to Jiangnan Precision from RMB28 million to RMB100 million in 2004 and further to RMB250 million in 2008 by the founders contributed to the solid foundation for us to acquire the requisite production equipment to standout from our competitors. Further details of which are set out in the section headed "History, Reorganisation And Development — Corporate development — Jiangnan Precision" in this prospectus.

Threats and Challenges to Galvanized Steel Product Industry in China

Unbalanced supply and demand structure due to inadequate capital and technological capability

Although there is demand for high quality galvanized steel products, some of the galvanized steel products manufacturers encountered difficulties related to capital and technology investments, which did not allow them to produce enough galvanized steel products to meet the increasing product requirement. Large investment in technological capability is required in order to keep up with the trend of environmental protection and the demand for higher quality galvanized steel products. Therefore, although the galvanized steel product industry has met its full production capacity, the supply and demand for high-end galvanized steel product market are still not matched and creates an unbalanced situation.

Fluctuating prices of raw materials

Steel is one of the key raw materials that directly influences the manufacturing of galvanized steel products. The price of steel has experienced a decline from approximately RMB3,934 per tonne in 2012 to RMB2,137 per tonne in 2015 primarily due to the De-capacity (去產能化) goal stated in the 12th Five-Year Plan of Iron and Steel Industry (鋼鐵工業"十二五"規劃) , with a rebound to RMB2,364 per tonne in 2016. The fluctuation in raw materials prices will affect production volume and the final price of galvanized steel products.

This section sets forth a summary of the most significant laws and regulations that affect our business in China. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in the People's Republic of China (the "**PRC**") by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "**Catalogue**"), which was issued and recently amended in 2017 by the Ministry of Commerce ("**MOFCOM**") and the National Development and Reform Commission ("**NDRC**"), and the Special Management Measures for Foreign Investment Access (Negative List) (2018 version) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "**Negative List**"), which came into effect on 28 July 2018. Industries listed in the catalogue are divided into three categories: "encouraged", "restricted" and "prohibited". Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations. According to the Catalogue and the Negative List, the galvanized steel product industry is generally open to foreign investment.

REGULATIONS RELATING TO INVESTMENT PROJECT

On 8 March 2017, NDRC issued *Measures for the Administration of the Confirmation and Recordation of Enterprises' Investment Projects* (《企業投資項目核准和備案管理辦法》) (the "**NDRC Order 2**") and it became effective on 8 April 2017. NDRC Order 2 prescribes that enterprises' investment projects should apply for confirmation administration or recordation administration according to different circumstances of projects. The scope of the specific projects subject to confirmation administration and confirmation authorities shall be determined by the Catalogue of Investment Projects subject to Government Confirmation (the "**Investment Projects Catalogue**") issued by the State Council. The projects subject to recordation administration shall undergo the recordation formalities under the territorial principle, except as otherwise provided by the State Council.

Where the enterprise fails to inform the recordation authority of the project information or the change of the project information that has been subject to recordation in accordance with the law, or provides false information for the recordation authority, it shall be ordered to make correction within a prescribed time limit, otherwise it shall be fined by the recordation authority.

On 30 June 2017, People's Government of Jiangsu Province promulgated *Measures for the Administration of the Confirmation and Recordation of Enterprises' Investment Projects in Jiangsu Province* (《江蘇省企業投資項目核准和備案管理辦法》), which prescribes that confirmation administration or recordation administration is applied for investment projects according to different circumstances of projects. The scope and confirmation authority of confirmation administration is determined by Jiangsu Catalogue of Investment Projects.

REGULATIONS RELATING TO PRODUCTION SAFETY AND SPECIAL EQUIPMENT

Production Safety

In August 2014, the Standing Committee of the National People's Congress (the "**NPC**") amended *the Production Safety Law of the PRC* (《中華人民共和國安全生產法》) (the "**Production Safety Law**") and it came into force on 1 December 2014. The Production Safety Law requests that business entities must strengthen work safety management, enhance work safety conditions, promote work safety standardization and improve work safety levels. The entity which does not meet safety conditions prescribed by this law and other relevant laws, administrative regulations, and national or industry standards should not engage in production and the other business activities. To assure work safety rules being observed in production process, business entities should establish and improve work safety responsibility systems and work safety polices which specify the responsible person for each position, the scope of duties and the evaluation criteria. Business entities shall provide their employees with labor protection products and work safety training. Where the primary person in charge of a business entity fails to perform his or her duties in work safety as provided for in the Production Safety Law, he or she would be subject to legal liabilities regarding the seriousness of work safety accident.

Special Equipment

According to *the Special Equipment Safety Law of the PRC* (《中華人民共和國特種設備安全法》) which was issued by the Standing Committee of the NPC and came into force on 1 January 2014, and was amended in 2014 and 2017 respectively, special equipment refers to boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, cranes, passenger cableways, large entertainment facilities and in-plant (in-factory) special motor vehicles that involve great danger to the personal and property safety and other special equipment applicable to the law in accordance with laws and administrative regulations. Special equipment users shall use special equipment produced with a permit and passing inspection, and such users shall, before or within 30 days after putting special equipment to use, register the use with the department responsible for special equipment safety supervision and administration, obtain a use registration certificate. The entities using special equipment shall have special equipment safety management personnel, testing personnel and operating personnel with corresponding qualifications according to the relevant state provisions. They shall conduct routine maintenance and regular self-check of the special equipment used by them and conduct regularly check and repair the safety accessories and safety protection devices, and keep records thereof.

In addition to the regulations above, on the basis of *the Regulations on Safety Supervision over Special Equipment* (《特種設備安全監察條例》) amended by the State Council in 2009, 2012, 2014 and 2017 respectively. Special equipment users shall make a request for the periodic inspection to a special equipment inspection and testing institution as required by the safety technical codes for the periodic inspection. *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 came into force on 1 September 2003, pursuant to which 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.

REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

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 by the Standing Committee of the NPC on 22 February 1993 and amended in 2000 and 2009 respectively. The Product Quality Law requests that the producers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. As prescribed in this law, producers shall be responsible for the quality of products they produce and they shall be liable for failing to meet the prescribed quality standards. Violation of the Product Quality Law may result in fines and the violator will be ordered to suspend its operations, or its business license will be revoked and criminal liability may be incurred if the case is serious enough to constitute a crime.

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**") promulgated on 31 October 1993 and respectively amended in 2009 and 2013, "consumer" is defined as any person who purchases or uses commodities or receives services for the purpose of consumption, and all manufacturers, distributors and service providers are required to guarantee that their provided commodities or services meet the requirements on personal and property safety.

According to the Consumer Law, consumers whose lawful rights and interests are infringed upon in purchasing or using commodities may claim compensation from the sellers, which shall, after paying compensation, have the right to be reimbursed by the liable manufacturers or other sellers supplying the commodities to them.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

To alleviate or prevent environmental pollution derived from production activities, manufacture enterprises 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: *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) promulgated on 26 December 1989 and amended on 24 April 2014; *Air Pollution Prevention of the PRC* (《中華人民共和國大氣污染防治法》) which was amended on 29 August 2015 and became effective on 1 January 2016; *Law of the PRC on the Prevention and Control of Environmental Noise Pollution* (《中華人民共和國環境噪聲污染防治法》) which was promulgated on 29 October 1996 and came into force on 1 March 1997; *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》) which was amended on 27 June 2017 and became effective on 1 January 2018; and 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 7 November 2016.

Pursuant to *Environmental Protection Law of the PRC*, Enterprises, public institutions, and other business operators subject to pollutant discharge licensing management shall discharge pollutants according to the requirements of their respective pollutant discharge licenses; and those without a pollutant discharge license may not discharge pollutants. The above laws and regulations formulate the 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 which discharges pollutants illegally or discharges pollutants beyond the pollutant discharge standards shall be punished. Violation of the said regulations may result in administrative penalties ranging from order of rectification, fine, restriction of production, suspension of business, to the termination of business, depending on the seriousness of the violation.

According to *Administration Rules on Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, the project owner shall compile an environmental impact report or an environmental impact statement, or file a registration form in accordance with the extent of environmental impact of construction projects. As to a construction project, for which the environmental impact report or the environmental impact statement is required, the project owner shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the environmental protection administrative department with the approval authority for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the project owner shall not commence the construction. On the condition that major changes take place in the nature, scale, location or production techniques adopted of the construction project after the approval of the environmental impact report or the environmental impact statement, the project owner should submit the revised report or statement for approval.

The project owner should, upon the completion of the construction project for which the environmental impact report or environmental impact statement is prepared, conduct acceptance check of the constructed supporting environmental protection facilities and prepare the acceptance check report.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

Employment

Pursuant to *the Labor Law of the PRC* (《中華人民共和國勞動法》), *the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) and *the Implementation Rules of the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), labor relationships between employers and employees must be executed in written form. The regulations impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed, employers shall guarantee that its employees have the right to rest, and they should also offer its employees the wages no lower than local standards on minimum wages. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in imposition of fines and other administrative liabilities and incur criminal liabilities in the case of serious violations.

Social Securities

The principal laws relating to social securities include *the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), *the Regulations on Occupational Injury Insurance* (《工傷保險條例》), *the Interim Measures concerning the Maternity Insurance for Enterprise Employees* (《企業職工生育保險試行辦法》), *the Interim Regulations concerning the Levy of Social Insurance* (《社會保險費徵繳暫行條例》), *the Interim Measures concerning the Administration of the Registration of Social Insurance* (《社會保險登記管理暫行辦法》) and *the Regulations concerning the Administration of Housing Fund* (《住房公積金管理條例》). Enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

The Social Insurance Law, which was promulgated on 28 October 2010 and came into force on 1 July 2011, prescribes that an employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit, or its directly liable person will be fined.

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, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up of the employee's housing accumulation fund account in the bank mentioned above.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to make up the procedures within a time limit. Once the entity does not make up the procedures within the time limit, it shall be given a fine. Any entity fails to make payment of housing provident fund within the time limit or has 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 center is entitled to apply for compulsory enforcement with the people's court.

REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Patents

Patents are protected by *the Patent Law of the PRC* (《中華人民共和國專利法》) (the "**Patent Law**") promulgated on 12 March 1984 and recently amended on 27 December 2008 and its implementation rules which was amended in 2010. According to the Patent Law, inventions protected refers to inventions, utility models and designs. An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. The right to apply for a patent and the patent rights may be assigned. Where the right owner chooses to assign a patent or a patent right, the parties concerned shall conclude a written contract, and have the contract registered in the patent administrative department of the State Council. Once the patent has been granted to an entity or an individual, unless it is otherwise prescribed by this law, no entity or individual is entitled to exploit the patent without permission of the patentee.

Trademarks

Trademarks are protected by *the Trademark Law of PRC* (《中華人民共和國商標法》) which was adopted in 1982 and subsequently amended in 1993, 2001 and 2013 as well as *the Implementation Regulation of the Trademark Law of PRC* (《中華人民共和國商標法實施條例》) adopted by the State Council in 2002, amended in 2014. The Trademark Office under the State Administration for Industry and Commerce of the People's Republic of China handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

REGULATIONS RELATING TO IMPORTATION AND EXPORTATION OF GOODS

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**"), *Customs Law of the PRC* (《中華人民共和國海關法》) and *Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities* (《中華人民共和國海關報關單位註冊登記管理規定》).

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 7 November 2016 respectively, save as otherwise provided by laws and administrative regulations, 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 authorized 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.

Pursuant to the Customs Law of the PRC amended in 2017, all inward and outward goods shall enter or leave the territory at a place where there is a Customs office, and those goods must be declared and duties on them paid by their sender or receiver or by representatives entrusted by the sender or receiver and approved by and registered with the Customs. To undergo customs declaration formalities, the consignees or consigners for imported or exported goods and the customs declaration enterprises must legally register with the customs offices in accordance with Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities. Engaging in customs declaration without such registration shall be prohibited.

REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

Foreign Exchange

The principal regulation governing foreign exchange in the PRC are t*he Foreign Exchange Administration Rules of the PRC* (《中華人民共和國外匯管理條例》) issued by the State Council of the PRC on 29 January 1996 and amended on 14 January 1997 and 5 August 2008. Under these rules, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from or registration with State Administration of Foreign Exchange ("**SAFE**") by complying with certain procedural requirements. By contrast, domestic institutions or individuals shall complete the registration formalities at the foreign exchange administrative department of the State Council before they make direct investment.

In 2012, SAFE issued *the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment* (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**"), which substantially amended and simplified the foreign exchange procedure. Pursuant to SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE issued *the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors* (《外國投資者境內直接投資外匯管理規定》),

which specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

In February 2015, SAFE issued *the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning 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》) (the "**SAFE Circular 13**"). As prescribed, foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment will be directly reviewed and handled by banks in accordance with SAFE Circular 13 and the Guidelines for Direct Investment-related Foreign Exchange Business which is the appendix to the SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via the aforementioned banks.

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》) (the "**SAFE Circular 19**") promulgated on 30 March 2015, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation. Whilst, foreign-invested enterprises 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) to purchase real estates not for self-use purposes (save for real estate enterprises).

In June 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which reiterates some of the rules set forth in SAFE Circular 19. SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

Overseas Investment

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》) (the "**SAFE Circular 37**") on 4 July 2014, which replaced the former circular commonly known as the "**SAFE Circular 75**". SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), promulgated by the Standing Committee of the NPC on 16 March 2007 and amended on 24 February 2017, and *the Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Rules**"), promulgated by the State Council on 6 December 2007 and coming into force on 1 January 2008, are the principal regulations governing enterprise income tax in the PRC. According to the EIT Law and its Implementation Rules, a uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or establishments in PRC to the extent that (i) such income sources from PRC by the set-up institutions or establishments, or (ii) such income sources outside PRC but having an actual connection with the set-up institutions or establishments. Non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set-up institutions or establishments, shall pay enterprise income tax at the rate of 10% in relation to their income sources from PRC. Resident enterprises refers to enterprises that are established under PRC Laws, or are established under foreign laws (other than PRC Laws) but whose "de facto management bodies" are located in China. Under the EIT Law, resident enterprises will generally be subject to enterprise income tax at the rate of 25% on their global income. Also, the Implementation Regulations of EIT Law defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises."

The State Administration of Taxation (the "**SAT**") issued *the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer 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 "**SAT Public Notice 7**") on 3 February 2015 and amended in October and December 2017. According to the SAT Public Notice 7, where a non-resident enterprise indirectly transfers equities and other assets of a Chinese resident enterprise to avoid its enterprise income tax payment obligation by making an arrangement not for any reasonable business purpose, such indirect transfer shall, in accordance with the provisions of Article 47 of the EIT law, be redefined and recognized as a direct transfer of equities and other properties of the Chinese resident enterprise.

Value-Added Tax

Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) was promulgated by the State Council of the PRC and recently amended in November 2017, according to which any entities and individuals engage 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 is calculated as "output VAT" minus "input VAT". The rate of VAT for sales of goods is 17% unless otherwise specified, the rate of VAT for sales of services and other intangible assets is 6%. The rate of VAT for goods exported by a taxpayer is 0, unless otherwise stipulated by the State Council.

According to provisions in the Notice on Adjusting the Value added Tax Rates (Caishui [2018] No. 32) (《關於調整增值税税率的通知》(財税[2018]32號)) issued by the State Administration of Taxation, Ministry of Finance, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively. The Notice became effective on 1 May 2018, and the adjusted VAT rates became effective at the same time according to the Notice.

Withholding Tax

Pursuant to the EIT Law and its implementing rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. According to *the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income* (《內地和香港特別行政區關於對所得税避免雙重徵税和防止偷税漏税的安排》), dividends repatriated from a PRC entity to a Hong Kong tax resident would be entitled to be the reduced withholding tax rate of 5% subject to certain conditions.

SAT issued *the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties* (《非居民納税人享受税收協定待遇管理辦法》) (the "**SAT Circular 60**") in 2015, and amended it in June 2018, in which it provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities.

In October 2017, SAT issued *the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source* (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》) (the "**Announcement 37**") which was amended on 15 June 2018 by SAT. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority;

however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

REGULATIONS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE

In December 1993, the Standing Committee of the NPC issued *the PRC Company Law* (《中華人民共和國公司法》) (the "**Company Law**") and then amended it in December 1999, August 2004, October 2005 and December 2013 respectively. The companies are classified into limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

In April 1986, the Standing Committee of the NPC issued *the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法》) (the "**Wholly Foreign-owned Enterprise Law**") and then amended it in October 2000 and September 2016 respectively. In December 1990, the State Council issued *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》), which was amended in April 2001 and February 2014 respectively. The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are mainly regulated by the former two regulations.

In September 2016, the Standing Committee of the NPC published *the Decision on Revising Four Laws including the Wholly Foreign-owned Enterprise Law of the People's Republic of China* (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) in which the approval procedure for foreign investments has been amended so that foreign investments in business sectors not subject to special administrative measures will only be required to complete a filing instead of the existing requirements to apply for approval. The special entry management measures shall be issued or approved to be issued by the State Council. In October 2016, the NDRC and MOFCOM issued a notice (中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告，2016年第22號) (the "**Notice 22**"), pursuant to which the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Catalogue in relation to the restricted foreign investment industries, prohibited foreign investment industries and encouraged foreign investment industries which have special requests on equities or senior managers. *The Interim Measures for Filing Administration of the Establishment and Modifications of Foreign Invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》) was issued by MOFCOM in October 2016 and amended in July 2017 and 29 June 2018 and became effective on 30 June 2018, under which the establishment and changes of foreign invested enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

REGULATIONS RELATING TO OVERSEAS LISTINGS

According to *the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《商務部關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which was amended in June 2009, according to which merger and acquisition by an overseas company incorporated or controlled by a domestic company, enterprise or natural person of any domestic company affiliated with such domestic company, enterprise or natural person shall be subject to examination and approval by the Ministry of Commerce. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

HISTORY AND DEVELOPMENT

The history of our Group can be traced back to August 2003 when Jiangnan Precision was founded. At the time of its establishment, the registered capital of Jiangnan Precision was RMB28 million and was held as to 20% by Mr. Mei and 80% by Jiangnan Industrial Group which (i) was then owned as to 28.50% by Mr. Mei Hekang (梅鶴康先生), father of Mr. Mei, and 71.50% by the Villagers' Committee of Wuyi Village of Hengshan Town, Wujin City (武進市橫山橋鎮五一村村民委員會), a collective organisation set up by villagers in the countryside to promote economic development and administer social welfare of the villagers; and (ii) was owned as to 90% by Mr. Mei and 10% by Mr. Mei Hekang (梅鶴康先生) as at the Latest Practicable Date. The registered capital of Jiangnan Precision was funded by the own financial resources of Mr. Mei and Jiangnan Industrial Group respectively. For the biography of Mr. Mei, please refer to the section headed "Directors And Senior Management" in this prospectus.

As at the Latest Practicable Date, our production was conducted through our PRC operating subsidiary, Jiangnan Precision, which operated our production facility in Changzhou City, the PRC, and principally engages in steel processing business.

For further information of our products and production facility, please refer to the sections headed "Business – Our products" and "Business – Production – Production facility and equipment" in this prospectus.

The table below sets out some of our major events and milestones in the development of our business:

Year	Events
2003	Jiangnan Precision was founded.
2005	We commenced our operation in Changzhou City, Jiangsu Province.
2006	We were awarded ISO9001 quality management system certification, ISO14001 environmental management system certification and GB/T 28001 occupational health and safety management system certification.
2007	We were recognised as high and new technology enterprise of Jiangsu Province (江蘇省高新技術企業) and our products were awarded as high and new technology products (高新技術產品).
2013	We were awarded as management innovation outstanding enterprise of Jiangsu Province (江蘇省管理創新優秀企業).
	Our product, unpainted galvanized steel products in coil form, was awarded as brand-name product of Jiangsu Province (江蘇省名牌產品).

Year	Events
2016	We were awarded as the second-tier enterprise of safe manufacturing standardization of Jiangsu Province (江蘇省安全生產標準化二級企業).
2017	We established our automated production line of colour coating.

CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company, East Pacific, KangLi HK and Jiangnan Precision. We underwent the Reorganisation for the purpose of the Global Offering, further details of which are set out in the paragraph headed "Reorganisation" below.

Our Group

The table below sets out some brief details of our Company and its subsidiaries as at the Latest Practicable Date:

Entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Amount of registered capital/issued share capital	Amount of paid up capital	Principal activities
Our Company	21 December 2017	Cayman Islands	HK$380,000	HK$0.2	Investment holding
East Pacific	3 July 2017	BVI	US$50,000	US$1	Investment holding
KangLi HK	17 July 2017	Hong Kong	HK$10,000	HK$10,000	Investment holding
Jiangnan Precision	8 August 2003	PRC	RMB250 million	RMB250 million	Manufacture, process and sale of precision steel material for home appliance industry; manufacture, process and sale of cold-rolled steel coil, galvanized steel coil and sheet, colour coated coil and sheet, automatic coating coil and sheet for metal material; sale of metal material and ferrous chloride

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 December 2017. At the time of its incorporation, the initial authorised share capital of our Company was HK$380,000 divided into 380,000,000 Shares of HK$0.001 each. On the date of its incorporation, one Share was allotted, issued to, and fully paid by the initial subscriber, who then on the same day transferred that one Share to Newrich BVI, and additional 79 Shares were allotted, issued to, and fully paid by Newrich BVI, which was wholly owned by Mr. Mei. On the same day, another 20 Shares were allotted, issued to, and fully paid by Star Century, which was wholly owned by Ms. Liu.

On 16 March 2018, pursuant to the Subscription Agreement (as defined below in this section) and as part of the Reorganisation and Pre-IPO Investment, 72 Shares, 18 Shares and 10 Shares were allotted and issued to Newrich BVI, Star Century and West Capital respectively. Subsequent to the completion of the Pre-IPO Investment, our Company was owned as to 76% by Newrich BVI, 19% by Star Century and 5% by West Capital. The relevant Shares issued to Newrich BVI, Star Century and West Capital had been credited as fully paid as at the Latest Practicable Date. For further details, please refer to the paragraph headed "Pre-IPO Investment" in this section below.

Please also refer to the section headed "Statutory And General Information – 1. Further information about our Group – 1.2. Changes in the share capital in our Company" in this prospectus for further details of the changes in our Company's share capital.

East Pacific

East Pacific was incorporated as an investment holding company in the BVI with limited liability on 3 July 2017. The number of authorised shares of East Pacific is 50,000 shares of US$1.00 each. On 29 August 2017, one share in East Pacific was allotted, issued to, and fully paid by Ms. Liu. On 16 January 2018, Ms. Liu transferred her entire equity interest in East Pacific to our Company at the consideration of US$1.00, being the nominal amount of the share in East Pacific held by Ms. Liu. The consideration was fully settled in cash on 16 January 2018. As a result, East Pacific became a direct wholly owned subsidiary of our Company.

KangLi HK

KangLi HK is an investment holding company which was incorporated in Hong Kong on 17 July 2017. On the date of its incorporation, 10,000 shares in KangLi HK were allotted, issued to, and fully paid by Ms. Liu at a total subscription price of HK$10,000. On 24 October 2017, Ms. Liu transferred her entire equity interest in KangLi HK to East Pacific at the consideration of HK$10,000, being the entire issued share capital of KangLi HK held by Ms. Liu. As a result, KangLi HK became wholly owned by East Pacific.

Jiangnan Precision

Jiangnan Precision was established in the PRC on 8 August 2003. At the time of the establishment of Jiangnan Precision, its paid up registered capital was RMB28 million. Jiangnan Precision was then owned as to 80% by Jiangnan Industrial Group (which (i) was then owned as to 28.50% by Mr. Mei Hekang, father of Mr. Mei, and 71.50% by the Villagers' Committee of Wuyi Village of Hengshan Town, Wujin City (武進市橫山橋鎮五一村村民委員會); and (ii) was owned as to 90% by Mr. Mei and 10% by Mr. Mei Hekang as at the Latest Practicable Date), and 20% by Mr. Mei respectively.

In September 2004, the registered capital of Jiangnan Precision was increased from RMB28 million to RMB100 million. Subsequent to the increase in the registered capital, Jiangnan Precision remained to be held as to 80% by Jiangnan Industrial Group and 20% by Mr. Mei. The amount of increase in the registered capital, being RMB72 million had been fully paid up by 15 September 2004.

In September 2005, Jiangnan Industrial Group entered into an equity transfer agreement with Mr. Mei for the transfer of its 70% equity interests in Jiangnan Precision to Mr. Mei at the consideration of RMB70 million, which were determined based on the then paid up registered capital of Jiangnan Precision in the amount of RMB100 million. The consideration was fully settled in cash and the transfer was completed in September 2005. Subsequent to the transfer, Jiangnan Precision was owned as to 90% by Mr. Mei and 10% by Jiangnan Industrial Group.

In October 2008, it was resolved by a shareholder's resolution of Jiangnan Precision to increase its registered capital from RMB100 million to RMB250 million by way of additional cash contribution by Jiangnan Tiehejin. Jiangnan Tiehejin made such contribution from its own financial resources and the entire additional cash contribution had been fully paid up by 21 October 2008. Following the increase of registered capital, Jiangnan Precision was owned as to 60% by Jiangnan Tiehejin (which was then owned as to 90% by Mr. Mei and 10% by Mr. Mei Hekang), 36% by Mr. Mei, and 4% by Jiangnan Industrial Group.

Jiangnan Precision principally engages in manufacture, process and sale of precision steel material for home appliance industry; manufacture, process and sale of cold-rolled steel coil, galvanized steel coil and sheet, colour coated coil and sheet, automatic coating coil and sheet for metal material; sale of metal material and ferrous chloride.

PRE-IPO INVESTMENT

Background of our pre-IPO investor

West Capital

West Capital is a company incorporated in the BVI with limited liability. Its sole shareholder and sole director is Ms. Yu Rumin ("**Ms. Yu**"), who has been acquainted with Mr. Mei through social occasions in Changzhou City, Jiangsu Province, the PRC for over ten years. Incorporated on 15 February 2017, West Capital principally engages in investment holding. Ms. Yu is an executive director and controlling shareholder of Nanfang Communication Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1617) ("**Nanfang Communication**"), whose headquarters is also located in Changzhou City, Jiangsu Province, the PRC.

Other than the Pre-IPO Investment, to the best knowledge and belief of our Directors, West Capital and its ultimate beneficial owner, Ms. Yu, were Independent Third Parties. Our Directors believe that West Capital decided to invest in our Group as it was optimistic about the business prospect of our Group. The investment of West Capital was financed by Ms. Yu's personal resources.

The Subscription Agreement

On 6 March 2018, our Company entered into a subscription agreement (the "**Subscription Agreement**") with West Capital, pursuant to which West Capital, as a strategic investor, agreed to subscribe for and our Company agreed to issue 10 Shares, representing 5% interest in our Company as enlarged by such subscription at a consideration of HK$20,000,000. The consideration was properly and legally completed and settled by West Capital on 12 March 2018 by a payment made by West Capital to our Company. The allotment and issue of 10 Shares to West Capital were completed on 16 March 2018. As a result, West Capital became a shareholder of our Company, holding 5% of the issued share capital of our Company.

FURTHER DETAILS OF PRE-IPO INVESTMENT

Further details of the investment by West Capital

Date of the Subscription Agreement:	6 March 2018
Consideration:	HK$20,000,000

Basis of consideration:	a price earnings ratio (based on the after-tax profit attributable to the shareholders of Jiangnan Precision, the major operating subsidiary of the Company for the year ended 31 December 2016 in the amount of approximately RMB34,736,000 (equivalent to approximately HK$40,000,000) as referred to in the unaudited consolidated financial statements of Jiangnan Precision for the financial year ended 31 December 2016 of approximately 10 times have been adopted.
Date of payment:	12 March 2018
Cost per Share paid by pre-IPO investor (taking into account the Capitalisation Issue)	approximately HK$0.89
Discount to Offer Price range (Notes 1 and 2):	approximately 22.7%
Strategic benefits that West Capital would bring:	Our Directors believe that the investment made by Ms. Yu through West Capital, as shareholder of our Company, will bring strategic benefits to our Group by providing possible business development opportunities and connections to our Group through informal gatherings and meetings amongst potential investors in the area in light of Ms. Yu's connections and social status in Wujin District where our Group is based, and investments which Ms. Yu and her family members have made. As a qualified senior economist (高級經濟師), a certified tax planner (註冊納稅籌劃師), an executive director and controlling shareholder of Nanfang Communication and an experienced investor, our Group expects that her participation as a shareholder at the general meetings will bring insights to our Group's business strategies. Further, the investment made by Ms. Yu and West Capital provides the possibility for our Group to take advantage of the experience and network of Ms. Yu in the Hong Kong capital markets. Our Directors believe that the investment made by West Capital will serve as additional capital for our business and increase our liquidity to strengthen our Group's financial position.

Shareholding in our Company upon completion of the Reorganisation and Pre-IPO Investment on a fully diluted basis:	10 Shares (representing 5% of the total issued share capital of our Company upon completion of the Pre-IPO Investment)
Shareholding in our Company immediately following completion of the Capitalisation Issue and the Global Offering:	22,500,000 Shares (representing 3.75% of the total issued share capital of our Company upon completion of the Capitalisation Issue and the Global Offering)
Relationship with our Group:	Save for the shareholding in our Company, West Capital and its sole ultimate beneficial owner, Ms. Yu, are both Independent Third Parties.
Use of proceeds:	The entire net proceeds from West Capital of HK$20,000,000 has been injected to our Company on 12 March 2018. All such net proceeds being HK$20,000,000 from West Capital has been utilized for settlement of part of payment for the Reorganisation.
Lock-up period:	N/A
Public float:	The Shares to be held by West Capital upon Listing will be considered as part of the public float for the purpose of Rules 8.08 and 8.24 of the Listing Rules.

Notes:

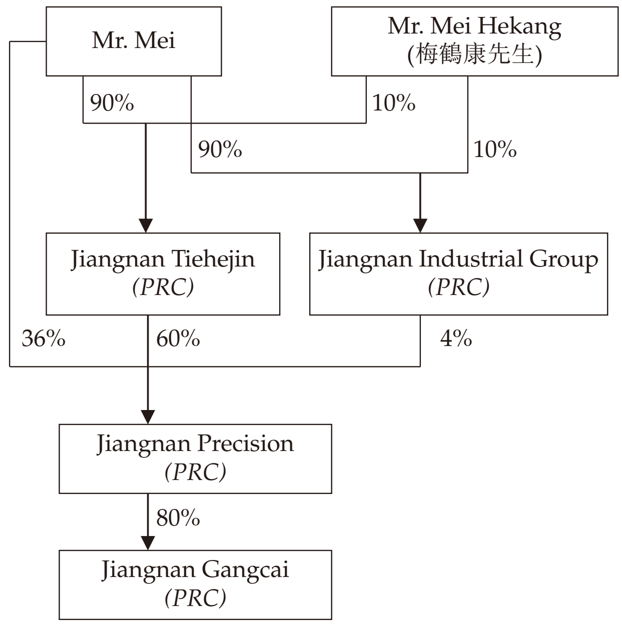
1. Calculation is based on a total of 600,000,000 Shares, being the number of Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised).

2. Calculation is based on HK$1.15 per Share, being the mid-point of Offer Price range stated in this prospectus.

The Sole Sponsor has confirmed that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investment issued in January 2012 and updated in March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange based on their review of relevant documents.

REORGANISATION

The shareholding and group structure of our Group prior to our Reorganisation is as follows:



Our Group underwent the Reorganisation prior to Listing which involved the following steps:

Incorporation of KangLi HK

KangLi HK was incorporated in Hong Kong on 17 July 2017 with issued share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On the date of its incorporation, 10,000 shares in KangLi HK were allotted, issued to, and fully paid by Ms. Liu at a total subscription price of HK$10,000. As a result, KangLi HK became wholly owned by Ms. Liu.

Incorporation of East Pacific

On 3 July 2017, East Pacific was incorporated in the BVI with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 29 August 2017, one share in East Pacific was allotted, issued to, and fully paid by Ms. Liu. As a result, Ms. Liu was interested in the entire issued share capital of East Pacific.

Disposal of Qingdao Jiangnan Gangcai Jiagong Limited (青島江南鋼材加工有限公司) ("Jiangnan Gangcai")

On 21 September 2017, pursuant to an equity transfer agreement between Jiangnan Precision and Liu Jinyuan (劉金元), an Independent Third Party, Jiangnan Precision transferred to Liu Jinyuan (劉金元) its 80% equity interests in Jiangnan Gangcai for a consideration of RMB8 million. The consideration was determined with reference to the then paid up registered capital of Jiangnan Gangcai in the amount of RMB10 million. The relevant filing with Market Supervision Administration of Chengyang District of Qingdao City (青島市城陽區市場監督管理局) was completed on 27 September 2017, and the consideration was fully settled in cash on 8 March 2018. Jiangnan Gangcai engaged in sale of galvanized coil up to March 2017 and it has ceased business operation since then. We conducted sale of galvanized coil to certain customers located in Qingdao City, Shandong Province, the PRC through Jiangnan Gangcai prior to March 2017 and as confirmed by our Directors, for more efficient business management by centralizing the sales functions in Jiangnan Precision, our Group has decided to dispose of Jiangnan Gangcai in 2017. Jiangnan Precision currently conducts sale of galvanized coil with customers directly rather than through Jiangnan Gangcai, and therefore we decided to dispose of Jiangnan Gangcai. Our Directors confirmed that Jiangnan Gangcai has not been involved in any non-compliance, litigation nor subjected to any investigation of material nature prior to its disposal by our Group. Our Directors confirmed that the disposal of Jiangnan Gangcai has no impact on our Group's business and financial performance in 2017 and onward as we continued to conduct sale of galvanized coil with our customers through Jiangnan Precision direct. Subsequent to the transfer, Jiangnan Precision is no longer a shareholder of Jiangnan Gangcai. Our PRC Legal Adviser has confirmed that the above transfer has complied with relevant PRC laws and regulations.

Acquisition of the entire issued capital of KangLi HK by East Pacific

On 24 October 2017, Ms. Liu transferred her entire equity interest in KangLi HK to East Pacific at the consideration of HK$10,000, being the entire issued share capital of KangLi HK held by Ms. Liu. As a result, KangLi HK became a direct wholly owned subsidiary of East Pacific on 24 October 2017.

Acquisition of the 10% equity interests in Jiangnan Precision by KangLi HK

On 30 October 2017, pursuant to an equity transfer agreement between KangLi HK and Jiangnan Tiehejin, Jiangnan Tiehejin transferred to KangLi HK its 10% equity interests in Jiangnan Precision for a consideration of RMB7 million. The consideration was determined based on a valuation report (the "**October 2017 Valuation Report**") issued by Henan Mingtai Asset Valuation Firm (河南明泰資產評估事務所(普通合伙)), an independent valuer, dated 23 October 2017. The relevant filing with Management Committee of Economic Development Zone of Changzhou City of Jiangsu (江蘇常州經濟開發區管理委員會) was completed on 10 November 2017. The relevant filing with Bureau of Administration Approval of Wujin District of Changzhou City (常州市武進區行政審批局) was completed on 5 December 2017. The consideration was fully settled in cash on 16 March 2018. Subsequent to the transfer, Jiangnan Precision became a Sino-foreign Equity Joint Venture, which was then held as to 10% by KangLi HK, 50% by Jiangnan Tiehejin, 36% by Mr. Mei and 4% by Jiangnan Industrial Group. Our PRC Legal Adviser has confirmed that the above transfer has complied with relevant PRC laws and regulations.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 December 2017. At the time of its incorporation, the initial authorised share capital of our Company was HK$380,000 divided into 380,000,000 Shares of HK$0.001 each. On date of its incorporation, one Share was allotted, issued to, and fully paid by the initial subscriber, who then on the same day transferred that one Share to Newrich BVI, and additional 79 Shares were allotted, issued to, and fully paid by Newrich BVI, which was wholly owned by Mr. Mei. On the same day, another 20 Shares were allotted, issued to, and fully paid by Star Century, which was wholly owned by Ms. Liu.

Acquisition of the entire issued share capital of East Pacific by our Company

On 16 January 2018, Ms. Liu transferred her entire interest in East Pacific to our Company at the consideration of US$1.00, being the nominal amount of the share in East Pacific held by Ms. Liu. Following the transfer, East Pacific became a direct wholly owned subsidiary of our Company.

Acquisition of the entire equity interests in Jiangnan Precision by KangLi HK

On 19 January 2018, pursuant to an equity transfer agreement amongst KangLi HK, Jiangnan Tiehejin, Mr. Mei and Jiangnan Industrial Group, each of Jiangnan Tiehejin, Mr. Mei and Jiangnan Industrial Group transferred to KangLi HK their respective equity interests in Jiangnan Precision for a consideration of RMB35 million, RMB25.2 million and RMB2.8 million, respectively. The consideration was determined based on the October 2017 Valuation Report. The relevant filing with Management Committee of Economic Development Zone of Changzhou City of Jiangsu (江蘇常州經濟開發區管理委員會) was completed on 29 January 2018. The relevant filing with Bureau of Administration Approval of Wujin District of Changzhou City (常州市武進區行政審批局) was completed on 5 February 2018. The consideration was fully settled in cash on 10 May 2018. Subsequent to the transfer, Jiangnan Precision became a direct wholly owned subsidiary of KangLi HK. Our PRC Legal Adviser has confirmed that the above transfer has complied with relevant PRC laws and regulations.

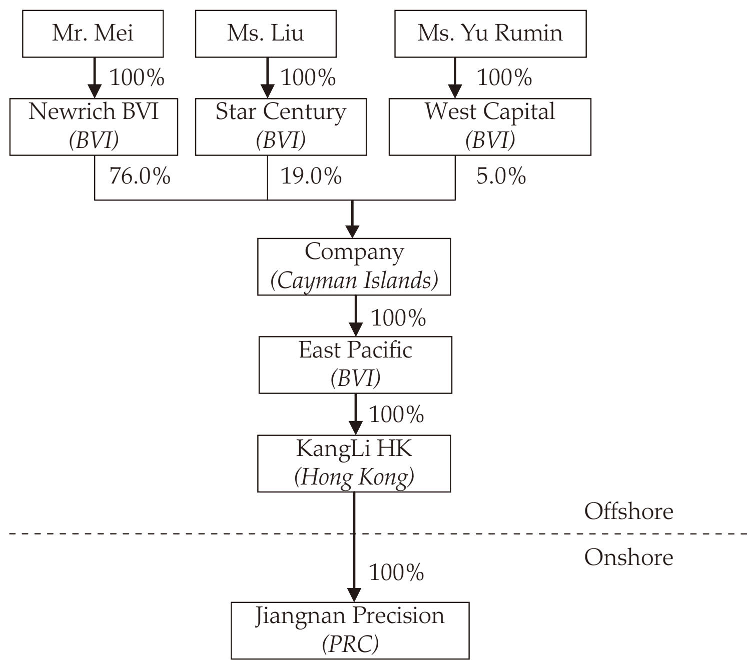
Pre-IPO Investment

On 6 March 2018, our Company entered into the Subscription Agreement with West Capital, pursuant to which West Capital agreed to subscribe for and our Company agreed to issue 10 Shares, representing 5% interest in our Company as enlarged by such subscription for a consideration of HK$20,000,000. On 12 March 2018, the consideration was fully settled by West Capital in cash. On 16 March 2018, 72 Shares, 18 Shares and 10 Shares were allotted and issued to Newrich BVI, Star Century and West Capital respectively. Subsequent to the completion of the Pre-IPO Investment, our Company was owned as to 76% by Newrich BVI, 19% by Star Century and 5% by West Capital. The relevant Shares issued to Newrich BVI, Star Century and West Capital had been credited as fully paid as at the Latest Practicable Date. For further details, please refer to the paragraph headed "Pre-IPO Investment" in this section.

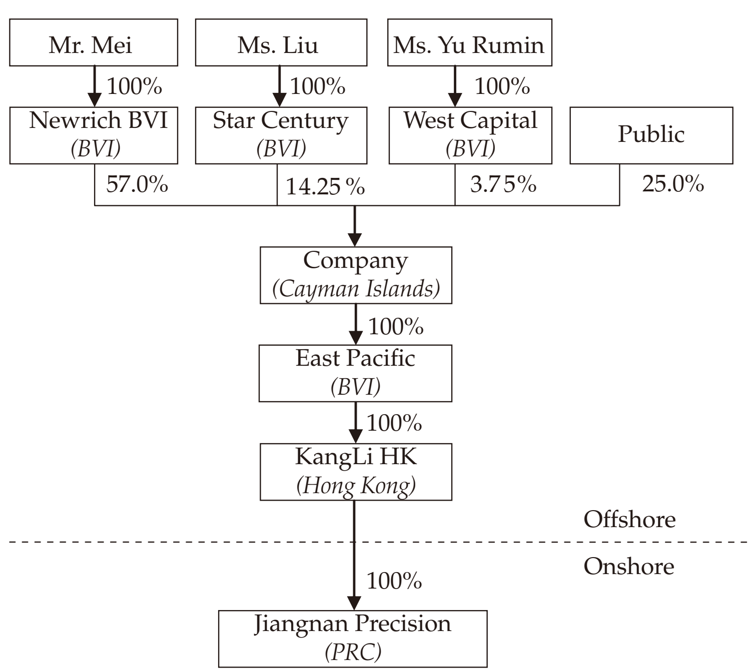
Upon completion of the Reorganisation in February 2018, our Company became the holding company of our Group.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart shows the shareholding structure of our Company immediately after the Reorganisation but before completion of the Capitalisation Issue and the Global Offering:



The following chart shows the shareholding structure of our Company immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised at all):



Each of the acquisitions and equity transfers pursuant to the Reorganisation has been properly and legally completed and settled, including all applicable regulatory approvals having been obtained.

M&A RULES

Pursuant to Article 11 of the M&A Rules, where a domestic individual or enterprise intends to implement a merger and acquisition of his/her/its related domestic company in the name of an offshore company which he/she/it lawfully establishes or controls, such merger and acquisition shall be subject to the examination and approval of the MOFCOM.

As advised by our PRC Legal Adviser, the acquisition of the 10% equity interests in Jiangnan Precision by KangLi HK, as described in the paragraph headed "History, Reorganisation And Development — Reorganisation" in this prospectus, constituted a foreign investor's acquisition of domestic enterprise regulated by M&A Rules. As Kangli HK, sole shareholder of which is Ms. Liu who holds the passport of Saint Kitts and Nevis at the time of aforesaid acquisition, is not established or controlled by domestic residents, Article 11 of the M&A Rules is not applicable to its acquisition of the 10% equity interests in Jiangnan Precision and therefore is not subject to the examination and approval of the MOFCOM.

M&A Rules is not applicable to the acquisition of the entire equity interests in Jiangnan Precision by KangLi HK as described in the paragraph headed "History, Reorganisation And Development — Reorganisation" in this prospectus. However, such acquisition is subject to the relevant record filing requirements stipulated in the *Interim Measures for Record-filing Administration over the Establishment and Change of Foreign-invested Enterprises* promulgated by the Ministry of Commerce on 30 July 2017.

The Bureau of Commerce of Wujin District of Changzhou City (常州市武進區商務局), has confirmed that it holds the same view in terms of the application of M&A Rules regarding the aforesaid acquisition and has acknowledged the record-filing of the change of Jiangnan Precision resulting from the aforesaid acquisition. Our PRC Legal Adviser advised that all approvals, permits, licenses, registration or filing required by applicable PRC Laws for the aforesaid acquisition has been obtained or completed.

FOREIGN EXCHANGE REGISTRATION UNDER SAFE CIRCULAR NO. 37 AND SAFE CIRCULAR NO. 13

Pursuant to the SAFE Circular No. 37 and the SAFE Circular No. 13, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with relevant banks with respect to their investments. For details, please see the section headed "Regulations – Regulations relating to foreign exchange and overseas investment".

Mr. Mei has effected registration with Shanghai Bank, Changzhou Branch as required under the SAFE Circular No. 37 and the SAFE Circular No. 13 on 6 December 2017.

SHARE OPTION SCHEME

Please refer to the section headed "Statutory And General Information — 3. Further information about our Directors and Substantial Shareholders — 3.5 Share Option Scheme" in Appendix IV to this prospectus for a summary of the principal terms of the Share Option Scheme.

OVERVIEW

We are a leading midstream galvanized steel products manufacturer in the home appliance sector in Jiangsu Province, the PRC. According to the F&S Report, we are the largest market player in the galvanized steel product market in Jiangsu Province in terms of revenue in 2017, and we ranked third with a market share of 3.9% in the galvanized steel product market in the home appliance sector in the PRC in terms of revenue in 2017. We ranked 16th with a market share of 0.5% in the galvanized steel product industry in the PRC by revenue in 2017. The market size by revenue of the galvanized steel product industry in the home appliance sector in Jiangsu Province amounted to approximately RMB3.5 billion in 2017. We primarily engage in production and sales of (i) unpainted galvanized steel products to midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products, for their onward sales mainly to home appliance manufacturers; and (ii) Cold Rolled Steel Products to home appliance manufacturers for production of home appliances such as refrigerators, washing machines and ovens. Our Directors confirm that we differentiate ourselves from our customers who are midstream steel products processors, in the light that we, via our hot-dip galvanisation production line, process hot rolled steel coils/hard steel coil into unpainted galvanised steel products which are then sold to these midstream steel products processors for their subsequent processing such as cutting, polishing and color coating. In the light that white home appliances require certain qualities including corrosion resistance, galvanized steel products, which are coated with a layer of zinc on the surface of steel and with lower costs than stainless steel, are considered superior in terms of cost and durability, and thus our Directors and F&S consider that there are no direct substitutes to our Group's products in the market. Our Cold Rolled Steel Products are sold under the trademark of "江南".

We procure hot rolled steel coils for processing into our Cold Rolled Steel Products at our production facility located in Changzhou City, Jiangsu Province. Our main products include (i) hard steel coil (軋硬卷) and (ii) hot-dip galvanized steel products (熱鍍鋅產品), which can be further categorized into painted galvanized steel products (彩塗鍍鋅產品) and unpainted galvanized steel products (非彩塗鍍鋅產品). Hot-dip galvanized steel products, being our principal products, accounted for approximately 95.7%, 96.1%, 95.6% and 94.7% of our total revenue during the Track Record Period, respectively. For the years ended 31 December 2015, 2016 and 2017, we have managed to attain a growth of our hot-dip galvanized steel products in terms of revenue, which amounted to approximately RMB1,091.3 million, RMB1,215.3 million and RMB1,431.9 million for the same period, respectively. Set forth below is a breakdown of our sales volume, average selling price, revenue and percentage of revenue by product type during the Track Record Period:

	For the years ended 31 December												For the four months ended 30 April							
	2015				2016				2017				2017				2018			
	Sales volume	Average selling price (1)	Revenue	% of revenue	Sales volume	Average selling price (1)	Revenue	% of revenue	Sales volume	Average selling price (1)	Revenue	% of revenue	Sales volume	Average selling price (1)	Revenue	% of revenue	Sales volume	Average selling price (1)	Revenue	% of revenue
	(tonnes)	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*
Cold Rolled Steel Products																				
Hard steel coil	15,850	3,118	49,418	4.3	15,750	3,098	48,798	3.9	16,350	4,014	65,628	4.4	4,676	4,022	18,822	3.8	5,890	4,504	26,528	5.3
Hot-dip galvanized steel products	260,400	4,191	1,091,298	95.7	300,480	4,045	1,215,311	96.1	270,590	5,292	1,431,909	95.6	88,827	5,408	480,349	96.2	85,301	5,608	478,321	94.7
– unpainted galvanized steel products	224,370	3,981	893,206	78.3	247,630	3,832	948,931	75.0	229,840	5,152	1,184,024	79.1	76,117	5,263	400,617	80.2	71,338	5,410	385,940	76.4
– painted galvanized steel products	36,030	5,498	198,092	17.4	52,850	5,040	266,380	21.1	40,750	6,083	247,885	16.5	12,710	6,273	79,732	16.0	13,963	6,618	92,381	18.3
Total	276,250		1,140,716	100	316,230		1,264,109	100	286,940		1,497,537	100	93,503		499,171	100	91,191		504,849	100

Note:

1. Average selling price is calculated by the total revenue generated from the sales of each product during the respective period divided by the sales volume for each product during the same period.

Our customers primarily comprise midstream steel product processors and home appliance manufacturers which purchase our Cold Rolled Steel Products for the production of end products. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our top five customers (taken, where relevant, on a group basis) in aggregate accounted for approximately 61.1%, 60.7%, 60.1% and 61.8% of our total revenue of the corresponding periods, respectively. During the same period, revenue from our largest customer (taken on a group basis) accounted for approximately 22.8%, 18.9%, 19.0% and 22.9%, respectively, of our total revenue. To cater for customers' needs and meet the demand for our Cold Rolled Steel Products in a timely manner, we assign specific sales personnel from our sales department to communicate and deal with customers from different regions in the PRC and manage our overseas sales.

The principal raw materials involved in our operation are hot rolled steel coils. To secure stable supply of hot rolled steel coils, we entered into annual framework agreement with Supplier C, in which salient terms such as expected annual supply of hot rolled steel coils, pricing and delivery arrangement are set out. Please refer to the paragraph headed "Business — Raw materials, procurement and suppliers — Our suppliers — Framework agreement with Supplier C" in this section for further details. During the Track Record Period, approximately 80.8%, 81.9%, 85.2% and 88.8% of our total purchases were attributable to our top five suppliers, respectively, while the total purchases attributable to our top supplier in 2015, 2016 and 2017 and the four months ended 30 April 2018, accounted for approximately 23.8%, 41.4%, 40.7% and 45.3% of the total purchases of the respective periods.

Leveraging on our full line of high quality products with strong production know-how, strategic location in Eastern China with close proximity to major customers and suppliers, long-standing business rapport with key suppliers and customers, stringent quality control and our experienced and dedicated management team, we achieved stable growth in earnings for the years ended 31 December 2015, 2016 and 2017. Our gross profit increased from approximately RMB94.0 million in 2015 to approximately RMB161.5 million in 2017, representing a CAGR of approximately 31.1%. We recorded a continuous increase in our gross profit margin, which was approximately 8.2%, 9.2% and 10.8% for the years ended 31 December 2015, 2016 and 2017, respectively, primarily attributable to improved yield rate (成材率) across the respective periods, which amounted to approximately 85.2%, 85.5% and 87.0%, respectively. Our yield rate further increased to 89.6% for the four months ended 30 April 2018. For further details, please refer to the paragraphs headed "Business — Our competitive strengths — Full line of high quality products with strong production know-how" and "Business — Production — Yield rate (成材率)" in this section below. Our net profit margin was approximately 1.5%, 2.7% and 4.4%, respectively, for the same period, primarily attributable to decreased processing fee with the introduction of our in-house colour coating line and the cessation of the subcontracting of our colour coating process in 2017.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to consolidate our leading position in the galvanized steel product industry in the home appliance sector in Jiangsu Province, the PRC:

Full line of high quality products with strong production know-how

We pride ourselves on our capability to offer full line of products from hard steel coil to unpainted and painted galvanized steel products finished with various thickness, size and surface quality to meet a variety of customers' specific requirements. We can fulfil customers' specific demands on each process as we offer in-house production processes ranging from pickling to slitting and cutting. We differentiate ourselves from traditional galvanized steel product market players as we are able to offer a wide range of customization options on our Cold Rolled Steel Products to the customers with our full line of products offered. As a result of our long-standing business relationship with our suppliers, we are able to swiftly procure customized hot rolled steel coils of different specifications such as thickness and width from our suppliers and produce Cold Rolled Steel Products according to our customers' requirements. For further details of our production process, please refer to the paragraph headed "Business — Production — Production process" in this section.

We believe that our strong production know-how also distinguishes us from our competitors and allows us to produce Cold Rolled Steel Products which are capable of catering for demand for high-end products. For example, with the embossing related invention patent that we own, we are able to process the unpainted galvanized steel products in coil form through our single-sided embossing process for customers to achieve higher thickness tolerances and elongated coils at the end of the hot-dip galvanization line. We have incorporated the single-sided embossing process into the hot-dip galvanization line, such that the production process for galvanizing and embossing are streamlined, which resulted in shortened production time. With our unpainted galvanized steel related invention patent, the surface of our unpainted galvanized steel products in coil form has achieved a higher quality grading than the national standard of GB/T 2518-2008. For further details of our invention patents, please refer to the paragraph headed "Business — Product development" in this section below. Our Directors believe that some of our customers chose us as their supplier as a result of the competitive edges brought by our existing patents and know-how. Furthermore, with the introduction of our in-house colour coating line in early 2017, which decreased our subcontracting fees in respect of the colour coating process to subcontractors, we were benefited from the overall improvement in the financial performance brought by the in-house color coating line. Set out below is the cost saving analysis:

	2016	**2017**
Total sales volume of painted galvanized steel products	52,850 tonnes	40,750 tonnes(Note)
Cost incurred for subcontracting/ in-house colour coating	RMB53.2 million	RMB32.9 million
Average expenses for painted galvanized steel products	RMB1,006.6/tonne	RMB807.4/tonne

Note: Painted galvanized steel products produced by our in-house colour coating line formed the major part of the sales volume of approximately 40,750 tonnes in 2017, primarily due to the commencement of our in-house color coating line in early 2017 and cessation of subcontracting the color coating process to third party suppliers.

Strategically located in Eastern China with close proximity to major customers and suppliers

Our production facility is strategically located in Changzhou City, which is (i) one of the central cities of Jiangsu Province, the second largest province for steel production in the PRC; and (ii) in the proximity of Hefei City, being one of the major home appliance manufacturing bases in China. In addition, as Changzhou City is accessible to Yangtze River, our production facility's location allows us to deliver our products through waterway transportation, which we believe is a cost-efficient method to deliver our products to the customers situated in the waterway areas. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, approximately 72.6%, 73.7%, 75.9% and 74.3% of our revenue has derived from customers in Eastern China, respectively. As a result, our strategic location affords us logistical advantages, lower transportation costs and shorter transportation time.

In addition, we have easy access to our major suppliers. Two of our major suppliers, namely Supplier A and Supplier C, are both situated in less than 200 kilometres from the location of our production facility. As the principal raw materials used in the production of Cold Rolled Steel Products, i.e. hot rolled steel coils, 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 to our production facility and enables timely access to raw materials if and when additional raw materials are required.

Leveraging on our close proximity with our suppliers and customers, we produce and deliver our Cold Rolled Steel Products to majority of our customers within approximately 10 to 15 days from the day of procuring our raw materials, which affords considerable convenience and flexibility to our customers as well as enhancing our inventory management efficiency as the storage time for our inventory and finished products could be reduced.

Long-standing business rapport with key suppliers and customers

We have established stable and long-standing business relationship with our two major suppliers and customers. We have established business relationship of at least 3 to 13 years with most of our top five suppliers during the Track Record Period. Our close business relationships with our major suppliers underpin our ability to have ready access to different grades and specifications of steel raw materials, which suit different production requirements of our customers. We believe that as a result of the long-standing business relationship with our major suppliers and our bulk purchase volume, we have been able to maintain a stable supply of high quality hot rolled steel coils with favourable pricing terms. We believe that our long-standing and stable relationship with our suppliers have also helped us strengthen our relationship with our customers and maintain our competitiveness.

Further, we have maintained 6 to 12 years of business relationship with our top five customers during the Track Record Period. According to F&S, clients of large-scale galvanized steel products, including home appliance manufacturers, tend to stick with certain galvanized steel products providers with whom they have maintained a long-term cooperation and trust. We believe that the rapport with our customers will provide solid basis for our future growth.

Stringent quality control

We pride ourselves on the quality of our Cold Rolled Steel 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 and finished products. Our products are required to pass our internal quality tests before reaching to our customers. Our Group has obtained ISO9001:2015 and ISO14001:2015 certifications in relation to the quality management system since 2016. We have been accredited by the Jiangsu Administration of Work Safety Supervision (江蘇省安全生產監督管理局) as a Class-II Enterprise for Work Safety Standardization (安全生產標準化二級企業). We were also awarded as the Model Enterprise for Work Safety (安全生產示範企業) by the Changzhou City Commission for Work Safety Wujin Branch (常州市武進區安全生產委員會) in 2016.

We believe that our Group's strong emphasis on stringent quality control has been an important factor to our Group's past success and is a necessity in ensuring our Group's success in the future. Our quality control measures include the selection of suppliers and subcontractors, raw materials inspections, quality control throughout the production process and quality control on the products processed by our subcontractors. Further details of our Group's quality control measures are set out in the paragraph headed "Business — Quality control" in this section below.

As a result of our refined quality control management system, we have managed to maintain a relatively low product replacement rate. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the average product replacement rate of our products were approximately 0.06%, 0.05%, 0.16% and 0.17%, respectively. Our Directors consider that our refined quality control management system and low product replacement 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

Our management team has extensive experience in the metallic manufacturing and steel processing industry. Most of our executive Directors and senior management have more than 10 years of work experience in the steel processing sector. Mr. Mei, our executive Director, was awarded a bachelor's degree in Electronic Engineering from Nanjing University (南京大學), the PRC in July 2000 and has over 15 years of experience in the steel processing industry. Ms. Liu, our executive Director and our Chairman, obtained a diploma in Business Administration from Jinling Vocational Institute (金陵職業大學) (currently known as Jinling Institute of Technology (金陵科技學院)), the PRC in July 2001 and a bachelor's degree of Business (International Business) from Queensland University of Technology, Australia in 2004. Ms. Liu has been serving in our Group for over 12 years and is primarily responsible for overall operations and management of our Group. Mr. Zhang, our executive Director and our Chief Executive Officer, has over 18 years of experience in the production and operations management in plastic and aluminium profile industry. Mr. Zhang graduated from Shandong Continuing Education College of Technology (山東科技進修學院), the PRC with a degree in Industrial Electrification Technology in July 2011 through distance learning. Mr. Zhang has been serving in our Group at various positions and is knowledgeable in the production and procurement processes for over 10 years. Mr. Zhang is mainly responsible for production and operations management of our Group. Mr. Xu, our executive Director, has over 7 years of experience in the galvanized steel product industry. Mr. Xu obtained a bachelor's degree in Technology and Instrument of Measurement and Control (測控技術與儀器) from Nanjing Normal University (南京師範大學), the PRC in July 2010. For further details of the experience of our executive Directors, please refer to the section headed "Directors And Senior Management" in this prospectus.

According to the F&S Report, galvanized steel product business requires management team with experience and industry insights to formulate raw materials procurement plans and manage the inventory level in light of the fluctuation of steel price and its impact on the profitability of the market players. We believe that our management team's experience and knowledge in the metallic manufacturing and steel processing industry will continue to enable us to formulate effective business strategies, explore other business opportunities in the galvanized steel product market, manage risks and consolidate our leading position in the PRC as a midstream galvanized steel products manufacturer.

OUR BUSINESS STRATEGIES

We plan to develop and strengthen our Group's galvanized steel manufacturing business and become a core midstream galvanized steel products manufacturer in the home appliance sector in the PRC by (i) expanding production capacity and product range diversity to increase our market penetration in the galvanized steel product market, in particular the home appliance sector; and (ii) further enhancing product development capability. To achieve these goals, we plan to implement the following strategies:

Expand production capacity and product range diversity to increase our market penetration in the galvanized steel product market, in particular the home appliance sector

We believe that expansion of our production capacity is essential to increasing our market penetration and maintaining our leading market position in the PRC. According to the F&S Report, galvanized steel product market in the PRC observed stable growth from 2012 to 2017, with the sales volume increased from approximately 35.5 million tonnes in 2012 to approximately 63.8 million tonnes in 2017, representing a CAGR of approximately 12.5% over the same period. Frost & Sullivan estimates that the galvanized steel product market in the PRC is expected to grow at a CAGR of approximately 8.4% from 2018 to 2022, and the sales volume is expected to reach approximately 96.0 million tonnes in 2022.

In particular, it is expected that the demand for high-end home appliance products would result in increased demand for galvanized steel products of higher quality. For each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the actual production volume of our hot-dip galvanization process were approximately 258,000 tonnes, 289,000 tonnes, 266,000 tonnes and 89,000 tonnes, respectively, and the utilisation rate has been persistently high during the Track Record Period, with an average utilisation rate of approximately 85.9%, 96.4%, 88.8% and 88.6%, respectively, for the same period. In view that the competitive landscape of galvanized steel product industry in the PRC in relation to the home appliance sector is fragmented, with approximately 100 to 150 market players in the galvanized steel product industry in the home appliance sector and the majority are small scale steel processors and with the top five players occupying around 32.9% of the total market share of the galvanized steel product industry in home appliance sector in terms of revenue in 2017, our Group, which ranked third in 2017 and took up around 3.9% of the total revenue generated from the galvanized steel product industry in the home appliance sector in the PRC, is confident to capture the increased demand for galvanized steel products in home appliance sector through our ability to produce high quality products and long-standing business rapport with key customers. As at the Latest Practicable Date, we operated a production facility with the constrained ability to produce unpainted galvanized steel products of specific widths ranging from 700 mm up to 1,250 mm. Due to limitation of our production facility, we have declined a number of orders from customers requiring products with widths of over 1,250 mm.

Over the years, we have been continuously expanding our manufacturing and processing capability by upgrading and expanding our manufacturing and processing facilities. In view of the substantially high utilisation rate of our hot-dip galvanization line during the Track Record Period and to enable our Group to grow persistently in the future by strengthening our market position and capturing the market growth, we intend to set up a new hot-dip galvanization line to increase our production capacity of unpainted galvanized steel products of approximately 320,000 tonnes, representing an increase of 106.7% of our current production capacity of unpainted galvanized steel products. Such new hot-dip galvanization line is expected to reach full commercial production by the first quarter of 2021. Based on the "Catalogue for Guiding Industry Restructuring" (《產業結構調整指導目錄》) issued by the NDRC in 2011 and amended in 2013, the PRC Government would only allow for the establishment of hot-dip galvanization line with capacity not less than 300,000 tonnes. The additional hot-dip galvanization unit not only could serve to increase our existing production capacity of unpainted galvanized steel products with widths of 700 mm to 1,250 mm, but also expand our product mix by producing unpainted galvanized steel products up to a width of 1,450 mm, which will allow us to offer a more diverse range of products for white home appliance manufacturers in the PRC, i.e. products with larger dimensions which we were not capable to produce with our existing machinery, such that we could capture demand of newly introduced specifications from our existing customers and new potential customers for their production of final products with larger dimensions, such as larger refrigerators and freezers, thus we believe would increase our market penetration. Due to limitations of our existing production facility, we have declined a number of orders from existing customers requiring products with widths of over 1,250 mm. While there had been no such on-going negotiations with existing customers in view of the proposed trial production will only commence in 2020, the introduction of the hot-dip galvanization line will enable us to capture the additional demand from the market on the understanding that our customers would require products with longer width to produce large refrigerators and freezers.

Further, with the capacity of producing unpainted galvanized steel products of extended widths, our Directors believe that the additional hot-dip galvanization line will be able to increase our production flexibility and efficiency by achieving less wastage/scrap rate since the additional hot-dip galvanization unit can allow more combinations of widths of the unpainted galvanized steel products to be produced as compared to the existing hot-dip galvanization unit. For instance, the additional hot-dip galvanization unit can allow us to use raw materials of 1,450 mm width to concurrently produce two pieces of galvanized steel products with width of 722 mm, which will only create wastage of 6 mm width of raw materials. On the contrary, under the existing machinery, we could only achieve the same level of wastage only when we were able to procure raw materials with width of 728 mm, which our suppliers may not able to supply as a standard product.

In view of the increased production capacity, our Directors intend to attract new potential customers through (i) further exploration and expansion to other areas, in particular, Southern China and (ii) paying greater effort in marketing and promotion activities and expanding the size of our sales team. Our Directors also believe that the expansion plan could enhance our Group's competitiveness in the market by lowering our production cost in light of economies of scale, thus enabling our Group to offer a more competitive price to capture additional demand in the market.

Resulting from the persistent increases in our production utilisation rate, which reached near 90% in 2017, we have prioritized our sales to customers in Eastern China and reduced our sales to customers in Southern China, especially Guangdong Province, which usually generated relatively lower profit margin due to relatively higher transportation cost than other customers with closer proximity. For further details, please refer to the section headed "Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income — Geographical coverage" in this prospectus. Following the expected increase in our production capacity and the expected growing trend of the galvanized steel product market for home appliance sector in the PRC in the upcoming years, apart from capturing demand for products with different specifications, our Directors consider that the additional production capacity can allow us to capture the demand from customers in different geographical locations and can render us with sufficient capacity to further extend or increase the sales to other areas, in particular, Southern China. For the cost benefit analysis regarding the new production facilities, please refer to the paragraph headed "Business — Our business strategies — Expand production capacity and product range diversity to increase our market penetration in the galvanized steel product market, in particular the home appliance sector — Cost benefit analysis for establishing new production facilities" in this section below.

To accommodate the new production line, we intend to lease a piece of land in close proximity to our current production facility with a size of approximately 50 mu. Our Directors decided to locate the new hot-dip galvanization line in close proximity to the current production facility such that the new production facilities could continue to benefit from our strategic location in Changzhou City, Jiangsu Province and share the existing ancillary facilities with the current production facility to minimize the expansion and operating costs. As at the Latest Practicable Date, to the best knowledge of our Directors, there are two parcels of land which are in proximity to our Group's current production facilities and are available for lease and manufacturing uses. One parcel of land represents new construction land (新增建設用地) and has no planning restrictions while the other parcel of land represents second class industrial land (二類工業用地) and may be used for industrial and storage purposes. As confirmed by our PRC Legal Adviser and to the best knowledge of our Directors, as long as our Group obtains the relevant approval from the relevant government authorities and completes the relevant land use right registration procedures, there are no legal restrictions or conditions that our Group has to fulfill in order to lease the two parcels of land.

Set forth below is the list of equipment and machinery with the respective expected cost of purchase for setting up the new hot-dip galvanization line:

Type of major equipment/machinery	**Number of unit**	**Expected cost of purchase**
		RMB (million)
Hot-dip galvanization unit	1	45.0
Annealing furnace	1	20.0
Electrical control system	1	15.0
Equipment foundation and channels	N/A	20.0
Ancillary facilities	N/A	6.0
Total		**106.0**

The estimated cost to be incurred for research, survey, design and engineering supervision for the expansion plan is expected to be approximately RMB3.0 million.

Set forth below is the implementation plan, the expected capital expenditures, totalling to approximately RMB150.0 million, and the government approvals and/or permits required for our expansion plan, which had not yet commenced and no capital expenditure had been incurred as at the Latest Practicable Date:

From the Listing Date and up to the six months ending 30 June 2019

Stages	Implementation activities	Expected capital expenditures *RMB (million)*	Source of funding(4) *(net proceeds from the Global Offering/internal resources)*
Identify the land	Identify the land for construction in Changzhou City, Jiangsu Province, and negotiate terms of lease with the potential landlord	N/A	N/A
Prepare for the investment project and apply for the relevant approvals and/or permits	Apply for enterprise investment project recordal (企業投資項目案), construction land use planning permit (建設用地規劃許可證) and prepare environment Evaluation	N/A	N/A
Construction planning and design	Confirm the construction plan and design and select construction contractors	N/A	N/A
Secure the land	Enter into lease agreement with the landlord	N/A	N/A
Apply for the relevant approvals and/or permits	Apply for construction planning permit (建設工程規劃許可證), certificate of construction drawing review (施工圖審查合格證), design recordal in respect of fire safety (消防設計備案), and environmental assessment report approval (環評批覆)	N/A	N/A

For the six months ending 31 December 2019

Stages	Implementation activities	Expected capital expenditures *RMB (million)*	Source of funding(4) *(net proceeds from the Global Offering/internal resources)* *RMB (million)*
Apply for the relevant approvals and/or permits	Apply for construction work commencement permit (建築工程施工許可證)	N/A	N/A
	Obtain construction work commencement permit (建築工程施工許可證)	N/A	N/A

Stages	Implementation activities	Expected capital expenditures *RMB (million)*	Source of funding[(4)] *(net proceeds from the Global Offering/internal resources)* *RMB (million)*
Construction	Construction work of the buildings begins	16.4[(1)]	14.7/1.7
Instalment payment for production facilities and equipment	Seek quotations and hold tendering Instalment payment for production facilities and equipment	31.8[(2)]	28.5/3.3

For the six months ending 30 June 2020

Stages	Implementation activities	Expected capital expenditures *RMB (million)*	Source of funding[(4)] *(net proceeds from the Global Offering/internal resources)* *RMB (million)*
Construction	Completion of construction	16.4[(1)]	14.7/1.7
Apply for completion approvals and/or permits	Apply for environmental protection completion inspection approval (環境保護竣工驗收意見), fire safety completion inspection recordal (消防竣工驗收備案), planning work completion inspection approval (規劃竣工驗收), and work completion inspection recordal (工程竣工驗收備案)	N/A	N/A
Instalment payment for production facilities and equipment and installation of the equipment	Instalment payment for production facilities and equipment Installation of the hot-dip galvanization line	31.8[(2)]	28.5/3.3

For the six months ending 31 December 2020

Stages	**Implementation activities**	**Expected capital expenditures**	**Source of funding**[4]
			(net proceeds from the Global Offering/internal resources)
		RMB (million)	*RMB (million)*
Trial production and final payment for the production facilities and equipment	Trial production and final payment for the production facilities and equipment	31.8[2]	28.5/3.3

For the three months ending 31 March 2021

Stages	**Implementation activities and expected production capacity**	**Expected capital expenditures**	**Source of funding**[4]
			(net proceeds from the Global Offering/internal resources)
		RMB (million)	*RMB (million)*
Reach full commercial production	Expected full commercial production with annual capacity of approximately 320,000 tonnes of unpainted galvanized steel products	N/A	N/A
	Total:	128.2[3]	114.7/13.5

Notes:

(1) The estimated total cost of constructions of approximately RMB41.0 million comprises: building foundation works of approximately RMB25.0 million; electricity and fire prevention facilities of approximately RMB6.0 million, drainage system of approximately RMB1.7 million, equipment foundation works of approximately RMB8.0 million and other facilities of approximately RMB0.3 million.

(2) The new equipment and production facilities to be installed under our expansion plan (i.e. one hot-dip galvanization line amounted to a total of approximately RMB106.0 million) will be used to produce unpainted galvanized steel products of width up to 1,450 mm.

(3) The remaining balance of approximately RMB21.8 million required for the expansion plan will be incurred after reaching full commercial production.

(4) The net proceeds of approximately HK$130.0 million (equivalent to approximately RMB114.7 million) from the Global Offering will be incurred in proportion to the expected capital expenditures up to the three months ending 31 March 2021, being approximately RMB128.2 million.

Based on our implementation plan for our expansion plan listed above, as the implementation activities are expected to take place and the relevant government approvals and/or permits are expected to be obtained by stages, it is expected that the completion of the above expansion plan and its trial production will take place in the fourth quarter of 2020 and its full commercial production with annual capacity of approximately 320,000 tonnes of unpainted galvanized steel products will be reached by the first quarter of 2021.

Cost benefit analysis for establishing new production facilities

We expect the new hot-dip galvanization line will enable us to capture additional demand from the market and will increase our Group's revenue and profit in the future, accompanying with additional depreciation and operating cost in relation to the new production unit incurred. We estimate the breakeven period, which is based on the forecasted sales and expenses upon commencement of operation of the new hot-dip galvanization line, to be within one year after commencement of its operation. We also estimate the payback period, being the years required by our Group to recover the relevant capital expected to be spent on the new hot-dip galvanization line calculated based on our Group's forecasted earnings before interest, tax, depreciation and amortisation to be approximately five years after commencement of operation of the new hot-dip galvanization line. The abovementioned breakeven period and payback period estimations are subject to a number of risks and uncertainties, including the difficulty to forecast the level of customer orders with certainty. For details, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — We may not be able to implement our business strategies successfully or manage our growth effectively" in this prospectus.

Our total capital expenditure towards the purchase of production machinery and equipment is expected to be approximately RMB150.0 million, in which approximately HK$130.0 million (equivalent to approximately RMB114.7 million) will be funded by approximately 96.1% of the net proceeds from the Global Offering, and the remaining balance of approximately RMB35.3 million will be funded by our Group's internal resources. 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.

Further enhance product development capability

According to the F&S Report, as a result of the increasing trend of higher purchasing power and living standard in the PRC, the end users of the home appliance industry have increasing demand for high-end products with higher quality over the past few years and is expected to continue increasing in the next few years. As galvanized steel products are the base materials of the end products which may affect its quality and function, resultantly, the market demand for high quality galvanized steel products of particular customised technical and performance requirements are expected to be constantly increasing. Due to the above market development, our Group has determined to enhance our product development capability in order for us to be able to continually cater for our customers' preferences and requirements to capture additional business.

We plan to enhance and diversify our galvanized steel products manufacturing business by hiring additional personnel and set up a research and development department. The research and development department will be responsible for works directed towards product innovation and the improvement of our products and operation processes to ensure that we can meet the customers' technical and performance requirements on our products, and produce high-end products to meet customers' special requests at times and enhance our product quality and production efficiency.

OUR BUSINESS MODEL

A brief description of our operation is set out in the flowchart as follows:

Receiving and understanding customers' order enquiry and requirement
↓
Assessing the feasibility of customers' requirement and specifications
↓
Providing fee quotation to customers
↓
Receiving customers' purchase orders and signing of purchase agreements
↓
Procuring hot rolled steel coils and other raw materials
↓
Devising production plan
↓
Arranging production
↓
Conducting quality inspection on products
↓
Delivering products
↓
Payment and client care

Quality Control

OUR PRODUCTS

We primarily engage in manufacturing and sales of Cold Rolled Steel Products which include hard steel coil, unpainted galvanized steel products and painted galvanized steel products.

Our Cold Rolled Steel Products are mainly produced by processing hot rolled steel coils. We apply different processes to the hot rolled steel coils to produce steel products with different physical properties depending on our customers' specifications. Our Cold Rolled Steel Products have a smoother appearance and shiny finish whereas hot rolled steel products have a scaly grey finish. Cold Rolled Steel Products are typically for applications where smoother appearance is required.

Hard steel coil

Hard steel coil is mainly produced by cold rolling the hot rolled steel coils which have undergone the pickling process for removal of impurities. Hot rolled steel coils are being put through the cold rolling process in order to increase thickness tolerances, improve strength and get uniform thickness. We mainly sell our hard steel coil directly to home appliance manufacturers for their production of electric water heaters.

Unpainted galvanized steel products

Our main product is unpainted galvanized steel products which are produced by processing hard steel coil through the hot-dip galvanization process for zinc coating in order to prevent rusting. We have amalgamated the processes of annealing, hot-dip galvanization, polishing, levelling and single-sided embossing to form our hot-dip galvanization line. Single-sided embossing is optional if our customers require the products to have patterns embossed on one side of the products. For further details, please refer to the paragraph headed "Business — Production — Hot-dip galvanization line" in this section below. If required by our customers, unpainted galvanized steel coils can be put through the double-sided embossing process to emboss specific patterns on both sides of the unpainted galvanized steel coils. Unpainted galvanized steel coils are then being cut into sheet form in specific lengths through the cutting process according to our customers' requirements. We mainly sell our unpainted galvanized steel products to midstream steel product processors for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products, for their onward sales mainly to home appliance manufactures; and we also sell such products to home appliance manufacturers for their production of home appliance products such as refrigerators, washing machines and ovens. Midstream steel product processors and home appliance manufacturers preferred to use unpainted galvanized steel products due to its superior features such as better surface quality and higher resistance to corrosion as a result of the zinc coating.

Painted galvanized steel products

Unpainted galvanized steel coils undergo the process of colour coating treatment to form painted galvanized steel coils. Painted galvanized steel coils may be put through the single-sided or double-sided embossing process according to customers' requirement. Painted galvanized steel coils then go through the slitting and cutting process to produce painted galvanized steel products in sheet form in specific widths and lengths according to customers' requirements. The colour coating process provides better appearance and a non-corrosive surface to the products. Therefore, painted galvanized steel products are generally being used by the home appliance manufacturers as the outer panels of their home appliance products, such as the front panels and side panels of refrigerators.

Set forth below is a breakdown of our sales volume, average selling price, revenue and percentage of revenue by product type during the Track Record Period:

	For the years ended 31 December												For the four months ended 30 April							
	2015				2016				2017				2017				2018			
	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue
	(tonnes)	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*
Cold Rolled Steel Products																				
Hard steel coil	15,850	3,118	49,418	4.3	15,750	3,098	48,798	3.9	16,350	4,014	65,628	4.4	4,676	4,022	18,822	3.8	5,890	4,504	26,528	5.3
Hot-dip galvanized steel products	260,400	4,191	1,091,298	95.7	300,480	4,045	1,215,311	96.1	270,590	5,292	1,431,909	95.6	88,827	5,408	480,349	96.2	85,301	5,608	478,321	94.7
– unpainted galvanized steel products	224,370	3,981	893,206	78.3	247,630	3,832	948,931	75.0	229,840	5,152	1,184,024	79.1	76,117	5,263	400,617	80.2	71,338	5,410	385,940	76.4
– painted galvanized steel products	36,030	5,498	198,092	17.4	52,850	5,040	266,380	21.1	40,750	6,083	247,885	16.5	12,710	6,273	79,732	16.0	13,963	6,618	92,381	18.3
Total	276,250		1,140,716	100	316,230		1,264,109	100	286,940		1,497,537	100	93,503		499,171	100	91,191		504,849	100

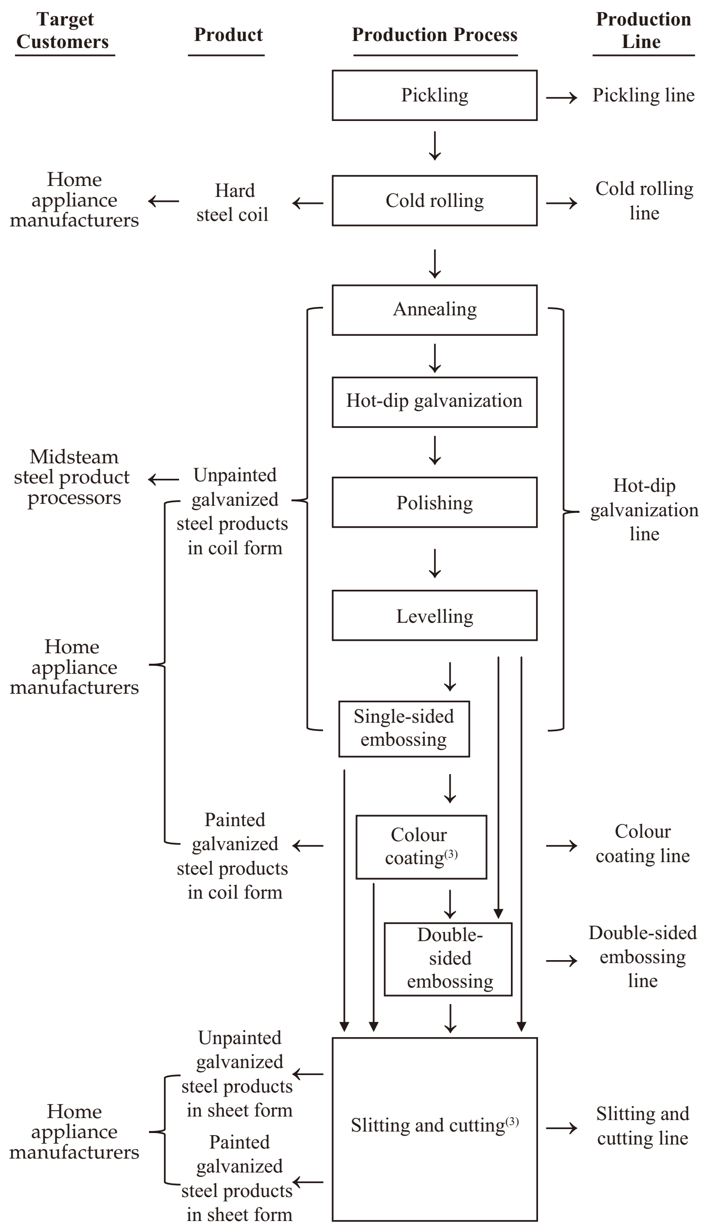
Note:

1. Average selling price is calculated by the total revenue generated from the sales of each product during the respective period divided by the sales volume for each product during the same period.

PRODUCTION

Production process

The following chart illustrates the material and typical production process of our Cold Rolled Steel Products:



Notes:

1. The average processing time required for each production process is set out in the following paragraphs.

2. The average time required for our production process, i.e. from pickling process up to the products being ready to be delivered to our customers is approximately 8 to 15 days.

3. During the Track Record Period, we have subcontracted a number of colour coating process and slitting and cutting process to our subcontractors. For further details, please refer to the paragraph headed "Business — Raw materials, procurement and suppliers — Subcontractors" in this section below.

Pickling line

Pickling (酸洗)

Our raw materials, being hot rolled steel coils, have undergone rolling at a high temperature which recrystallized the steel surface at our suppliers' factories. This process typically leaves a discolouring oxide layer on its surface. 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 steel coils. In order to remove the surface impurities, we dip the hot rolled steel coils into pickle liquor, which contains strong acids, then wash them with hot water so as to remove the acids. The average processing time required for the pickling process is approximately one to two minutes per tonne.

Cold rolling line

Cold rolling (冷軋)

During a cold rolling process, pickled hot rolled steel coils are passed through one or more pairs of rolls to reduce their thickness to uniform level at room temperature. Different techniques and specifications are used during the cold rolling process in order to produce hard steel coil of different nature and specified thickness as requested by our customers. Hard steel coil could also be further processed into other forms of Cold Rolled Steel Products. The average processing time required for this process is approximately one to three minutes per tonne.

Hot-dip galvanization line

We have amalgamated the processes of annealing, hot-dip galvanization, polishing, levelling and single-sided embossing to form our hot-dip galvanization line. The average processing time required for the entire process within the hot-dip galvanization line is approximately two to six minutes per tonne. Unpainted galvanized steel products will be produced after going through the process of hot-dip galvanization, which is our major product type and accounted for approximately 78.3%, 75.0%, 79.1% and 76.4%, respectively, of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018.

Annealing (退火)

Annealing is a heat treatment process that restores or alters the physical properties of the hard steel coil such as ductility and hardness according to our customers' requirements. Hard steel coil is being heated above its recrystallization temperature by passing through a hydrogen-nitrogen-filled annealing furnace. By going through the annealing process, the hard steel coil is softened and its ductility is increased to become cold rolled steel.

Hot-dip galvanization (熱鍍鋅)

We galvanize the cold rolled steel after annealing by immersing them in a galvanizing pot with a bath of molten zinc. A layer of zinc will form on the surface of the steel upon cooling that 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.

***Polishing* (平整)**

After undergoing the hot-dip galvanization process, the surface of the unpainted galvanized steel will be uneven. During the polishing process, the imperfections on the surface of the unpainted galvanized steel such as creases and scratches can be removed by running the unpainted galvanized steel through work wheels with abrasives.

***Levelling* (拉矯)**

Levelling is achieved by precisely bending the unpainted galvanized steel back and forth as it passes through a series of small-diameter offset rolls. The unpainted galvanized steel will be straightened to achieve better shape control by passing through the levellers.

***Single-sided embossing* (單面壓花)**

We own an embossing related patent in the PRC under which the single-sided embossing process is incorporated in the hot-dip galvanization line, which allows us to offer single-sided embossed products to our customers. For further details of our patents, please refer to the paragraph headed "Business — Product development" in this section. The single-sided embossing process can be conducted at the end of the hot-dip galvanization line, during which the unpainted galvanized steel coils go through the single-sided embossing process by raising or sinking designs or patterns on one side of the steel by the use of pattern engraved embossing rollers, to achieve better appearance and higher strength and rigidity.

Colour coating line

***Colour coating* (彩塗)**

Having undergone the processes involved in the hot-dip galvanization line, our unpainted galvanized steel products may be sent to the colour coating treatment for processing into painted galvanized steel products by coating a layer of paint onto the unpainted galvanized steel products. The average processing time required for the colour coating process is approximately three to eight minutes per tonne.

Double-sided embossing line

***Double-sided embossing* (雙面壓花)**

Double-sided embossing is a metal forming process for producing raised or sunken designs or patterns on both sides of the steel by using pattern-engraved embossing rollers. Unpainted galvanized steel products in coil form and painted galvanized steel products in coil form will only be put through the double-sided embossing process if required by our customers, usually for better appearance and higher strength and rigidity. The average processing time required for the double-sided embossing process is approximately 5 to 14 minutes per tonne.

Slitting and cutting line

Slitting and cutting (剪切)

Slitting involves the slitting of the unpainted galvanized steel coils and painted galvanized steel coils into different widths according to customers' requirements. Cutting involves the cutting of the unpainted galvanized steel products and painted galvanized steel products from coil form to sheet form with lengths specified by our customers. The average processing time required for this process is approximately three minutes to around one hour per tonne.

Production facility and equipment

As at the Latest Practicable Date, our production facility is located in Changzhou City, Jiangsu Province, the PRC. We had 317 staff and workers in the production and equipment department for the operation and monitoring of our production facility as at the Latest Practicable Date.

We principally sourced our production equipment from the PRC. As at the Latest Practicable Date, all equipment is owned by us. The following table sets out further information of our major production equipment currently in use:

Type of production units	Number of major units in operation	Primary functions	Year of production commencement	Residual useful life[Note]
Pickling line (酸洗綫)				
Pickling unit (酸洗機組)	1	Pickling of hot rolled steel coils	2005	2 years
Cold Rolling line (冷軋綫)				
Cold rolling unit (冷軋機組)	2	Processing the pickled hot rolled steel coils into hard steel coil with specific thickness	2005 and 2007, respectively	2 and 4 years, respectively
Hot-dip Galvanization line (熱鍍鋅綫)				
Hot-dip galvanization unit (熱鍍鋅機組)	2	Processing the hard steel coil into unpainted galvanized steel products in coil form with optional single-sided embossing according to customers' specifications	2005 and 2006, respectively	2 and 3 years, respectively
Colour Coating line (彩塗綫)				
Colour coating unit (彩塗機組)	1	Processing the unpainted galvanized steel products in coil form into painted galvanized steel products in coil form	2017	14 years
Double-sided Embossing line (雙面壓花綫)				
Double-sided embossing unit (雙面壓花機組)	1	Processing the unpainted galvanized steel products and painted galvanized steel products in coil form by producing raised or sunken designs or patterns on both sides of the steel products	2014	11 years

Type of production units	Number of major units in operation	Primary functions	Year of production commencement	Residual useful life[Note]
Slitting and Cutting line (剪切綫)				
Slitting and Cutting unit (剪切機組)	5	Processing the painted galvanized steel products and unpainted galvanized steel products from coil form into sheet form with specific widths and lengths according to customers' specifications	In respect of one unit – 2010; in respect of other four units – 2015	In respect of one unit – 7 years; in respect of other four units – 12 years

Note: Based on expected useful life of 15 years. We are able to continue to use our production units after their respective expected useful life as we believe that we have maintained our production units in good working conditions.

Our Directors strive to maintain our machineries and equipment in good working conditions. Depending on costs implication, we may from time to time consider whether to upgrade our existing machineries and equipment to extend their useful life. For further details, please refer to the paragraph headed "Business — Production — Equipment maintenance" in this section below.

For the years ended 2015 and 2016 and in early 2017, we have subcontracted our color coating process to our subcontractors. Upon the introduction of our new color coating line in early 2017, we commenced our in-house color coating process of painted galvanized steel products and we ceased to subcontract the colour coating process to third party suppliers in June 2017.

Please refer to the section headed "Financial Information — Significant accounting policies – Property, plant and equipment" for details relating to the depreciation method of our property, plant and equipment.

Equipment maintenance

To ensure stable and safe operation, our production and equipment team keeps track with the key operational parameters and other running status of the machineries during operations. If minor repair work is required, our in-house machinery maintenance team is notified to conduct necessary repair. We generally conduct major maintenance and repair work of our production equipment on a monthly basis. The monthly average scheduled downtime for such monthly maintenance and repair is approximately 42 hours. During the downtime period, routine maintenance work would be conducted. In addition, we carry out comprehensive annual maintenance around Lunar New Year to minimize the impact on our production capability. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, repair and maintenance costs amounted to approximately RMB31.9 million, RMB34.8 million, RMB40.0 million and RMB10.9 million, respectively.

Our Directors strive to maintain our machineries and equipment in good working conditions. Depending on costs implication, we may from time to time consider whether to upgrade our existing machineries and equipment to extend their useful life.

As at the Latest Practicable Date, our production lines range from 1 year to 13 years old. The following table sets out the total maintenance time of the following production lines during the Track Record Period:

	For the years ended 31 December			For the four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	(hours)	*(hours)*	*(hours)*	*(hours)*	*(hours)*
Pickling line	118	155	60	80	4
Cold Rolling line	262	193	258	239	226
Hot-dip Galvanization line	541	655	727	251	373
Colour Coating line	–	–	N/A *(Note)*	N/A *(Note)*	N/A *(Note)*

Note: For the year ended 31 December 2017 and the four months ended 30 April 2017 and 2018, the colour coating unit was under warranty period provided by the machine manufacturer and the total maintenance time was minimal.

Yield rate (成材率)

Yield rate (成材率) is a ratio of the production quantity of products available for sale over the amount of direct materials used. We have recorded improving yield rate throughout the Trade Record Period, from 85.2% in 2015 to 85.5% in 2016 and 87.0% in 2017, and further increased to 89.6% for the four months ended 30 April 2018, mainly attributable to our effort in selecting the raw materials with dimensions similar to the specifications of our products required by the customers in order to minimise the wastage of raw materials. However, the difference between the dimensions of our raw materials and our products may still vary depending on our customers' orders and requirements. Our yield rate is affected by various factors, some of which are beyond our control. For example, during certain steps of our production process such as pickling and slitting and cutting, they would involve certain degrees of loss of direct materials. The amount of such loss of direct materials would depend on, amongst others, the dimensions of direct materials input into the production process vis-à-vis the specifications as required by our customers. In general, the larger the difference, the more of the loss of direct materials during the production process that will negatively impact on the yield rate. As the dimensions of the direct materials are of less variety than the specifications from our customers from time to time, it is likely that the yield rate may vary across different periods of time.

In view of the above factors, the quantity of products available for sale after the production process may be lower than what we have expected, which will result in a bigger loss of direct materials during the production process, and hence a lower yield rate. For details regarding the risks of our Group's ability to maintain the yield rate going forward, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our gross profit margin and growth in profit may fluctuate in the future as there are sensitive factors including our purchase price of direct materials, in particular, hot rolled steel coils, selling price of Cold Rolled Steel Products and yield rate (成材率) which are beyond our control" in this prospectus.

Utilisation rate

The fluctuations of our utilisation rates were generally in line with our sales volume during the Track Record Period. The following table sets out our Group's designed maximum production capacity, actual production volume and utilisation rate of the following production lines during the Track Record Period:

	Year ended 31 December								
	2015			2016			2017		
	Designed maximum production capacity[1] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)	Designed maximum production capacity[1] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)	Designed maximum production capacity[1] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)
Pickling line	318,240	284,895	89.5	318,240	309,530	97.3	318,240	289,020	90.8
Cold Rolling line	306,000	278,575	91.0	306,000	310,930	101.6[4]	306,000	284,537	93.0
Hot-dip Galvanization line	300,000	257,638	85.9	300,000	289,093	96.4	300,000	266,461	88.8
Colour Coating line	N/A	N/A	N/A	N/A	N/A	N/A	100,000	41,663	41.7

	Four months ended 30 April					
	2017			2018		
	Designed maximum production capacity[1],[3] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)	Designed maximum production capacity[1],[3] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] %
Pickling line	106,080	95,533	90.1%	106,080	97,737	92.1%
Cold Rolling line	102,000	93,572	91.7%	102,000	95,563	93.7%
Hot-dip Galvanization line	100,000	86,787	86.8%	100,000	88,638	88.6%
Colour Coating line	33,333	5,670	17.0%	33,333	14,087	42.3%

Notes:

1. The designed maximum production capacity is determined and calculated by an independent engineering design consultancy firm based on different widths, thicknesses and weights of the products being produced with the applicable production hours per year for each specification, and hence, the actual production volume may exceed the designed maximum production capacity.

2. The utilisation rate for each of the relevant periods is derived by dividing the actual production volume by the designed maximum production capacity.

3. The designed maximum production capacity for the four months ended 2017 and 2018 is calculated by dividing the designed annual maximum production capacity according to the number of months in the corresponding periods (i.e. four months).

4. The utilisation rate of the Cold Rolling line was over 100% in 2016 as the applicable production man hours increased with additional shifts deployed to cater for the increased production volume for the year ended 31 December 2016.

During the Track Record Period, there had been no major disruptions of our business due to machinery and equipment failure. To increase our market penetration and maintaining our leading market position in the PRC, we currently intend to apply approximately 96.1% of the net proceeds from the Global Offering to expand our production capacity and efficiency by (among other measures) purchasing additional production machinery and equipment. For further details, please refer to the sections headed "Business — Our business strategies" and "Future Plans And Use Of Proceeds" in this prospectus.

RAW MATERIALS, PROCUREMENT AND SUPPLIERS

Raw materials

The raw materials used in our production include hot rolled steel coils, zinc and other ancillary materials and hot rolled steel coils is our primary raw materials. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, purchases of hot rolled steel coils amounted to approximately RMB758.0 million, RMB956.3 million, RMB1,159.9 million and RMB475.0 million, accounting for approximately 76.9%, 77.9%, 80.8% and 81.9% of the total purchases of raw materials, respectively. During the same periods, we purchased a total of approximately 291,540 tonnes, 329,190 tonnes, 307,100 tonnes and 114,943 tonnes of hot rolled steel coils, respectively.

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

	Year ended 31 December												Four months ended 30 April							
	2015				2016				2017				2017				2018			
	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials	Purchase volume	Average purchase price[1]	Purchase amount	% to total purchases of raw materials
	(tonnes)	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*
Hot rolled steel coils	291,540	2,600	758,009	76.9	329,190	2,905	956,329	77.9	307,100	3,777	1,159,904	80.8	98,179	4,177	410,067	82.7	114,943	4,132	474,967	81.9
Zinc	6,720	14,755	99,151	10.1	7,728	14,006	108,238	8.8	5,968	23,208	138,503	9.6	1,686	23,010	38,800	7.8	2,064	25,667	52,980	9.1
Other raw materials[2]	N/A	N/A	128,787	13.0	N/A	N/A	163,493	13.3	N/A	N/A	137,610	9.6	N/A	N/A	47,126	9.5	N/A	N/A	51,914	9.0
Total			985,947	100			1,228,060	100			1,436,017	100			495,993	100			579,861	100

Notes:

1. Average purchase price is calculated by dividing the total purchases cost generated from the purchase of each category of raw materials during the respective period by the purchase volume for each category of raw materials during the same period.

2. Other raw materials mainly include liquid paint and cold rolling oil.

According to the F&S Report, the prices of steel products, including hot rolled steel coils, increased since 2015 as a result of the promulgation of a series of government policies supporting the plan of De-capacity (去產能化) in the steel industry. For further details, please refer to the section headed "Industry Overview — Downstream market analysis — De-capacity policies in the steel industry" in this prospectus. During the years ended 31 December 2015, 2016 and 2017, the average purchase price of hot rolled steel coils has increased from RMB2,600 per tonne for the year ended 31 December 2015 to RMB2,905 per tonne in 2016 and further increased to RMB3,777 per tonne in 2017. To alleviate the impact of price fluctuations on raw materials to our profitability, we continuously monitor fluctuations in steel prices and reserve capital to purchase certain level of raw materials in advance for long term customers. For the risks relating to the fluctuation of prices of our raw materials, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our gross profit margin and growth in profit may fluctuate in the future as there are sensitive factors including our purchase price of direct materials, in particular, hot rolled steel coils, selling price of Cold Rolled Steel Products and yield rate (成材率) which are beyond our control" in this prospectus.

Procurement

Our procurement department consists of eight members as at the Latest Practicable Date and is led by Mr. Liu Yu, one of the senior management members of our Group, who serves as the head of procurement of Jiangnan Precision. For further details of Mr. Liu, please refer to the section headed "Directors And Senior Management — Senior management" in this prospectus. The staff in our procurement department possess technical knowledge about our products and raw materials, ranging from hot rolled steel coils to ancillary materials for the production process such as zinc, liquid paint and cold rolling oil.

We commence production according to our customers' demand, which is notified to our procurement team by our sales team upon receiving customers' orders for the month. We typically notify our suppliers about our orders of raw materials on the fourth week of each month after consolidating the purchase orders for the next month from our customers on our Cold Rolled Steel Products. To ensure smooth operation, we may purchase additional hot rolled steel coils based on the amount of secured orders, inventory level or market conditions as inventory to cater for the additional demand.

During the Track Record Period, we purchased all of our raw materials in the PRC and settled purchases in RMB. We take into account of, amongst others, (i) the price offered by the relevant suppliers, (ii) the quality of the raw materials, (iii) whether the delivery time fits our production schedule, (iv) inventory level of our raw materials, and (v) specifications of our customers when we decide how much and from whom we procure the hot rolled steel coils.

Our suppliers

Our suppliers provide us a price list of their hot rolled steel coils on a monthly basis. Thereafter, we would formulate an indicative price list on a "cost-plus" basis according to the suppliers' price list for our customers to place monthly orders on our Cold Rolled Steel Products. For further details, please refer to the paragraph headed "Business — Pricing" in this section.

We have an assessment and selection procedure for selecting new suppliers. Our procurement team in general conducts a background assessment on each potential supplier, which covers various aspects including, amongst others, the scale of operation, quality control, delivery time and reputation in the industry. 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 on our existing suppliers from time to time. Suppliers that fail to meet our requirements will be removed from our approved suppliers list. Upon receipt of raw materials, we generally perform quality checks and are entitled to return raw materials which fail to meet our quality standards to our suppliers.

We have established stable and long-term business relationship with our major hot rolled steel coils suppliers. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, Supplier A, Suppler B and Supplier C are the three major hot rolled steel coils suppliers of our Group and together accounted for approximately 69.5%, 70.3%, 75.9% and 78.7%, respectively, of our total purchases. Supplier A is a subsidiary of a Central State-owned Enterprise (中央級國有企業) which supplied us with hot rolled steel coils produced mainly by Supplier B. Supplier B, a joint-stock limited company listed in China and Hong Kong, is one of the largest steel makers in China. Supplier C, a subsidiary of a listed company in the PRC, is an upstream steel producer with more than 17 years of history in the steel making industry. Supplier B and Supplier C were ranked among the world's top 10 steel-producing companies in 2016 in terms of sales volume according to the World Steel Association.

Based on our assessment and selection procedure, during the Track Record Period, we mainly order hot rolled steel coils from Supplier A, Supplier B and Supplier C as we believe that their hot rolled steel coils have the quality and stability closest to our requirement. We also benefit from a short delivery time of raw materials as the production site of Supplier C is located in Nanjing, which is close to Changzhou City. According to the F&S Report, it is a marketing trend that manufacturers in the galvanized steel product industry are likely to stick with a number of major upstream raw materials suppliers. In 2015, we have started shifting our direct purchases of hot rolled steel coils from Supplier B to purchasing through Supplier A, in order to fully enjoy the bulk purchase discount offered by Supplier A. Therefore, for the years ended 31 December 2016 and 2017 and the four months ended 30 April 2018, we mainly purchased hot rolled steel coils from Supplier A and Supplier C. Taking into consideration of the reliability and consistency of the supply of raw materials, we expect to continue to purchase hot rolled steel coils mainly from Supplier A and Supplier C.

For hot rolled steel coils, we generally pay in advance to our major suppliers upon placement of purchase orders and settle the payment by bank acceptance bills and bank transfer. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in identifying alternative 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.

Framework agreement with Supplier C

As at the Latest Practicable Date, we entered into an annual framework agreement with Supplier C. The prices of the hot rolled steel coils had not been fixed at the time of the signing of the framework agreement and pursuant to such framework agreement, the actual purchases by our Group were only carried out on a monthly basis, usually after our Group had received confirmed purchase orders from our customers.

The salient terms of the annual framework agreement entered into with Supplier C includes the following terms:

Duration:	Fixed term of one year.
Pricing:	To be specified in the monthly pricing policy issued by Supplier C to us.
Major terms:	Minimum supply amount of hot rolled steel coils for each quarter during the period is specified in the agreement. Payment terms[(Note)], credit terms and actual purchase amounts will be determined through negotiation with Supplier C and the agreed terms will be listed out in the monthly purchase orders issued by our Group.
Restriction:	We are not allowed to on-sell the hot rolled steel coils received from Supplier C but for our own production purpose only. If violated, Supplier C has the right to terminate the agreement.
Delivery and logistics:	Transportation arrangements to be specified by Supplier C on a monthly basis. Our Group is required to collect the hot rolled steel coils from the agreed shipment destination within 45 days from the date of written notice issued by Supplier C.

Note: According to the monthly purchase orders, we typically pay fully in advance by bank acceptance bills.

The average prepayment rate for Supplier C is approximately 20% of the purchase amount of next month, save for our two monthly purchases made in December 2017 and January 2018, where Supplier C required full prepayment in exchange for offering us some purchase discount. For the years ended 31 December 2015 and 2016, the amount of prepayments made to Supplier C were approximately RMB26.4 million and RMB20.9 million, respectively. We made full prepayment to Supplier C in December 2017 and the amount of prepayments made to Supplier C at 31 December 2017 amounted to RMB82.4 million. For further details of this arrangement, please refer to the section headed "Financial Information — Discussion of certain consolidated statements of financial position items — Prepayment, deposits and other receivables" in this prospectus. From April 2018 onwards, we decided to increase our purchase of hot rolled steel coils from Supplier A instead, which required prepayment of 20% to 30% but offered greater flexibility in purchase amount. Before such decision was made in April 2018, we entered into the framework agreement with Supplier C at the beginning of the year.

Our Directors confirm that there had not been any material breaches of the above annual framework agreement during the Track Record Period. Our Directors confirm that the framework agreement with Supplier C is a typical framework agreement that we entered into with our major suppliers. We had certain agreed terms with specific suppliers during the Track Record Period, for instance we have agreed to pay a certain amount of performance bond to Supplier A annually.

Our top five suppliers

Our top five suppliers include raw materials suppliers as well as machinery and equipment suppliers. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our top five suppliers in aggregate accounted for approximately 80.8%, 81.9%, 85.2% and 88.8%, respectively, of our total purchases. During the same periods, our largest supplier accounted for approximately 23.8%, 41.4% 40.7% and 45.3%, respectively, of our total purchases. Majority of our top five suppliers during the Track Record Period have established business relationship with us for approximately 3 to 13 years.

The table below set out information of our top five suppliers during the Track Record Period:

For the year ended 31 December 2015

Rank	Supplier	Background and business nature	Principal items/ services supplied	Relationship since	Typical credit terms and payment method	Transaction amount *(RMB'000)*	% of our total purchases *(%)*
1	Supplier A	Steel supplier	Hot rolled steel coils	2014	Prepayment, bank acceptance bills and bank transfer	259,674	23.8
2	Supplier B	Steel producer	Hot rolled steel coils	2009	Prepayment, bank acceptance bills and bank transfer	254,119	23.3
3	Supplier C	Steel producer	Hot rolled steel coils	2005	Prepayment, bank acceptance bills and bank transfer	244,216	22.4
4	Supplier D	Zinc supplier	Zinc	2010	Payment upon delivery, bank acceptance bills and bank transfer	99,151	9.1
5	Supplier E	Paint supplier	Paint	2015	90 days, bank acceptance bills and bank transfer	24,183	2.2
					Sub-total:	881,343	80.8
					Total:	1,090,177	100

For the year ended 31 December 2016

Rank	Supplier	Background and business nature	Principal items/ services supplied	Relationship since	Typical credit terms and payment method	Transaction amount *(RMB'000)*	% of our total purchases *(%)*
1	Supplier A	Steel supplier	Hot rolled steel coils	2014	Prepayment, bank acceptance bills and bank transfer	561,560	41.4
2	Supplier C	Steel producer	Hot rolled steel coils	2005	Prepayment, bank acceptance bills and bank transfer	392,750	28.9
3	Supplier D	Zinc supplier	Zinc	2010	Payment upon delivery, bank acceptance bills and bank transfer	108,238	8.0
4	Supplier E	Paint supplier	Paint	2015	90 days, bank acceptance bills and bank transfer	27,210	2.0
5	Supplier F	Equipment supplier	Equipment	2015	Prepayment, bank acceptance bills and bank transfer	21,950	1.6
					Sub-total:	1,111,708	81.9
					Total:	1,357,125	100

For the year ended 31 December 2017

Rank	Supplier	Background and business nature	Principal items/ services supplied	Relationship since	Typical credit terms and payment method	Transaction amount *(RMB'000)*	% of our total purchases *(%)*
1	Supplier C	Steel producer	Hot rolled steel coils	2005	Prepayment, bank acceptance bills and bank transfer	620,351	40.7
2	Supplier A	Steel supplier	Hot rolled steel coils	2014	Prepayment, bank acceptance bills and bank transfer	535,709	35.2
3	Supplier G	Zinc supplier	Zinc	2016	Payment upon delivery, bank acceptance bills and bank transfer	69,577	4.6
4	Supplier H	Zinc supplier	Zinc	2017	Payment upon delivery, bank acceptance bills and bank transfer	53,594	3.5
5	Supplier E	Paint supplier	Paint	2015	90 days, bank acceptance bills and bank transfer	17,689	1.2
					Sub-total:	1,296,920	85.2
					Total:	1,523,159	100

For the four months ended 30 April 2018

Rank	Supplier	Background and business nature	Principal items/ services supplied	Relationship since	Typical credit terms and payment method	Transaction amount *(RMB'000)*	% of our total purchases *(%)*
1	Supplier A	Steel supplier	Hot rolled steel coils	2014	Prepayment, bank acceptance bills and bank transfer	272,379	45.3
2	Supplier C	Steel producer	Hot rolled steel coils	2005	Prepayment, bank acceptance bills and bank transfer	200,817	33.4
3	Supplier H	Zinc supplier	Zinc	2017	Payment upon delivery, bank acceptance bills and bank transfer	45,088	7.5
4	Supplier I	Zinc supplier	Zinc	2017	Payment upon delivery, bank acceptance bills and bank transfer	7,892	1.3
5	Supplier E	Paint	Paint	2015	90 days, bank acceptance bills and bank transfer	7,793	1.3
					Sub-total:	533,969	88.8
					Total:	601,432	100

All of our five largest suppliers during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors and their respective associates or any of our Shareholders holding more than 5% of our Company's share capital as at the Latest Practicable Date have any interest in any of the five largest suppliers during the Track Record Period and as of the Latest Practicable Date.

Subcontractors

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, in order to supplement our production capacity and minimise our transportation cost, we have subcontracted the cutting and slitting process of a portion of our hot-dip galvanized steel products to three subcontractors who are located in closer proximity to our customers, so as to allow for a quicker response to our customers' orders and delivering our products to those customers in the subcontractors' proximity and in small batches. These subcontractors obtain our hot-dip galvanized steel products in coil form, undergo the cutting and slitting process, and turn them from coil form to sheet form for further distribution to our customers who typically order our products in sheet form in small quantity. We have also subcontracted the colour coating process to one subcontractor for the years ended 31 December 2015 and 2016 and in early 2017 before our colour coating line was put into use. The subcontractors engaged during the Track Record Period were selected according to their pricing through quotations, the quality of their products and services provided. Our Group has approximately one to three years of relationship with our subcontractors. All the subcontractors for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 were Independent Third Parties.

Our Group has entered into annual subcontracting agreements with our subcontractors for their services and the salient terms of the annual subcontracting agreements will typically include the following terms:

Duration:	Fixed term of a year from the date of signing of the agreement.
Major terms:	The relevant subcontractor will perform the colour coating process and/or slitting and cutting process on our products as requested by us.
Pricing:	Pricing is determined mainly based on the thickness of the steel products provided to the subcontractors. For the slitting and cutting process, there are set prices for each type of steel products including the transportation cost; and the price will also be determined based on the thickness of the protecting layers required for the colour coating process.
Payment terms:	To be settled monthly within 90 days from the date of invoice issued by the relevant subcontractor.

Quality assurance:	Finished products provided by the relevant subcontractor are required to have a passing rate of 97% to 98%.

During the Track Record Period, our Group incurred total subcontracting fees of approximately RMB45.9 million, RMB36.2 million, RMB16.0 million and RMB4.9 million, which formed part of our Group's cost of sales and in total accounted for approximately 4.0%, 2.9%, 1.1% and 1.1% of our Group's cost of sales for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. The decrease of the total subcontracting fees in 2016 was mainly due to the gradual decrease in subcontracting fees for the slitting and cutting process, with the introduction of the additional slitting and cutting units. The total subcontracting fees further decreased in 2017 mainly due to the cessation of subcontracting of our colour coating process to subcontractors in June 2017, with the commencement of our in-house colour coating line in early 2017.

For each of the years ended 31 December 2015, 2016 and 2017, there were major customers who were also our subcontractors (or vice versa) ("**The Entities**"). We sell our unpainted galvanized steel products under separate arrangements to these subcontractors as their raw materials for their onward production for their own customers. For the years ended 31 December 2015, 2016 and 2017, our sales to The Entities accounted for approximately 7.1%, 4.9% and 0.2%, respectively, of our total revenue. During the same period, the subcontracting fees incurred by our Group from The Entities amounted to approximately 7.1%, 4.4% and 0.3%, respectively, of our total purchases. Gross profit for our sales to The Entities for the years ended 31 December 2015 and 2016 were approximately RMB3.0 million and RMB2.8 million, respectively, while the gross loss for our sales to The Entities amounted to approximately RMB1.0 million for the year ended 31 December 2017. The gross profit margin from The Entities for the years ended 31 December 2015 and 2016 were approximately 3.7% and 4.4%, respectively, and for the year ended 31 December 2017, the gross loss margin from The Entities was approximately 25.2%, which was attributable to a one-off transaction of certain sub-standard products in the amount of approximately RMB3.0 million with the relevant customer. Such sub-standard products had certain degree of defects and was sold at a discount to the relevant customer, leading to a gross loss for the transaction. There are no major customers who were also our subcontractors (or vice versa) for the four months ended 30 April 2018 and up to the Latest Practicable Date.

SALES AND MARKETING

As at the Latest Practicable Date, our sales team consists of 39 personnel. We designate personnel from the sales team to serve different regions in the PRC including Jiangsu Province, Anhui Province, Shandong Province and Guangdong Province and overseas market.

The sales personnel are responsible for communicating and dealing with customers within their assigned regions. They are responsible for circulating the indicative price lists to customers in their responsible regions and collecting the amount of orders from the respective customers. Our sales personnel would from time to time visit the customers' production facilities in person to understand their enquiries and try to resolve their requests on-site.

Upon receiving all the intended amount of purchase orders for the following month from the customers, the sales team passes the total intended amount of purchase orders to the procurement department for them to make plans for the raw materials' procurement. Our sales team gathers rolling plans from customers to calculate the amount of raw materials required at the end of each month. Our Directors believe that our operations are not subject to any seasonality.

Principal terms of annual framework agreements with our customers

We enter into legally binding annual framework agreements with some of our major customers to manufacture the Cold Rolled Steel Products, which usually contain a set of agreed terms. The customers will then on a monthly basis provide purchase orders stating the required production quantity and other terms. The terms of the annual framework agreements with each customer may differ depending on their specific requirements, however, the salient terms of the annual framework agreements will typically include the following terms:

Duration:	Fixed term of a year from the date of signing of the agreement.
Pricing:	Price is generally quoted to the customers before they provide purchase orders.
Delivery and logistics:	To be determined through negotiation and stated in the monthly purchase orders issued by the customer. The products can be delivered to the customers by our third party logistics service providers. Some customers may make their own transportation arrangements at their own expense. For customers that are outside of the PRC, we deliver generally based on CIF terms.
Major terms:	The payment terms, credit terms and purchase amount are specified in the monthly purchase orders issued by the customer.
Intellectual property and proprietary information:	We own the title to all intellectual property rights in the products unless the products are produced according to the customer's specifications and technical information provided by the customer.
Termination:	The agreement may be terminated by either party giving written notice.
Warranty period of our products:	3 to 48 months after our products have been passed to our customers for their inspection.

Our Directors confirm that there had not been any material breaches of the above annual framework agreements during the Track Record Period.

OUR CUSTOMERS

Our customers primarily comprise midstream steel product processors and home appliance manufacturers which purchase our Cold Rolled Steel Products for their manufacture of end products. Our Directors confirm that we differentiate ourselves from our customers who are midstream steel products processors, in the light that we, via our hot-dip galvanisation production line, process hot rolled steel coils/hard steel coil into unpainted galvanised steel products which are then sold to these midstream steel products processors for their subsequent processing such as cutting, polishing and color coating.

During the Track Record Period, we served approximately 200 customers from the PRC and overseas (mainly from South Korea). Our customers for Cold Rolled Steel Products are mainly (i) midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, who further process our unpainted galvanized steel products into unpainted galvanized steel products in sheet form and painted galvanized steel products, for their onward sales mainly to home appliance manufacturers; and (ii) home appliance manufacturers which purchase our products for the production of home appliances such as refrigerators, washing machines, ovens and electric water heaters. These home appliance manufacturers typically have their own production plan with consistent number of orders which in general will be indicated to us in advance, such that we are able to follow their precise rolling plans and procure sufficient raw materials for them. Midstream steel product processors primarily purchase unpainted galvanized steel products from our Group; and home appliance manufacturers mainly purchase unpainted galvanized steel products, painted galvanized steel products and hard steel coil from our Group. To the best knowledge of the Directors and based on the publicly available information of the respective customers who are listed companies, some of our customers have exported their products overseas. We have made enquiries to our major customers on the geographical locations of the end users of our customers' products and one of our major customers, namely, Customer E, indicated that they have been exporting their refrigerators and freezers, which composed of raw materials including our painted and unpainted galvanized steel products in sheet form, to the United States. For details of the risks relating to the trade tariffs and/or anti-dumping measures by the United States against our products and our customers' products, please refer to the sections headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Imposition of trade tariffs and/or anti-dumping measures by the United States against our customers' products, if any, may materially and adversely affect our results of operation" and "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our products may be subjected to high tariff rates or anti-dumping measures under the trade war between the U.S. and the PRC, which could materially and adversely affect our sales volumes, profitability and results of operations" in this prospectus.

During the Track Record Period, we recorded sales of scrap metal materials to connected persons of our Company. These transactions will continue after the Listing Date, thereby constituting continuing connected transactions of our Company under the Listing Rules. Please refer to the sections headed "Connected Transactions — Non-exempt continuing connected transactions — 1. Changzhou Nankai Trading Co. Ltd. (常州南凱物貿有限公司) ("Nankai Trading")" and "Connected Transactions — Non-exempt continuing connected transactions — 2. Changzhou Nankai Metal Co. Ltd. (常州南凱金屬製品有限公司) ("Nankai Metal")" in this prospectus for further information.

The table below is a breakdown of our revenue during the Track Record Period by geographical location of our customers:

	For the years ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
Location	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
China	1,108,107	97.1	1,208,737	95.6	1,403,072	93.7	477,711	95.7	464,195	92.0
Eastern China	828,623	72.6	932,342	73.7	1,137,354	75.9	399,173	79.9	374,816	74.3
Southern China	217,616	19.1	204,350	16.2	182,168	12.2	50,689	10.2	62,079	12.3
Other regions of China	61,868	5.4	72,045	5.7	83,550	5.6	27,849	5.6	27,300	5.4
South Korea	26,974	2.4	52,157	4.1	87,996	5.9	19,543	3.9	38,500	7.6
Other countries	5,635	0.5	3,215	0.3	6,469	0.4	1,917	0.4	2,154	0.4
Total	1,140,716	100	1,264,109	100	1,497,537	100	499,171	100	504,849	100

Note: The location of our customers is determined based on their place of incorporation.

The table below is a breakdown of our revenue by types of customers during the Track Record Period:

	For the years ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Home appliance manufacturers	553,287	48.5	669,598	53.0	677,361	45.2	218,046	43.7	233,248	46.2
Midstream steel product processors	587,429	51.5	594,511	47.0	820,176	54.8	281,125	56.3	271,601	53.8
Total	1,140,716	100	1,264,109	100	1,497,537	100	499,171	100	504,849	100

Our top five customers

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our top five customers (taken, where relevant, on a group basis) in aggregate accounted for approximately 61.1%, 60.7%, 60.1% and 61.8%, of our total revenue of the corresponding periods, respectively. During the same period, revenue from our largest customer accounted for approximately 22.8%, 18.9%, 19.0% and 22.9%, respectively, of our total revenue. Our top five customers during the Track Record Period have established business relationships with us for approximately 6 to 12 years.

The following table sets out further information of our top five customers (taken, where relevant, on a group basis) and our business relationship with them during the Track Record Period:

For the year ended 31 December 2015

Rank	Customer	Background and business nature	Product	Relationship since	Typical credit terms and payment method	Transaction amount	% of our total sales
						(RMB'000)	*(%)*
1	Customer Group A	Home appliance manufacturer	Hard steel coil, unpainted galvanized steel products and painted galvanized steel products	2012	30 to 40 days, bank acceptance bills and bank transfer	260,359	22.8
2	Customer Group BI	Painted galvanized steel processor	Unpainted galvanized steel products	2006	prepayment, bank acceptance bills and bank transfer	141,783	12.4
3	Customer Group EF	Home appliance manufacturer	Unpainted galvanized steel products and painted galvanized steel products	2013	30 to 40 days, bank acceptance bills and bank transfer	121,171	10.6
4	Customer C	Painted galvanized steel processor	Unpainted galvanized steel products	2007	prepayment, bank acceptance bills and bank transfer	96,980	8.5
5	Customer Group J	Painted galvanized steel processor	Unpainted galvanized steel products	2006	30 days, bank acceptance bills and bank transfer	77,898	6.8
					Sub-total:	**698,191**	**61.1**
					Total:	**1,140,716**	**100**

For the year ended 31 December 2016

Rank	Customer	Background and business nature	Product	Relationship since	Typical credit terms and payment method	Transaction amount *(RMB'000)*	% of our total sales *(%)*
1	Customer Group A	Home appliance manufacturer	Hard steel coil, unpainted galvanized steel products and painted galvanized steel products	2012	30 to 40 days, bank acceptance bills and bank transfer	239,211	18.9
2	Customer Group EF	Home appliance manufacturer	Unpainted galvanized steel products and painted galvanized steel products	2013	30 to 40 days, bank acceptance bills and bank transfer	234,812	18.6
3	Customer Group J	Painted galvanized steel processor	Unpainted galvanized steel products	2006	30 days, bank acceptance bills and bank transfer	121,836	9.6
4	Customer Group BI	Painted galvanized steel processor	Unpainted galvanized steel products	2006	prepayment, bank acceptance bills and bank transfer	97,475	7.7
5	Customer C	Painted galvanized steel processor	Unpainted galvanized steel products	2007	prepayment, bank acceptance bills and bank transfer	75,060	5.9
					Sub-total:	**768,394**	**60.7**
					Total:	**1,264,109**	**100**

For the year ended 31 December 2017

Rank	Customer	Background and business nature	Product	Relationship since	Typical credit terms and payment method	Transaction amount *(RMB'000)*	% of our total sales *(%)*
1	Customer Group EF	Home appliance manufacturer	Unpainted galvanized steel products and painted galvanized steel products	2013	30 to 40 days, bank acceptance bills and bank transfer	285,063	19.0
2	Customer Group A	Home appliance manufacturer	Hard steel coil, unpainted galvanized steel products and painted galvanized steel products	2012	30 to 40 days, bank acceptance bills and bank transfer	208,435	13.9
3	Customer Group J	Painted galvanized steel processor	Unpainted galvanized steel products	2006	30 days, bank acceptance bills and bank transfer	148,700	9.9
4	Customer C	Painted galvanized steel processor	Unpainted galvanized steel products	2007	prepayment, bank acceptance bills and bank transfer	139,262	9.3
5	Customer Group BI	Painted galvanized steel processor	Unpainted galvanized steel products	2006	prepayment, bank acceptance bills and bank transfer	120,537	8.0
					Sub-total:	**901,997**	**60.1**
					Total:	**1,497,537**	**100**

For the four months ended 30 April 2018

Rank	Customer	Background and business nature	Product	Relationship since	Typical credit terms and payment method	Transaction amount *(RMB'000)*	% of our total sales *(%)*
1	Customer Group EF	Home appliance manufacturer	Unpainted galvanized steel products and painted galvanized steel products	2013	30-40 days, bank acceptance bills and bank transfer	115,736	22.9
2	Customer Group A	Home appliance manufacturer	Hard steel coil, unpainted galvanized steel products and painted galvanized steel products	2012	30-40 days, bank acceptance bills and bank transfer	60,621	12.0
3	Customer Group J	Painted galvanized steel processor	Unpainted galvanized steel products	2006	30 days, bank transfer bills and bank transfer	49,117	9.7
4	Customer Group BI	Painted galvanized steel processor	Unpainted galvanized steel products	2006	Prepayment, bank acceptance bills and bank transfer	47,800	9.5
5	Customer C	Painted galvanized steel processor	Unpainted galvanized steel products	2007	Prepayment, bank acceptance bills and bank transfer	39,068	7.7
					Sub-total:	**312,342**	**61.8**
					Total:	**504,849**	**100**

Notes:

1. Customer A and some of our customers are owned by the same substantial shareholder in the PRC ("**Customer Group A**"). Customer A is a wholly owned subsidiary of a Chinese home appliance manufacturer that is publicly traded on the SZSE. According to publicly available information, its headquarters are located in Beijiao, Shunde, Foshan and Guangdong. The parent company of Customer A employed approximately 135,000 employees in 2017 and recorded revenue of approximately RMB241.9 billion in 2017.

2. Customer Group BI consists of Customer B and Customer I. Customer B is the parent company of Customer I. Customer B is a home appliance manufacturer publicly traded on the SZSE. According to publicly available information, Customer B had approximately 800 employees and recorded revenue of approximately RMB1.4 billion in 2017. Customer I primarily focuses on production and sales of composite materials. According to publicly available information, Customer I had approximately 500 employees in 2018 with a paid up capital of approximately RMB100 million.

3. Customer C is a company established in 2004 with a registered capital of RMB80 million which is based in Jiangsu Province. Customer C primarily focuses on producing composite materials for home appliances. According to publicly available information, Customer C employed approximately 130 employees in 2017.

4. Customer E, Customer F and some of our customers are subsidiaries of a state-owned white home appliance manufacturer in the PRC ("**Customer Group EF**") the shares of which are publicly traded on SZSE. According to publicly available information, the parent company of Customer E and Customer F employed approximately 34,000 employees with an operating revenue of approximately RMB33.5 billion in 2017.

5. Customer Group J consists of three of our customers in the PRC which shared the same parent Company.

All of our top five 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 top five customers during the Track Record Period.

Payment and credit terms

We offer different payment methods for our customers to maintain competitiveness by providing flexibility to our customers. Our customers may settle the payment by one of the following three methods: (i) prepayment of full purchase amount; (ii) payment upon delivery with prepayment of 10% to 20% of total amount; or (iii) credit period of one to three months payable by way of bank acceptance bills of one to six months or telegraphic transfer. In determining which payment method is offered to each customer, we generally take into account, amongst others, the length of our business relationship with the customers, their payment history, the size of the purchase order and the customers' type (i.e. midstream steel product processors or home appliance manufacturers). In general, we require new customers to prepay while flexibility in payment terms is offered to customers with whom we have longer business relationship and sound payment history. We generally grant credit period of no longer than 90 days for repeating customers or customers with good credit history.

The payment made by customers is primarily settled by bank acceptance bills and telegraphic transfer. 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 South Korea and overseas customers only accounted for approximately 2.9%, 4.4%, 6.3% and 8.0%, respectively, of our total revenue during the Track Record Period.

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.

PRICING

We adopt a "cost-plus" pricing model whereby price quotations provided to our customers are reflective of our cost of production together with a mark-up. The extent of mark-up is determined with reference to, amongst others, the market demand, anticipated market trends, historical sales data, fluctuations of the raw materials price, current number of purchase orders, production capacity, the amount of the customer's purchase order, our relationship with the customer and the prices of our competitors' products. Further, we usually place back-to-back orders to suppliers upon receipt of orders from our customers. As a result, our Directors believe that we can generally pass on the increase in purchase costs of raw materials to our customers.

Given the significance of hot rolled steel coils in our production, its purchase price typically correlates with the selling price of our Cold Rolled Steel Products. Our procurement team maintains close collaboration with our sales team in the formulation of the prices of our products. During the fourth week of each calendar month, our procurement team provides the price list given by our suppliers to our sales team. Upon receiving the raw materials price list from our procurement team, the head of our sales team would conduct a meeting with our senior management to formulate an indicative price list based on our "cost-plus" pricing strategy. The indicative price list is then distributed to the designated sales personnel from our sales team for forwarding to our customers and soliciting purchase orders for the relevant month. Once the purchase orders are made, our raw materials procurement and production plans are arranged and scheduled.

Delivery and logistics

While some of our customers make their own transportation arrangements at their own expense, we generally deliver our products by road transit and/or waterway shipping to the designated locations specified by the customers to most of our customers. The cost of delivery services will be reflected in the price that we charge to our customers. We mainly take into consideration the cost of delivery to decide whether road transit or waterway shipping is optimal for timely and cost efficient delivery.

Our products are delivered by our third party logistics service providers to our customers. We select our third party logistics service providers based on, amongst others, their scale of operation, traffic volume, available delivery routes, as well as their fee quotation.

During the Track Record Period, to ensure safe and reliable transportation of our Cold Rolled Steel Products, we entered into legally binding service agreements with our third party logistics service providers for the provision of the transportation services. The general salient terms of the service agreements are set out below:

Duration:	Fixed term of four months to one year.
Major terms:	The relevant service provider will provide transportation services of our products at such time and to such location as requested by us, in consideration for the payment of transportation service fee to the relevant service provider.

Service fee:	A specific unit price by weight is set out for each destination, ranging from approximately RMB40 to RMB620 per tonne, which is determined by the type of transportation (i.e. road transit and/or waterway shipping), and the distance between the originating and delivering locations. The total service fee is determined based on the relevant specific unit price and the total weight of the goods to be delivered and the distance to be transported.
Deposit:	RMB50,000 to RMB200,000 to be paid by the relevant service provider to our Group upon signing of the agreement as security for our products during transportation.
Payment terms:	To be settled monthly within 30 to 45 days from the date of invoice issued by the relevant service provider.

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

Product return and warranty policy

Under our product return policy, we are required to produce products in accordance with the specifications of our customers which are free from material defects. In general, if our products fail to meet the product requirements due to reasons attributable to us, our customers may, within 30 days, notify us in writing to request for replacement at our expenses. During the Track Record Period, there is no provision of product return. As a result of our refined quality control management system, we have managed to maintain a relatively low product replacement rate. For each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the average product replacement rate of our products were approximately 0.06%, 0.05%, 0.16% and 0.17%, respectively.

In practice, if our products fail to meet the specifications and requirements of our customers but are nevertheless accepted by our customers, we may be required to reduce the price in consideration of the lowered quality of the products. If the defective products are not accepted by our customers, we may be required to repair or produce a new batch of products and be responsible to the delay of delivery of our products at our own expense.

Under our product warranty policy, we typically are required to provide warranty period of our products for three months after our products have been passed to our customers for their inspection.

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

INVENTORY MANAGEMENT

Our inventory comprises raw materials and finished products. Our procurement team closely monitors our inventory level and the market conditions for our raw materials and in particular, hot rolled steel coils, in order to minimise price volatility risks and ensure stable production. Our procurement team procures raw materials according to our customers' intended amount of purchase orders, which were placed after the indicative price list is formulated and circulated by the sales team. For further details of the indicative price list, please refer to the paragraph headed "Business — Pricing" in this section. To ensure smooth operation, we may purchase additional hot rolled steel coils based on the amount of secured orders, inventory level or market conditions as inventory to cater for additional demand.

QUALITY CONTROL

We place significant emphasis on and endeavor to ensure the high quality of our Cold Rolled Steel Products. We have obtained the ISO9001:2015 certification since 2016 as a result of our stringent production process and quality control. Our quality control system and measures are implemented throughout various stages of our operation process, namely: (i) selection of suppliers; (ii) quality control on raw materials; (iii) quality control throughout the production process; and (iv) selection of subcontractors and quality control on products processed by subcontractors. As at the Latest Practicable Date, our quality control team consists of 40 staff, who received trainings on quality control procedure necessary for carrying out the relevant quality assurance tasks.

Selection of suppliers

Our procurement team in general selects our suppliers by conducting background assessment and we maintain a list of approved suppliers. We only purchase raw materials from approved suppliers. We also carry out evaluation and assessment on our existing suppliers from time to time. Suppliers that failed to meet our requirements will be removed from our approved suppliers list.

Quality control on raw materials

Our quality control team inspects our incoming raw materials at our warehouse. For hot rolled steel coils, we inspect the raw materials by checking the quality certificate provided by the suppliers which sets out the respective specifications of the hot rolled steel coils. Other raw materials are inspected by our quality control personnel on a sampling basis to ensure their quality meets their respective specifications and parameters. Laboratory tests are being carried out by our quality assurance staff to assess zinc and other raw materials.

Quality control throughout the production process

Our production process control consists of a multi-point checking system from the beginning to the end of our production process. Our quality control team conducts random check on the major steps of our production process. At the end of the production process, we conduct physical check on our Cold Rolled Steel Products on a sampling basis to verify that their mechanical and dimensional properties meet our customers' requirements.

Selection of subcontractors and quality control on products processed by subcontractors

Our procurement team selects our subcontractors by carrying out evaluation and assessment and we maintain a list of approved subcontractors. Our quality control team inspects and keeps track with our products before sending to our subcontractors for their further process.

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.

PRODUCT DEVELOPMENT

Our product development activities are carried out by six members from our technical department as at the Latest Practicable Date, and is led by Mr. Guo Zhongyi, who has over 22 years of experience in the manufacturing industry in the PRC. For further information about the qualification and experience of Mr. Guo, please refer to the section headed "Directors And Senior Management — Senior management" in the prospectus.

We had two invention patents and 16 utility model patents in the PRC as at the Latest Practicable Date. The following table sets out further information of our two invention patents and three material utility model patents:

Material patents we owned	How the processing techniques of the patents improve our production process
Invention patents	
Zinc pot and its machining process (鋅鍋及其加工工藝)	A process that solves the technical problem of the dross stain on the steel coil due to oxidization of the traditional zinc pot surface, which enhances the surface quality of the steel product
A kind of continuous galvanizing, polishing and embossing process (一種連續鍍鋅平整壓花工藝)	A process that prevents the occurance of the yield platform (屈服平台), improves the flatness and roughness of the board surface and controls the depth of the pattern, which reduces the thickness and increases the length of the steel product
Utility model patents	
A kind of reciprocating liquid zinc pumping and deslagging device (一種往復式抽鋅液除渣裝置)	A reciprocating pump that eliminates the scum defects of unpainted galvanized steel products caused by dross and zinc dust in the zinc pot, which enhances the surface quality of the unpainted galvanized steel product
The zinc dust treatment device based on the humidification treatment in the nose of the galvanization furnace (基於加濕處理的鍍鋅爐爐鼻內鋅灰處理裝置)	A device that improves the atmosphere in the nose of the galvanization furnace and cleans the zinc dust content inside the galvanization furnace, such that the overall processing accuracy of the galvanization furnace and the quality of the plating of the metal sheet can be improved
High pressure cleaning device for polishing machine (平整機用高壓清潔裝置)	A cleaning device that removes the residual oily substances and impurities of the polishing rollers from the surface of the unpainted galvanized steel products, and eliminates the surface defects caused by the crumbs of zinc on the polishing rollers during the polishing process, which enhances the surface quality of the unpainted galvanized steel product

For details of other utility model patents we owned in the PRC, please refer to the section headed "Statutory And General Information — 2. Further information about our business — 2.2. Intellectual property of our Group — (b) Patents" in Appendix IV to this prospectus.

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

CERTIFICATIONS AND AWARDS

Certifications

We have implemented quality control and assurance systems that meet the international and industry standards for our Cold Rolled Steel Products. We were certified as ISO9001:2015, ISO14001:2015 and GB/T 28001-2011/OHSAS 18001:2007 compliant in 2016.

The following table sets out the certificates that we currently hold:

Certifications	Specifications	Issuing entity	Validity date
ISO9001:2015	Production of cold rolled coils, hot zinc coating coils, colour coating steel coils	Guangdong Zhongjian Certification Co., Ltd.	14 January 2016 to 13 January 2019
ISO14001:2015	The relative management activities of production of cold rolled coils, hot zinc coating coils, colour coating steel coils	Guangdong Zhongjian Certification Co., Ltd.	14 January 2016 to 13 January 2019
Audit Specification of Occupational Health and Safety Management System (GB/T 28001-2011/OHSAS 18001:2007)	The relative management activities of production of cold rolled coils, hot zinc coating coils, colour coating steel coils	Zhongjian Certification Co., Ltd.	14 January 2016 to 13 January 2019

Awards

Our achievements over the years have been recognised by numerous awards and accreditations, including the following:

Year of grant	Award/Recognition	Awarding authority
2007	High and New Technology Enterprise of Jiangsu Province (江蘇省高新技術企業)	Jiangsu Province Science and Technology Department (江蘇省科學技術廳)
2013	Management Innovation Outstanding Enterprise of Jiangsu Province (江蘇省管理創新優秀企業)	Jiangsu Province Economic and Information Technology Commission (江蘇省經濟和信息化委員會)
2016	Jiangsu Famous Brand Certificate (江蘇省名牌產品證書)	The Jiangsu Commission for Strategic Promotion of Famous Brands (江蘇省名牌戰略推進委員會)
2016	Model Enterprise for Work Safety (安全生產示範企業)	The Changzhou City Commission for Work Safety Wujin Branch (常州市武進區安全生產委員會)

MARKET AND COMPETITION

According to the F&S Report, China's galvanized steel product market is operated by two major types of market participants, namely, large state-owned steel companies and private companies. As a result of the long-term operating experience in the steel industry as well as the high quality supplier and client resources, large state-owned steel companies could develop business of the galvanized steel products quickly and occupy larger market shares and thus play important roles in China's market. Nevertheless, as private companies typically possess stable client base with their ability to understand and adjust to clients' production requirements in a timely manner, the number of private market players is substantial. The galvanized steel product market in the home appliance sector in the PRC was relatively fragmented as the aggregate revenue for sales of galvanized steel products of the five largest galvanized steel products manufacturers in the home appliance sector only accounted for approximately 32.9% in 2017. The remaining 67.1% of the market is shared by over 100 market players. According to the F&S Report, we are the largest market player in the galvanized steel product market in Jiangsu Province in terms of revenue in 2017, and we ranked third with a market share of 3.9% in the galvanized steel product market in the home appliance sector in terms of revenue in the PRC in 2017.

The galvanized steel product market in the PRC observed stable growth from 2012 to 2017, with the sales volume increased from approximately 35.5 million tonnes in 2012 to approximately 63.8 million tonnes in 2017, representing a CAGR of approximately 12.5% over the same period. According to the F&S Report, the galvanized steel product market in the PRC is expected to grow at a CAGR of approximately 8.4% from 2018 to 2022, and the sales volume is expected to reach approximately 96.0 million tonnes in 2022. Downstream markets such as home appliances, automobile and construction, have contributed to heightened demands for galvanized steel products due to the sustained and rapid economic development and continuously growing GDP in the PRC and rapid development of the manufacturing industry, accompanied with the improvement of people's consumption level. In particular, the demand for high quality galvanized steel products, such as those with smooth surface, high-protective layer and extreme plasticity, has been on the rise. Going forward, we expect to witness growing demand for galvanized steel products which cater for production of high-end consumer products. For home appliance sector, being a major consumption sector of galvanized steel product market, the demand for high-end products such as refrigerators and washing machines with more attending and intelligent functionalities is on the rise.

While the demand for galvanized steel products experienced an upward trend, the industry is faced with challenges arising from fluctuating price of steel. As one of the primary raw materials for the production of galvanized steel products, the price and supply of steel could impact the overall selling price and profit margin of the industry's market players. Small scale private companies with limited bargaining power may encounter difficulties in procuring sufficient raw materials in a timely manner and may lack efficient inventory management, which could in turn affect the production volume and final price of galvanized steel products significantly.

The major entry barriers of the galvanized steel product industry include technological and environmental requirement, customer stickiness and capital investment. In particular, with the increasing demand for high-end products, the capital investment required for procurement of more sophisticated machinery and development of relevant technology may further increase if the new market entrants wish to cater for various product specifications. According to F&S, the private market players in the galvanized steel product industry generally compete in terms of price, product diversification and brand recognition.

To overcome the above barriers to entry, our Group initially relied on (i) the initial capital injection by our Controlling Shareholders as set out in the section headed "History, Reorganisation And Development — Corporate development — Jiangnan Precision" in this prospectus; (ii) Jiangnan Industrial Group's experience and customer network in the steel processing industry; and (iii) the expertise and experience of our Directors and senior management members, in particular, our founder, Mr. Mei, who has over 15 years of experience in the steel processing industry. For details on how our Group initially overcame the industry entry barriers, please refer to the section headed "Industry Overview — Competitive landscape analysis — Factors leading to our success to initially overcome the industry entry barriers" in this prospectus.

With our competitive strengths and business strategies as set out in the paragraphs headed "Business — Our competitive strengths" and "Business — Our business strategies" in this section, we believe that we will be able to face the threats and continue to maintain our market position in the midst of market competition.

For details of the market landscape of the galvanized steel product market in the PRC, please refer to the section headed "Industry Overview" in this prospectus.

EMPLOYEES

We had 367, 398, 469 and 453 full-time employees as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively. As at the Latest Practicable Date, our Group had a total of 487 full-time employees. The following table sets forth a breakdown of the number of our employees by function as at 30 April 2018 and as at the Latest Practicable Date:

	As at 30 April 2018	As at the Latest Practicable Date
Senior Management	8	8
Procurement (in respect of raw materials)	7	8
Materials and Supplies	45	50
Production and Equipment	292	317
Technical	6	6
Production Safety Management	7	5
Quality Control	37	40
Sales	39	39
Human Resources	5	6
Finance	7	8
Total	**453**	**487**

According to the PRC Labour Law (《中華人民共和國勞動法》) and the Labour Contract Law of PRC (《中華人民共和國勞動合同法》), we are required to enter into labour contracts with individual workers we hired. The wages we paid to our employees and workers cannot be lower than the local minimum wage standards specified by the government from time to time. We are also required to make severance payments to an employee when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the existing contract. We offer our staff remuneration that includes salary and other benefits. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our expenses for labour costs were approximately RMB21.1 million, RMB25.6 million, RMB35.0 million and RMB12.5 million, respectively.

Furthermore, in accordance with relevant national and local social welfare laws and regulations in the PRC, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, unemployment insurance, occupational injury insurance, medical insurance, maternity insurance and housing provident fund. During the Track Record Period, we failed to open housing provident fund accounts and make sufficient contributions for some of our employees as required under the applicable PRC laws and regulations. For further details, please refer to the paragraph headed "Business — Legal proceedings and non-compliance matters — Non-compliance matters" in this section below.

As our operation involves safety hazards, we place significant emphasis on our employees' training to ensure that each of our employees who work at our production facility are equipped with the prerequisite knowledge of our operation equipment and safety policies. All of our employees are required to attend induction trainings organised by our human resources department. To keep our employees abreast of the latest safety requirements, we regularly organise internal and external trainings for our employees. To improve our employees' performance, our human resources manager conducts regular appraisal and adjust the employees' salaries as appropriate.

During the Track Record Period, we did not experience any material labour dispute with our employees, received any relevant complaints, notice or orders from relevant government authorities or third parties. We believe that our senior management and employees will continue to maintain good relationships with each other.

HEALTH AND WORK SAFETY CONTROL

Our production facility involves risks and hazards inherent in providing our services, which could result in possible legal liability and business interruption arising from destruction of property or production facility, environmental damage and personal injury. For details of the risks relating to our operation, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — We are subject to stringent environmental laws and regulations and we may incur substantial costs in complying with such laws and regulations and may be subject to potential liability" in this prospectus. To minimise the health and safety risks and hazards, we have adopted various internal policies and preventative measures, such as setting up a safety management team to provide training on safety issues to our staff, installing fire extinguishers according to the industry standard and conducting regular inspections on the enforcement of safety standard at our production facility. We have been accredited by the Jiangsu Administration of Work Safety Supervision (江蘇省安全生產監督管理局) as a Class-II Enterprise for Work Safety Standardization (安全生產標準化二級企業). We were also awarded as the Model Enterprise for Work Safety (安全生產示範企業) by the Changzhou City Commission for Work Safety Wujin Branch (常州市武進區安全生產委員會) in 2016.

We place strong emphasis on the safety of our staff. We have issued a safety gear guideline setting out the safety gear and equipment required and assigned for each position at our production facility. Safety gear and equipment are kept properly at an accessible location. To ensure safe and smooth operation, we have prepared for our staff guidelines for safety management, emergency situations, proper operation and usage of equipment and machinery and accident reporting rules.

Apart from endeavouring to reduce the chances of accidents, we have also undertaken various measures to prepare our staff for any safety emergencies. We have issued a fire safety policy which specifies the fire service equipment required for the production facility and illustrates the usage and maintenance of such equipment. Our production facility is equipped with fire service equipment, including but not limited to, fire extinguisher and fire hydrants.

Our safety department is responsible for regular inspection whilst our procurement department is responsible for purchase and maintenance of our fire service equipment.

Our PRC Legal Adviser is of the view that during the Track Record Period and up to the Latest Practicable Date, we have complied with the applicable PRC laws and regulations on work safety in all material respects and we have not been subject to any material administrative actions or penalties arising from material non-compliance with any applicable PRC laws or regulations on work safety, and our Directors confirm that we have not experienced any material safety accident during the Track Record Period.

PERMITS, LICENCES AND APPROVALS

The galvanized steel product industry is regulated in the PRC and steel processors are required to obtain requisite permits, licences, and approvals from the relevant government authorities. Please refer to the section headed "Regulations" in this prospectus for details of the permits, licences, and approvals required for our operations.

Our Directors, as advised by our PRC Legal Adviser, confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained and maintained the validity of all material permits, licences, and approvals from the relevant PRC authorities for our operation in the PRC, save for the non-compliance incidents disclosed in the paragraph headed "Business — Legal proceedings and non-compliance matters" in this section below. The following table sets out certain information in relation to our material permits, licences, and approval:

Type of permit/ licence/approval	Type of equipment	Issuing authority	Issuing date
Usage of special equipment registration certificate (特種設備使用登記證)	Low-temperature liquid storage tank	Changzhou City Market Supervision Bureau Wujin Branch (常州市武進區市場監督管理局)	8 August 2014
	Steam production boiler	Changzhou City Market Supervision Bureau Wujin Branch (常州市武進區市場監督管理局)	12 December 2014
	Steam production boiler	Changzhou City Market Supervision Bureau Wujin Branch (常州市武進區市場監督管理局)	29 December 2016

Type of permit/ licence/approval	Type of equipment	Issuing authority	Issuing date
	Electric heater	Changzhou City Market Supervision Bureau Wujin Branch (常州市武進區市場監督管理局)	3 January 2017
Usage of pressure vessel certificate (壓力容器使用證)	Nitrogen container	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	16 August 2005
	Cryogenic liquid storage tank	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	16 August 2005
	Buffer tank	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	16 August 2005
	Absorber	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	16 August 2005
	Buffer tank	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	17 August 2005
	Gas holder	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	17 August 2005
	15M3 liquid ammonia storage tank	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	17 August 2005
	Ammonia intermediate tank	Quality and Technology Supervision Bureau in Changzhou City, Jiangsu Province (江蘇省常州質量技術監督局)	17 August 2005

ENVIRONMENTAL PROTECTION

Our operations are subject to environmental, health and safety laws and regulations relating to the production and operation of our production facility.

During the Track Record Period and as at the Latest Practicable Date, save as disclosed in the paragraph headed "Business — Legal proceedings and non-compliance matters" in this section below, our PRC Legal Adviser is of the view that we have complied with the applicable PRC laws and regulations on environmental protections in all material respects. Our production and operations had been in compliance with the requirements and standards under the stipulations of national and local laws and regulations on environmental protection in all material aspects, and we had implemented the environmental impact assessment system in accordance with the laws. In addition, we had not been involved in any environmental pollution incidents or other illegal environmental acts or in breach of any national and local laws and regulations on environmental protection in any material aspect.

We generate and discharge air pollutants, waste water and other industrial waste at various stages of our manufacturing process, such as hazardous waste water generated from the pickling process. We have made contractual agreements with professional third parties to treat and dispose hazardous waste. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the amount of expenses incurred in the disposal of hazardous waste were approximately RMB0.8 million, RMB2.1 million, RMB2.0 million and RMB0.6 million, respectively. Our Directors confirm that other cost of compliance with applicable environmental protection laws and regulations was immaterial during the Track Record Period.

INSURANCE

Our assets at the operation facility, such as the building structure, the machines and equipment, are essential to our operations and are covered by property all risks insurance. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the total expenses paid for our insurances were approximately RMB1.1 million, RMB0.7 million, RMB0.8 million and RMB0.3 million, respectively. The insurance policies are renewable on an annual basis. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under these insurance policies.

Our Directors consider our insurance coverage to be customary for business of our size and type and in line with the industry practice. Nevertheless, significant damages to our operation facilities or any of our properties, whether as a result of fire and/or any other cause, could still have a material adverse impact on the results of our operations. Please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our insurance may not cover every potential loss and claim" in this prospectus for further details.

INTELLECTUAL PROPERTY RIGHTS

Our production know-how which brings improvements to our 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, to protect our intellectual property rights.

As at the Latest Practicable Date, we were the registered owner of two invention patents and 16 utility model patents in the PRC. As at the same date, we were also the registered owner of three trademarks in the PRC.

As at the Latest Practicable Date, we were the registered owner of two trademarks in Hong Kong. Detailed information of our intellectual property rights is set out in the section headed "Statutory And General Information — 2. Further information about our business — 2.2. Intellectual property rights of our Group — (a) Trademarks" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we had not been subject to any material intellectual property claims against us or experienced any dispute in relation to the infringement on our intellectual property rights. Our Directors believe that we have taken reasonable measures to prevent infringement of our intellectual property rights.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our production plants, ancillary facilities and offices.

Owned Properties

As at the Latest Practicable Date, we had land use right with respect to one parcel of collectively-owned land in China, located in Wujin District of Changzhou City, Jiangsu Province, the PRC, for industrial use with a total site area of approximately 101,636 sq.m.

According to Land Administration Law of the PRC, land owned by collectives shall be registered and recorded by people's governments at the county level, which shall, upon verification, issue certificates to affirm the ownership of such land; land owned by collectives for the purpose of non-agricultural construction use shall be registered with and recorded by people's governments at the county level, which shall, upon verification, issue certificates to confirm the right to the use of the land for such construction. We have received a certificate from the Changzhou Economic and Development Branch of Changzhou Municipal Bureau of Land and Natural Resources (常州市國土資源局常州經濟開發區分局) on 9 April 2018 which confirmed that the land use right we obtained under the collective land use right certificate is for industrial use with a total site area of approximately 101,636 sq.m., and during the Track Record Period and up to the Latest Practicable Date, our production and operation has complied with relevant PRC laws and regulations with respect to land management, and has not been subject to any administrative penalties imposed by the relevant authorities.

We have obtained one building ownership certificate for the premises built on the abovementioned parcel of land, which is used as production plants, ancillary facilities and offices. The gross floor area for these premises amounted to approximately 42,193 sq.m.

In view of the above, our PRC Legal Adviser has confirmed that we have complied with the applicable PRC laws with respect to such owned properties in all material respects and obtained the proper land use rights certificates for the aforementioned land and buildings and we are entitled to use the parcel of land mentioned above and we legally own all of our buildings.

Leased Properties

As at the Latest Practicable Date, we leased one parcel of premises in the PRC which was mainly used for office purposes. Lessor of such properties is entitled to lease them to us.

The following table sets out a summary of our leased properties as at the Latest Practicable Date:

Location of premises	Location type	Lessor	Approximate gross floor area *(sq.m.)*	Current usage by our Group	Lease period	Annual rent *(RMB)*
4th and 6th floors of the Jiangnan Industrial Group's Main Building, Wuyi Village, Hengshanqiao Town, Wujin District, Changzhou City, Jiangsu Province, the PRC	Premises	Jiangnan Industrial Group	800	Office	1 January 2018 to 31 December 2020	96,000

As Jiangnan Industrial Group is owned as to more than 30% by Mr. Mei, Jiangnan Industrial Group is regarded as an associate of Mr. Mei, and hence a connected person of our Company pursuant to Rule 14A.12(1)(1) of the Listing Rules. As the lease of property with Jiangnan Industrial Group will continue after the Listing Date, thereby constituting continuing connected transaction of our Company under the Listing Rules. Please refer to the section headed "Connected Transactions — Exempt continuing connected transaction — Lease agreement" in this prospectus for further information.

As at 30 April 2018, each of our properties had a carrying amount of below 15% of our consolidated total assets. On this basis, no property valuation report in respect of our Group's property interests is required in reliance upon the exemption provided by Rule 5.01A of the Listing Rules and Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). Therefore, this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the COWUMPO in relation to paragraph 34(2) of the Third Schedule to the COWUMPO, which requires a valuation report with respect to all of our interests in land or buildings.

LEGAL PROCEEDINGS AND NON-COMPLIANCE MATTERS

Legal Proceedings

During the Track Record Period, we were not involved in legal or other disputes with consumers, or subject to any material claims, damages, losses or product returns. As at the Latest Practicable Date, none of our Company, our subsidiaries or our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations. To the best of our knowledge, no such material litigation, arbitration or administrative proceedings have been threatened against our Company or any of our subsidiaries.

Save as disclosed in the paragraph headed "Business — Legal proceedings and non-compliance matters" in this section, our Company has complied with all applicable laws and regulations in all material respects during the Track Record Period.

Non-compliance Matters

According to our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date and save as disclosed herein, we have complied with all applicable laws and regulations in the PRC in all material aspects.

We were involved in certain regulatory non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, the details of which together with a description of the rectification actions are set out below:

No.	Non-compliance incident	Reasons for the non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
1.	Under relevant PRC laws and regulations, we are required to complete the completion inspection procedures of environmental protection for our production line automation project in relation to painted galvanized steel sheet for home appliances (家用彩塗板自動化生產線項目) (the "**Inspection Procedures**"). However, during the Track Record Period, we did not complete all of the relevant Inspection Procedures on time before commencement of operation.	The non-compliance was revealed during the preparation of our Group's listing application in March 2018. The non-compliance was not wilful and was solely due to (i) the inadvertent oversight of the handling staff in relation to the Inspection Procedures; and (ii) absence of professional advice at the material time.	According to the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例), construction project owner shall be ordered to cease production or use, and may be imposed a fine of not more than RMB1 million where the main subject project formally goes into production or is delivered for use without going through the acceptance of environment facilities completion.	As of the Latest Practicable Date, our Group has completed all relevant Inspection Procedures for our production line automation project. On 3 April 2018, during the interview with Changzhou Economic Development Division of Changzhou Environmental Protection Bureau (常州市環境保護局常州經濟開發區分局), the competent government authority, the official confirmed that our Group has not been subject to any relevant administrative penalties or complaints due to violation of laws and regulations in relation to environmental protection. On 23 April 2018, our Group received environmental protection completion inspection approval ("**Inspection Approval**") regarding our production line automation project in relation to painted galvanized steel sheet for home appliances from Changzhou Environmental Protection Bureau (常州市環境保護局), the competent government authority, in which the bureau confirmed that we have constructed the prevention facilities for noise and solid waste for our production line automation project in relation to painted galvanized steel sheet for home appliances as required generally, and such prevention facilities have passed the relevant inspection procedures and approved as qualified to be put into operation.	To ensure compliance with the relevant environmental laws and regulations in the future, we will consult our PRC legal advisers and understand the relevant laws and regulations and seek the approval from our Directors before any construction work and commencement of production. We will provide trainings on the relevant environmental protection inspection requirements in the event of construction of any new and extension of our production facility to our staff in charge with the assistance of our PRC legal advisers.

No.	Non-compliance incident	Reasons for the non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
				As advised by our PRC Legal Adviser, given our Group has completed all the relevant Inspection Procedures and obtained the Inspection Approval issued by the relevant competent government authorities regarding our production line automation project in relation to painted galvanized steel sheet for home appliances, the risk of our Group receiving administrative penalties or required to pay fines on failing to complete all the Inspection Procedures before commencing operation is low. Based on the view of our PRC Legal Adviser and the indemnity given by our Controlling Shareholders under the Deed of Indemnity, our Directors confirmed that such non-compliance incident would not have a material and adverse effect on our Group's business operations. As a result, our Group has not made any provision for fines. As of the Latest Practicable Date, our Group has not received any notification from the relevant PRC authorities alleging that our Group may be imposed any administrative penalties, including fines. In the event that our Group receives any such penalties from the relevant competent authorities, our Group intends to immediately pay the penalties imposed by such authorities.	

No.	Non-compliance incident	Reasons for the non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
2.	We failed to open the housing provident fund accounts and make sufficient contributions for some of our employees during the Track Record Period as required under the applicable PRC regulations.	The non-compliance was revealed during the preparation of our Group's listing application in March 2018. Some of our employees were reluctant to make contributions to the housing provident fund, such that we were unable to make contributions to our employees' housing provident fund since we had to submit the employees' information when we opened the housing provident fund accounts for them and we could not do it on their behalf without their consents. During the Track Record Period, the amount of unpaid contributions amounted to approximately RMB1.1 million, RMB1.4 million, RMB1.9 million and RMB0.2 million, respectively.	According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), if our Group fails to undertake payment and deposit registration of housing providing provident fund accounts for its employees, the relevant PRC authorities, shall order our Group to effect the registration and open housing provident fund accounts within a stipulated period. If our Group fails to comply with the order within the stipulated period, the relevant PRC authorities may impose a fine of not less than RMB10,000 but not more than RMB50,000.	As at the Latest Practicable Date, we have opened the housing provident fund accounts for all of our employees and made relevant contributions for the employees. According to the written confirmations issued by Changzhou Housing Provident Fund Management Center, Wujin sub-center (常州市住房公積金管理中心武進分中心), the competent government authority during the Track Record Period and up to 25 June 2018, we comply with the national and local laws and regulations in housing provident fund, have opened the housing provident fund accounts and make sufficient contributions as required, and were not imposed any penalties for breaching the PRC laws and regulations in relation to housing provident fund. Changzhou Housing Provident Fund Management Center, Wujin sub-center further confirmed that no penalties will be imposed on Jiangnan Precision, its directors or other responsible personnel for breaching the PRC laws and regulations for the reason that we failed to make sufficient contributions to our employees' housing provident fund accounts, nor will our Group be required to pay the corresponding housing provident fund.	To ensure compliance with the laws and regulations in relation to housing provident fund, we will consult our PRC legal advisers on the relevant laws and regulations as and when required. We will provide regular training to our employees reminding them of the obligations to participate in and contribute to the housing provident fund in compliance with the applicable PRC laws and regulations and the consequences of the non-compliance.

No.	Non-compliance incident	Reasons for the non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
				Our PRC Legal Adviser advised that the likelihood of our Group being penalised for the past non-compliance in the future is low. Our Directors are of the view that the financial impact of the unpaid housing provident fund contributions on our Group during the Track Record Period was not significant and therefore, our Group has not made any provision for fines. We have changed our template of employment contract so as to include the requirements that the employees should cooperate with us to fulfil the obligations under the laws and regulations in relation to the housing provident fund. Our Controlling Shareholders have provided indemnity under the Deed of Indemnity to bear all liabilities and risks if any penalty is imposed on us.	

INTERNAL CONTROL AND CORPORATE GOVERNANCE

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented internal procedures. Particularly, in view of the above issues in respect of housing provident fund contributions, and environmental protection regulations, we will implement the following internal control procedures to reduce our exposure to risk of penalties from the PRC regulatory authorities in the future:

- we will engage a qualified PRC law firm as our external legal adviser to assist our Board to identify and manage the legal risks associated with our daily operations and advise us on relevant regulatory matters to ensure due compliance with PRC laws, rules and regulations applicable to our Group;

- we have designated Mr. Zhang, our Chief Executive Officer and our executive Director, to assist our Board to perform internal review of our operations, and identify, assess and manage the risks associated with our operations from time to time to ensure due compliance with laws, rules and regulations in the PRC. Please refer to the section headed "Directors And Senior Management — Directors — Executive Directors" in this prospectus for the details of Mr. Zhang's experience;

- we have established the Audit Committee with written terms of reference in compliance with Code C.3 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules, led by Mr. Li Yuen Fai Roger. The Audit Committee and one of our executive Directors will supervise the implementation of our internal control measures in order to better monitor our daily operations from the perspective of compliance with applicable rules and regulations;

- we have established a set of policies and procedures for operational processes, including production and financial management;

- we have established a corporate governance policy and will, from time to time, review the internal guidelines and policies by taking into account of related laws and regulations and make any amendment and implement them as necessary; and

- we will continue to conduct regular internal training to our employees and management on our compliance policy and engage external professionals, including our Hong Kong legal advisers and PRC legal advisers, to conduct training on our ongoing compliance and obligations under the Listing Rules and all other Hong Kong and PRC regulations annually to ensure awareness and compliance of the policies.

RISK MANAGEMENT

We are exposed to various risks during our operation. For further details, please refer to the section headed "Risk Factors" in this prospectus. We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including administration of daily operations, financial reporting and recording, treasury management, compliance with applicable laws and regulations on environmental protection, and operation safety. Our Board oversees and manages the overall risks associated with our operations. We have established the Audit Committee to review and supervise the financial reporting process and internal control system of our Group. Please refer to the section headed "Directors And Senior Management" in this prospectus for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our Audit Committee.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue, and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Newrich BVI and Star Century will directly hold approximately 57.0% and 14.25%, respectively, of the issued share capital of our Company. Newrich BVI is wholly owned by Mr. Mei, being one of our founders and our executive Director. Star Century is wholly owned by Ms. Liu, an executive Director, our Chairman and the spouse of Mr. Mei. Each of Mr. Mei, Newrich BVI, Ms. Liu and Star Century is regarded as a Controlling Shareholder of our Company under the Listing Rules and they will together form a group of Controlling Shareholders upon Listing.

Information on other companies owned by our Controlling Shareholders

Our Group principally engages in the business of manufacturing and sales of galvanized steel products in the home appliance sector in the PRC. As at the Latest Practicable Date, other than the business of manufacturing and sales of galvanized steel products in the home appliance sector in the PRC carried out by our Group, our Controlling Shareholders and their close associates also had controlling interest in other companies as mentioned below (collectively, the "**Excluded Business**"). These companies engage in businesses of different sectors from our Group. Brief details of each of the companies under the Excluded Business are as follows:

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Principal activities of company
Jiangnan Industrial Group	90.0% by Mr. Mei	Investment holding company
Changzhou Huacai Building Materials Co. Ltd. (常州華彩建材有限公司)	75.0% by Jiangnan Industrial Group	Production and sales of aluminum alloy profiles
Changzhou Nankai Metal Co. Ltd. (常州南凱金屬製品有限公司)	55.0% by Jiangnan Industrial Group	Processing, production and sales of brushed metal and metal wires
Jiangnan Tiehejin	90.0% by Mr. Mei	Processing, production and sales of various types of ferroalloy, including ferrotitanium and ferroaluminum
Jiangnan Chuangjia	49.4% by Mr. Mei 50.6% by Jiangnan Industrial Group	Manufacturing and processing of aluminum alloy supplies

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Principal activities of company
Changzhou Huanan Nonferrous Metal Co. Ltd. (常州華南有色金屬有限公司)	40.0% by Mr. Mei	Processing of various types of alloys into products such as granulated zinc, zinc aluminum silicon alloy, aluminum deoxidizer, aluminum particles and aluminum ingot
Changzhou Gerber Alloy Co. Ltd. (常州格貝爾合金有限公司)	90.0% by Mr. Mei	Production and sales of various types of alloys including aluminum manganese silicon alloy, copper nickel alloy and ferrotitanium
Changzhou Sunan Material Recycling Co. Ltd. (常州蘇南物資再生利用有限公司)	92.8% by Mr. Mei 7.2% by Jiangnan Industrial Group	No business
Jiangsu Jiangnan Tiehejin Group Refuelling Centre Co. Ltd. (江蘇江南鐵合金集團加油中心有限公司)	93.3% by Jiangnan Industrial Group 6.7% by Mr. Mei	No business
Changzhou Kangnan Metal Co. Ltd. (常州康南金屬材料有限公司)	80.0% by Ms. Liu 20.0% by Mr.Mei	No business
Changzhou Jiangnan Chuangjia Property Co. Ltd. (常州江南創佳房地產有限公司)	90.0% by Mr. Mei	Investment, development and sales of property
Changzhou Zuowei Medical Investment Co. Ltd. (常州卓維醫療投資有限公司)	70.0% by Ms. Liu	Provision of daily beauty care services and health consulting services

As shown in the table above, the principal activities of each company differs from that of our Group, which principally engages in the manufacturing and sales of galvanized steel products in the home appliance sector in the PRC. Due to differences in principal business activities, the Excluded Business is not in competition directly or indirectly with those of our Group.

Our Directors have considered that it is either unnecessary or not in the best interest of our Group to include the Excluded Business in our Group for the purpose of Listing in order for our Group to focus on the principal business of manufacturing and sales of galvanized steel products in the home appliance sector in the PRC.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our daily operations. During the Track Record Period, our Controlling Shareholders and their controlled entities provided guarantees to certain banks in favour of our Group for granting certain bank loans at nil consideration. For further details of these guarantees, please see note 20 to the Accountants' Report as set out in Appendix I to this prospectus. As at the Latest Practicable Date, such guarantees have been released. Our Controlling Shareholders and their controlled entities also provided advances to our Group, primarily arising from outstanding amount of advances from them in support of previous capital expenditure for machineries and equipment, and the balance of which amounted to approximately RMB199.3 million, RMB176.0 million, RMB52.5 million and RMB49.4 million as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. Such balance will be settled by our Group's internal resources and/or facilities from other Independent Third Parties prior to the Listing. Save for the aforementioned, as at the Latest Practicable Date, none of our Controlling Shareholders, their controlled entities and their respective close associates had provided any share pledge, security, guarantee and other financial assistance in favour of our Group. Our Directors confirm that we will not rely on our Controlling Shareholders, their controlled entities and their respective close associates for financing after the Listing as we expect that our working capital will be funded by cash generated from operating activities, the net proceeds from the Global Offering and our credit facilities maintained with banks.

Operational independence

We do not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities.

Production, operation, sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently of our Controlling Shareholders and their respective close associates (other than members of our Group). Our Controlling Shareholders have no interest in any of our top five customers or suppliers.

During the Track Record Period, there have been certain transactions between us and our connected persons in relation to a property lease agreement and the sale of scrap metal materials. Nevertheless, the property lease agreement is expected to be an exempt continuing connected transaction and the sale of scrap metal materials were entered into in the ordinary and usual course of business and were on normal commercial terms or better, fair and reasonable. For details in relation to these connected transactions, please refer to the section headed "Connected Transactions" in this prospectus.

Based on the above, our Directors consider that our Group can operate independently of our Controlling Shareholders from the operational perspective.

Management independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises five executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the best interest of our Group and not to allow any conflict between his/her duties as a Director and his/her personal interest. Our independent non-executive Directors are all with extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different background provides a balance of views and opinions. Please refer to the section headed "Directors And Senior Management — Directors" in this prospectus for the background of our Directors. Our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of our Group), the interested Director(s) shall, unless otherwise permitted by the Articles, abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In case Mr. Mei and/or Ms. Liu is/are required to abstain from voting at the Board meeting due to potential conflict of interest, other Directors will be able to form a quorum and will ensure that the decisions of our Board are made after due consideration of independent and impartial opinions.

Apart from our executive Directors who oversee the daily operations of our Group, our Group has a senior management team independent of our Controlling Shareholders to carry out the business decisions of our Group and to perform all essential management functions without unduly requiring the support of our Controlling Shareholders and the background of our senior management personnel is set out in the section headed "Directors And Senior Management — Senior management" in this prospectus.

In view of the aforesaid, our Directors are of the view that our management independence is upheld.

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Each of our Directors has confirmed that none of our Controlling Shareholders and their respective close associates (other than members of our Group) has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

Further, each of our Directors has confirmed that he/she is not interested in any business apart from our business (where relevant), which competes or is likely to compete, either directly or indirectly, with our business.

DEED OF NON-COMPETITION

Our Controlling Shareholders entered into the Deed of Non-competition on 25 October 2018 in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company that they shall not, and shall procure that none of their respective close associates and/or companies controlled by them (other than members of our Group) shall, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, for profit or not, among other things, carry on, engage, invest, be interested or involved or engaged in, acquire or hold any rights or interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business of manufacturing and sales of Cold Rolled Steel Products in the PRC and such other parts of the world where any member of our Group may operate from time to time or other related business which our Group may undertake from time to time after the Listing (the "**Restricted Business**").

The Deed of Non-competition does not apply to the relevant Controlling Shareholder in the circumstances where it/he has:

(a) any interest in the shares or other securities of any member of our Group from time to time; or

(b) interest in the shares of a company other than our Group provided that:

    (i) such shares are listed on a recognised stock exchange; and

    (ii) such shares or securities are listed on a recognised stock exchange and the aggregate interest (as construed in accordance with the provisions contained in Part XV of the SFO) of the relevant Controlling Shareholders and its/his close associates do not amount to more than 5% of the relevant share capital (individually or any of the Controlling Shareholders with their close associates collectively) of the company concerned (the "**Relevant Company**"), provided that (a) the shareholding of any one holder (and its/his associate, if applicable) in the Relevant Company is more than that of our Controlling Shareholder and its/his close associates in aggregate at any time; and (b) the total number of the representatives of our Controlling Shareholder or its/his close associates on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/its shareholding in the Relevant Company.

The "Restricted Period" stated in the Deed of Non-competition refers to the period during which:

(a) the Shares remain listed on the Stock Exchange (other than suspension of trading of the Shares for any other reason); or

(b) our Controlling Shareholders and their respective close associates, individually or jointly, remain to be deemed as controlling shareholder (within the meaning as defined in the Listing Rules from time to time) and/or a Director of our Company.

Each of our Controlling Shareholders has also undertaken that (i) it/he will promptly notify and provide our Company, in writing with any relevant information in respect of any project or new business opportunity that relates to the Restricted Business (the "**New Opportunity**") is available to it/him or any of their respective associates to assess such new business opportunity, will grant a right of first refusal to our Group to take up such New Opportunity and will assist our Company in obtaining such business opportunity in the terms being offered to it/him or more favourable terms being acceptable to our Company, (ii) it/he will, and will procure its/his close associates with material interests to, abstain from voting at all meetings of Directors and Shareholders on resolutions involving the exercise or non-exercise of the right of our Group to participate in the relevant Restricted Business, (iii) it/he will provide all information reasonably required or necessary to our Company for the enforcement of the Deed of Non-competition and (iv) it/he will make an annual declaration in favour of our Company on whether it/he has fully complied with its/his obligations under the Deed of Non-competition, for inclusion in the annual reports or announcements of our Company in the manner consistent with the principles of making voluntary disclosures in the annual reports prepared in accordance with the requirements of the Listing Rules from time to time.

CORPORATE GOVERNANCE

The Deed of Non-competition provides that our Controlling Shareholders and their respective close associates (other than members of our Group) shall not compete with our Group. Our Directors consider that we have adequate corporate governance measures in place to resolve any actual and potential conflict of interest. To further avoid potential conflict of interest, we have implemented the following measures:

(a) our Company has adopted the Articles of Association which provide that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;

(b) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and enforcement of the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to take up the New Opportunity;

(c) our Controlling Shareholders will, as stipulated under the Deed of Non-competition, provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;

(d) any New Opportunity under the Deed of Non-competition and all other matters determined by our Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on these matters. In the event that any New Opportunity presented by otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose such decision, as well as the basis of such decision in the annual report of our Company;

(e) our Company will disclose, from time to time, information on the New Opportunity, including but not limited to disclosing through our annual reports or announcements the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline;

(f) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive and independent non-executive Directors. We have appointed independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgement. Background of our independent non-executive Directors are set out in the section headed "Directors And Senior Management — Directors" in this prospectus;

(g) further, if our Controlling Shareholder or our Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and

(h) we have appointed GF Capital as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors' duties and corporate governance.

OVERVIEW

We entered into transactions with connected persons of our Company and these transactions will continue after the Listing Date, thereby constituting continuing connected transactions of our Company under the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

Lease Agreement

During the Track Record Period, Jiangnan Precision occupied a property held by Jiangnan Industrial Group for use as office premises. As Jiangnan Precision and Jiangnan Industrial Group are both controlled by Mr. Mei and the subject amount was minimal, no rental was paid for the use of the property for the years ended 31 December 2015, 2016 and 2017.

Our Group entered into a property lease agreement (the "**Lease Agreement**") on 1 January 2018. Hence, our Group paid rental of approximately RMB32,000 for the four months ended 30 April 2018. Details of the Lease Agreement are set out below:

Date of agreement	:	1 January 2018
Parties	:	Jiangnan Industrial Group as landlord (the "**Landlord**") Jiangnan Precision as tenant (the "**Tenant**")
Premises	:	4th and 6th floors of the Jianguan Industrial Group's Main Building, Wuyi Village, Hengshanqiao Town, Wujin District, Changzhou City, Jiangsu Province, the PRC
Term	:	Three (3) years commencing on 1 January 2018 and expiring on 31 December 2020 (both days inclusive)
Rental and payment terms	:	RMB8,000 per month payable on each and every calendar month during the term
Termination	:	At the end of the term
Miscellaneous terms	:	The maintenance fee of the Premises shall be borne by the Landlord unless damage to the Premises was caused by the wrongful use of the Premises by the Tenant

As at the Latest Practicable Date, Mr. Mei, one of our Controlling Shareholders, owned more than 30% of the registered share capital in Jiangnan Industrial Group. As such, Jiangnan Industrial Group is regarded as an associate of Mr. Mei, and hence a connected person of our Company pursuant to Rule 14A.12(1)(c) of the Listing Rules. The lease of property with Jiangnan Industrial Group will continue after the Listing Date, thereby constituting continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

As the annual rent payable amount to RMB96,000 and since each of the applicable percentage ratios (other than the profits ratio) for the transaction above is less then 5% with annual total consideration of less than HK$3,000,000, the transaction above constitutes de minimis continuing connected transaction under Rule 14A.76(1)(c) of the Listing Rules, which is fully exempted from shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

Our Directors, including our INED(s), have confirmed that the transactions under the Lease Agreement are in the ordinary and usual course of business of our Group, and the rental in respect of the Premises is comparable to the market level of similar properties in the locality and is thus on normal commercial terms or better, fair and reasonable, and in the interests of our Company and Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Changzhou Nankai Trading Co. Ltd. (常州南凱物貿有限公司) ("Nankai Trading")

Relationship between parties:

Mr. Mei, one of our Controlling Shareholders, is a cousin of Mr. Mei Yiqiu (梅一秋) ("**Mr. Mei YQ**"), who, as at the Latest Practicable Date, owned 60% of the registered capital in Nankai Trading. As such, each of Mr. Mei YQ and Nankai Trading is regarded as an associate of Mr. Mei, and hence a connected person of our Company pursuant to Rule 14A.21(1)(b) of the Listing Rules. The sale of scrap metal materials by our Group to Nankai Trading will continue after the Listing Date, thereby constituting continuing connected transaction of our Company under the Listing Rules.

Reasons for the transactions:

As at the Latest Practicable Date, Nankai Trading engages in the sales and trading of metal materials and demands for metal materials for its business operation. Our Group's process of manufacturing galvanized steel products generates large amount of scrap materials during its production process.

Major terms of the transaction:

Nankai Trading and Jiangnan Precision entered into a framework sales agreement for the sale of scrap metal materials ("**Framework Sales Agreement (I)**"). The following is a summary of the principal terms of the Framework Sales Agreement (I):

Date:	25 October 2018
Parties:	(1) Nankai Trading (as purchaser); (2) Jiangnan Precision (for itself and on behalf of other members of our Group) (as supplier)
Term (period):	Not more than three years from the Listing Date to 31 December 2020
Subject matter:	Nankai Trading agrees to purchase, on a non-exclusive basis, from Jiangnan Precision scrap metal materials pursuant to the terms of the Framework Sales Agreement (I).
Operational Agreement(s):	Pursuant to the Framework Sales Agreement (I), Nankai Trading may, at the end of each calender month, during the term of the Framework Sales Agreement (I), enter into separate sales agreement(s) in respect of the purchases covered by the Framework Sales Agreement (I), which will specify, among others, the payment terms, price and quantity of scrap metal materials to be purchased in the following calender month, provided that such separate sales agreement(s) shall always be subject to the terms of the Framework Sales Agreement (I).

Basis of pricing:	The price under the sales agreement(s) will be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and on the following principles: The purchase price of scrap metal materials is to be determined based on (i) the market price of scrap metal materials, steel wires and other similar products charged by nearby independent manufacturers and (ii) factors including quantity of purchase and mode of delivery. In determining the market price, the Company will compare the prices of scrap metal materials, steel wires and other similar products from at least two nearby independent manufacturers of those products to ensure that price is no more favourable than those offered by us to Independent Third Parties.
Termination:	By mutual agreement or in the event of a breach committed by either party as specified in the Framework Sales Agreement (I).

Historical amount

During the Track Record Period, the revenue generated from the sale of scrap metal materials to Nankai Trading by our Group are set out below:

	Year ended 31 December			Four months ended 30 April
	2015	**2016**	**2017**	**2018**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Total revenue from the sale of scrap metal materials to Nankai Trading	2.7	10.9	11.8	4.1

Annual caps and basis of determination:

Our Directors estimate that the annual transaction amount for the sale of scrap metal materials to Nankai Trading for the three years ending 31 December 2020 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2018	**2019**	**2020**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total revenue from the sale of scrap metal materials to Nankai Trading	12.2	12.2	12.2

In determining the above annual caps, our Directors have considered generally:

(a) the historical amount as set out above; and

(b) the anticipated market price of scrap metal materials in the PRC market for the three years ending 31 December 2020.

Listing Rules implications:

Please see "— 2. Changzhou Nankai Metal Co. Ltd ("**Nankai Metal**") — Listing Rules implications" in this section below.

Directors' view:

Our Directors, including our INED(s), after reviewing the terms of the Framework Sales Agreement (I), are of the view that the Framework Sales Agreement (I) and the transactions contemplated thereunder have been entered into on normal commercial terms (or on terms which are no less favourable to our Group), in the ordinary and usual course of business of our Group and the terms of the Framework Sales Agreement (I) as well as the proposed annual caps (and the aggregated annual caps together with those of the Framework Sales Agreement (II)) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

2. Changzhou Nankai Metal Co. Ltd. (常州南凱金屬製品有限公司) ("Nankai Metal")

Relationship between parties:

Mr. Mei, one of our Controlling Shareholders, is a cousin of Mr. Mei YQ, who, as at the Latest Practicable Date, owned 45% of the registered capital in Nankai Metal. As such, each of Mr. Mei YQ and Nankai Metal is regarded as an associate of Mr. Mei, and hence a connected person of our Company pursuant to Rule 14A.21(1)(b) of the Listing Rules. The sale of scrap metal materials by our Group to Nankai Metal will continue after the Listing Date, thereby constituting continuing connected transaction of our Company under the Listing Rules.

Reasons for the transactions:

As at the Latest Practicable Date, Nankai Metal engages in the processing and manufacturing of metal products and is therefore, in demand of metal materials for its business operation. Our Group's process of manufacturing galvanized steel products generates large amounts of scrap materials during its production process.

Major terms of the transaction:

Nankai Metal and Jiangnan Precision entered into a framework sales agreement for the sale of scrap metal materials ("**Framework Sales Agreement (II)**"). The following is a summary of the principal terms of the Framework Sales Agreement (II):

Date:	25 October 2018
Parties:	(1) Nankai Metal (as purchaser);
	(2) Jiangnan Precision (for itself and on behalf of other members of our Group) (as supplier)
Term (period):	Not more than three years from the Listing Date to 31 December 2020
Subject matter:	Nankai Metal agrees to purchase, on a non-exclusive basis, from Jiangnan Precision scrap metal materials pursuant to the terms of the Framework Sales Agreement (II).

Operational Agreement(s):	Pursuant to the Framework Sales Agreement (II), Nankai Metal may, at the end of each calender month, during the term of the Framework Sales Agreement (II), enter into separate sales agreement in respect of the purchases covered by the Framework Sales Agreement (II), which will specify, among others, the payment terms, price and quantity of scrap metal materials to be purchased in the following calender month, provided that such separate sales agreement(s) shall always be subject to the terms of the Framework Sales Agreement (II).
Basis of pricing:	The price under the sales agreement(s) will be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and on the following principles: The purchase price of scrap metal materials is to be determined based on (i) the market price of scrap metal materials, steel wires and other similar products charged by independent nearby manufacturers and (ii) factors including quantity of purchase and mode of delivery. In determining the market price, the Company will compare the prices of scrap metal materials, steel wires and other similar products from at least two nearby independent manufacturers of those products to ensure that price is no more favourable than those offered by us to Independent Third Parties.
Termination:	By mutual agreement or in the event of a breach committed by either party as specified in the Framework Sales Agreement (II).

Historical amount

During the Track Record Period, the revenue generated from the sale of scrap metal materials to Nankai Metal by our Group are set out below:

	Year ended 31 December			Four months ended 30 April
	2015	**2016**	**2017**	**2018**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Total revenue from the sale of scrap metal materials to Nankai Metal	7.8	4.3	6.7	2.3

Annual caps and basis of determination:

Our Directors estimate that the annual transaction amount for the sale of scrap metal materials to Nankai Metal for the three years ending 31 December 2020 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2018	**2019**	**2020**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total revenue from the sale of scrap metal materials to Nankai Metal	5.3	5.3	5.3

In determining the above annual caps, our Directors have considered generally:

(a) the historical amount as set out above; and

(b) the anticipated market price of scrap metal materials in the PRC market for the three years ending 31 December 2020.

Listing Rules implications:

For the reasons that:

(1) the Framework Sales Agreement (I) and Framework Sales Agreement (II) involve parties who are connected to each other by virtue of Nankai Metal and Nankai Trading each being held 45% and 60% of the issued capital by Mr. Mei YQ, respectively; and

(2) the subject matter of the agreements involves the sale of scrap metal materials,

the Stock Exchange has aggregated the continuing connected transactions contemplated under the Framework Sales Agreement (I) and Framework Sales Agreement (II). Accordingly, the aggregated annual caps for the three financial years ending 31 December 2020 are RMB17.5 million, RMB17.5 million and RMB17.5 million, respectively. Since the aggregated annual caps exceed HK$10 million but are less than 5% of all the percentage ratios (other than the profits ratio) as defined in Rule 14A.76 of the Listing Rules, the transactions contemplated under the Framework Sales Agreement (I) and Framework Sales Agreement (II) are subject to the annual reporting, annual review, announcement but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' view:

Our Directors, including our INED(s), after reviewing the terms of the Framework Sales Agreement (II), are of the view that the Framework Sales Agreement (II) and the transactions contemplated thereunder have been entered into on normal commercial terms (or on terms which are no less favourable to our Group), in the ordinary and usual course of business of our Group and the terms of the Framework Sales Agreement (II) as well as the proposed annual cap (and the aggregated annual caps together with Framework Sales Agreement (I)) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor, having reviewed the relevant information and historical figures relating to the non-exempt continuing connected transactions, and conducted due diligence of such transactions with our Company, are of the view that: (i) the non-exempt continuing connected transactions are and will be entered into in our Group's ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for these transactions (and the aggregated annual caps of such transactions) are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

APPLICATION FOR WAIVER

We expect the non-exempt continuing connected transactions disclosed above will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement once the Shares are listed on the Stock Exchange in respect of such non-exempt continuing connected transactions. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of such continuing connected transactions. Our Directors confirm that, for all non-exempt continuing connected transactions to be entered into by our Group (if any), our Company will comply with the applicable Listing Rules, unless a separate application for waiver is made for the dispensation with the applicable announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of eight Directors, comprising five executive Directors and three independent non-executive Directors; whilst our senior management consists of five personnel.

The following table sets out certain information regarding members of our Board of Directors and senior management.

Directors

Name	Age	Position/Title	Date of joining our Group	Date of first becoming a Director	Roles and responsibilities	Relationship with Directors and senior management
Mr. Mei Zefeng (梅澤鋒先生)	40	Executive Director	July 2003	21 December 2017	Overall strategic planning, operations and management of our Group	Spouse of Ms. Liu, cousin-in-law of Mr. Xu and cousin-in-law of Mr. Liu
Ms. Liu Ping (劉萍女士)	38	Chairman, Executive Director	October 2005	21 December 2017	Overall operations and management of our Group; chairman of the Nomination Committee	Spouse of Mr. Mei, cousin of Mr. Xu and cousin of Mr. Liu
Mr. Zhang Zhihong (張志洪先生)	46	Chief Executive Officer, Executive Director	May 2007	18 May 2018	Production and operations management of our Group; member of the Remuneration Committee	N/A
Mr. Xu Chao (許潮先生)	30	Executive Director	September 2010	18 May 2018	General administration of our Group	Cousin of Ms. Liu and cousin-in-law of Mr. Mei
Ms. Lu Xiaoyu (陸小玉女士)	42	Executive Director	January 2005	18 May 2018	Overall financial management of our Group	N/A
Mr. Li Yuen Fai Roger (李苑輝先生)	57	INED	October 2018	25 October 2018	Participating in meetings of the Board to bring an independent judgment on issues which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the Audit Committee, Remuneration Committee and Nomination Committee (as the case may be)	N/A
Mr. Cao Baozhong (曹寶忠先生)	76	INED	October 2018	25 October 2018	Participating in meetings of the Board to bring an independent judgment on issues which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the Audit Committee, Remuneration Committee and Nomination Committee (as the case may be)	N/A

Name	Age	Position/Title	Date of joining our Group	Date of first becoming a Director	Roles and responsibilities	Relationship with Directors and senior management
Mr. Yang Guang (楊廣先生)	77	INED	October 2018	25 October 2018	Participating in meetings of the Board to bring an independent judgment on issues which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the Audit Committee, Remuneration Committee and Nomination Committee (as the case may be)	N/A

Senior Management

Name	Age	Position/Title	Date of joining our Group	Date of first becoming a member of the senior management	Roles and responsibilities	Relationship with Directors and senior management
Mr. Guo Zhongyi (過中毅先生)	45	Vice president of production	August 2004	August 2016	Production management	N/A
Mr. Wu Xiaojun (吳曉俊先生)	44	Vice president of sales and supervisor of Jiangsu office	July 2006	August 2016	Sales strategies and management	N/A
Mr. Liu Yu (劉宇先生)	30	Head of procurement	September 2010	January 2017	Material procurement and management	Cousin of Ms. Liu and cousin-in-law of Mr. Mei
Ms. Huang Yue (黃粵女士)	47	Financial controller	May 2018	May 2018	Overseeing accounting and financial management of our Group	N/A
Mr. Chung Yau Tong (鍾有棠先生)	46	Company secretary	May 2018	May 2018	Company secretarial matters	N/A

DIRECTORS

Executive Directors

Mr. Mei Zefeng (梅澤鋒先生), aged 40, was appointed as our executive Director on 21 December 2017. As a founder of our Group, Mr. Mei had been serving as the general manager and an executive director of Jiangnan Precision from July 2003 to December 2007 and from July 2003 to September 2017, respectively. He has been appointed as the chairman of Jiangnan Precision since October 2017. Mr. Mei has been primarily responsible for overall strategic planning, operations and management of our Group. He is the spouse of Ms. Liu, the cousin-in-law of Mr. Xu and the cousin-in-law of Mr. Liu Yu ("**Mr. Liu**"), a senior management member of our Group. Mr. Mei is also a director of each of our subsidiaries.

Mr. Mei has over 15 years of experience in the steel processing industry. He has been serving as the chairman of Jiangnan Industrial Group since January 2007. He has been appointed as the supervisor of Jiangnan Rural Commercial Bank (江南農村商業銀行), a company principally engages in banking and financial services since January 2010. The following table sets out the awards received by Mr. Mei:

Date of receipt	Name of Award	Conferred by
September 2017	Cultivation Target of Leading New Generation Entrepreneur of Jiangsu Province (江蘇省領軍型新生代企業家培養對象)	Jiangsu Province Committee of Communist Youth League of China (共青團江蘇省委), Talent Work Leading Group Office of Jiangsu Province (江蘇省人才工作領導小組辦公室), Development and Reform Commission of Jiangsu Province (江蘇省發展和改革委員會) and others
April 2017	Model Worker of Changzhou City (常州市勞動模範)	Changzhou City Committee of Communist Party of China (中共常州市委) and the People's Government of Changzhou City (常州市人民政府)
April 2017	Outstanding Builder of Socialism with Chinese Characteristics of Wujin District (武進區第二屆優秀中國特色社會主義事業建設者)	Committee of Wujin District of Changzhou City of Communist Party of China (中共常州市武進區委員會) and the People's Government of Wujin District of Changzhou City (常州市武進區人民政府)
December 2013	2013 Top 10 Outstanding Young Entrepreneur of Jiangsu Province (2013年江蘇省十大傑出青年企業家)	Jiangsu Province Committee of Communist Youth League of China (共青團江蘇省委), Xinhua Daily Media Group (新華報業傳媒集團) and Jiangsu Broadcasting Corporation (江蘇省廣電總台)
October 2011	The Most Caring Charity Donation Model (最具愛心慈善捐贈楷模)	The People's Government of Jiangsu Province (江蘇省人民政府)

Date of receipt	Name of Award	Conferred by
From February 2009 to February 2017	2008 to 2016 Star Industrial Entrepreneur of Changzhou City (2008–2016年常州市工業明星企業家)	Changzhou City Committee of Communist Party of China (中共常州市委) and the People's Government of Changzhou City (常州市人民政府)
February 2012, 2015, 2016 and 2017	2011, 2014, 2015 and 2016 "Outstanding Entrepreneur" of Wujin District (2011, 2014, 2015及2016年度武進區"優秀企業家")	Committee of Wujin District of Changzhou City of Communist Party of China (中共常州市武進區委員會) and the People's Government of Wujin District of Changzhou City (常州市武進區人民政府)

Mr. Mei graduated from Nanjing University (南京大學), the PRC in July 2000 with a undergraduate diploma in Electronic Engineering. He also obtained a postgraduate diploma of marketing management from University of Derby, the United Kingdom in November 2004.

Mr. Mei was previously a director of the following company shown in the table below which has been dissolved:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reasons of Dissolution
Changzhou Jiangnan Chuangjia Investment Development Co., Ltd. 常州江南創佳投資發展有限公司	PRC	No active business activities	3 March 2016	Deregistration	The company has never commenced business

Mr. Mei has confirmed that the above company was solvent at the time of its respective dissolution and so far as he was aware, no claim has been made or will be made against him as a result of such dissolution.

Ms. Liu Ping (劉萍女士), aged 38, is our Chairman and was appointed as our executive Director on 21 December 2017. She is also the chairman of the Nomination Committee. Ms. Liu joined our Group in October 2005 and served as the chief financial officer of Jiangnan Precision from October 2005 to September 2009. She has been appointed as the president of Jiangnan Precision since October 2009. Ms. Liu has been primarily responsible for overall operations and management of our Group. She is the spouse of Mr. Mei, the cousin of each of Mr. Xu and Mr. Liu. Ms. Liu is also a director of each of our subsidiaries.

Ms. Liu has over 12 years of experience in financial control and enterprise management. She has been serving as the general manager of Jiangnan Industrial Group since January 2009.

Ms. Liu graduated from Jinling Vocational Institute (金陵職業大學) (currently known as Jinling Institute of Technology (金陵科技學院)), the PRC in July 2001 with a diploma in Business Administration. She further obtained a bachelor's degree of Business (International Business) from Queensland University of Technology, Australia in 2004.

Mr. Zhang Zhihong (張志洪先生), aged 46, is our Chief Executive Officer and was appointed as our executive Director on 18 May 2018. He is also a member of the Remuneration Committee. Mr. Zhang joined our Group in May 2007 and served as the vice president of production and the head of procurement of Jiangnan Precision from May 2007 to July 2012 and from July 2012 to June 2014, respectively. He has been the general manager of Jiangnan Precision since June 2014 and is currently a director of Jiangnan Precision. Mr. Zhang is mainly responsible for production and operations management of our Group.

Mr. Zhang has over 18 years of experience in production and operations management in plastic and aluminum profile industry. Prior to joining our Group, Mr. Zhang worked as the factory manager in Jiangnan Chuangjia from January 1999 to June 2002. He also worked as the factory manager in Changzhou Huacai Construction Material Co., Limited (常州華彩建材有限公司), a company principally engages in production and sales of aluminum alloy profile, from July 2002 to April 2007.

Mr. Zhang graduated from Shandong Continuing Education College of Technology (山東科技進修學院), the PRC with a degree in Industrial Electrification Technology (工業電氣化技術) in July 2011 through distance learning.

Mr. Xu Chao (許潮先生), aged 30, was appointed as our executive Director of our Company on 18 May 2018. Mr. Xu joined Jiangnan Precision in September 2010 as a clerk at the human resources department. Mr. Xu was the head of sales of Jiangnan Precision from July 2011 to July 2017. He has been appointed as the secretary of the board of directors and assistant general manager of Jiangnan Precision since August 2017. Mr. Xu is mainly responsible for general administration of our Group. He is the cousin of Ms. Liu and the cousin-in-law of Mr. Mei.

Mr. Xu was awarded a bachelor's degree in Technology and Instrument of Measurement and Control (測控技術與儀器) from Nanjing Normal University (南京師範大學), the PRC in July 2010.

Ms. Lu Xiaoyu (陸小玉女士), aged 42, was appointed as our executive Director on 18 May 2018. Ms. Lu joined our Group in January 2005 as the manager of finance department (財務科長) of Jiangnan Precision and became the chief financial officer (財務總監) of Jiangnan Precision in January 2017. Ms. Lu is mainly responsible for overall financial management of our Group. Prior to joining our Group, Ms. Lu worked as a cashier in Jiangnan Industrial Group from September 1999 to December 2004.

Ms. Lu was awarded a bachelor's degree in Currency and Banking (貨幣銀行) from Nanjing Agricultural University (南京農業大學), the PRC in July 1999.

Independent non-executive Directors

Mr. Li Yuen Fai Roger (李苑輝先生), aged 57, was appointed as our independent non-executive Director on 25 October 2018. Mr. Li is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Li is an associate member of The Hong Kong Institute of Certified Public Accountants, an associate of (i) the Taxation Institute of Hong Kong; (ii) The Society of Chinese Accountants & Auditor and (iii) The Association of Chartered Certified Accountants. Mr. Li has over 30 years' experience in corporate finance, accounting, auditing, corporate administration and business development. From July 1980 to June 1990, Mr. Li worked for Coopers & Lybrand, an international certified public accounting firm, and was responsible for the auditing and investigation assignments. In November 1991, Mr. Li joined as the partner of William Lui & Company. Since 2003, Mr. Li has been the sole practitioner for Roger Li & Co, a certified public accounting firm in Hong Kong.

Since July 2016, Mr. Li has served as an independent non-executive director of 361 Degrees International Co., Limited (stock code: 1361), a company listed on the Main Board of the Stock Exchange.

Mr. Li was elected a committee member of the 9th and 10th Chinese People's Political Consultative Conference of Heilongjiang Province in the PRC. He was appointed as an economic advisor of the People's Government of Chengde City of Hebei Province in the PRC in 1997.

Mr. Li completed his secondary education in 1980.

Mr. Li was previously a director of the following companies shown in the table below which have been dissolved:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reasons of Dissolution
AGC COAL INDUSTRIAL LIMITED	Hong Kong	No active business activities	23 March 2012	Deregistration	The company has never commenced business.
BIG BRIDGE CAPITAL (HK) LIMITED 大橋資本(香港)有限公司	Hong Kong	No active business activities	4 May 2006	Striking off	The company has never commenced business.

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reasons of Dissolution
FUSHI ENERGY LIMITED 富時能源有限公司	Hong Kong	No active business activities	29 July 2016	Deregistration	The company has never commenced business.
GREAT CENTURY INDUSTRIAL LIMITED 豐恒實業有限公司	Hong Kong	No active business activities	15 June 2012	Deregistration	The company has never commenced business.
TENOR BRAVO RESEARCH AND TECHNOLOGIES LIMITED 天和佰鋒技術發展有限公司	Hong Kong	Design and development of application of carbon fiber heating material	16 November 2007	Deregistration	Cessation of business.
SINKIANG TIANHE BAIFENG ELECTRO-HEAT TECHNOLOGY DEVELOPMENT CO., LTD. 新疆天和佰鋒電熱技術開發有限公司	PRC	Research, development, manufacture, sales and application of lightware heating materials and technology	15 September 2005	Suspension	Cessation of business.

Mr. Li has confirmed that each of the above companies was solvent at the time of their respective dissolutions and so far as he was aware, no claim has been made or will be made against him as a result of such dissolutions.

Mr. Cao Baozhong (曹寶忠先生), aged 76, was appointed as our independent non-executive Director on 25 October 2018. Mr. Cao is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

He has over 40 years of working experience, of which over 20 years focusing on administration and human resources management and his last position was the general manager of Nam Tung (Macau) Investment Ltd. (Bank of China Macau Branch) (澳門南通信託投資有限公司(中國銀行澳門分行)) until October 2002.

Mr. Cao obtained a graduation certificate in Market Economy Features and Development Trends (市場經濟特色和發展趨勢) from the Chinese Academy of Governance in 1997.

Mr. Yang Guang (楊廣先生), aged 77, was appointed as our independent non-executive Director on 25 October 2018. Mr. Yang is also a member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Yang is a professor-level senior engineer (教授級高級工程師) in the PRC.

Mr. Yang has over 20 years of experience in steel manufacturing and processing industry. The table below sets forth his working experience:

Company/entity name	Principal business activities of the company	Position and responsibilities	Period
Shanghai Baosteel Hot Rolled Factory (上海寶鋼熱軋廠)	Manufacture of hot rolled steel products	Engineer, deputy factory manager, senior engineer, and factory manager, mainly responsible for production management	From May 1979 to May 1991
Baosteel Group Corporation (寶鋼集團)	Manufacture and processing of various steel products	Director of production department (生產部部長), responsible for overall production management	From May 1991 to February 1993
Baosteel Group Corporation (寶鋼集團)	Manufacture and processing of various steel products	Deputy general commander of project headquarters (工程指揮部), responsible for planning, design and importation of overseas technology and equipment	From February 1993 to May 2001

Mr. Yang was appointed as an expert of the expert committee of China International Engineering Consultation Company (中國國際工程諮詢公司) in September 2006.

Mr. Yang completed a 5-year undergraduate professional programme in Shanghai Jiao Tong University (上海交通大學) in July 1963.

Save as disclosed in the paragraph headed "Directors And Senior Management — Directors" in this section, 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" in this prospectus and the section headed "Statutory And General Information — 3. 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 the paragraph headed "Directors And Senior Management — Directors" in this section, 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. Guo Zhongyi (過中毅先生), aged 45, has been serving as the vice president of production of Jiangnan Precision since August 2016. Mr. Guo is mainly responsible for production management of our Group. Mr. Guo joined our Group in August 2004 as the production officer of Jiangnan Precision from August 2004 to July 2007. He had served as the supervisor of galvanization workshop and the factory manager of production of Jiangnan Precision from August 2007 to July 2013 and from August 2013 to July 2016, respectively.

Mr. Guo has over 22 years of experience in the manufacturing industry, and his working experience prior to joining our Group is set forth in the table below:

Company name	Principal business activities of the company	Position and responsibilities	Period
Jiangsu Jiangnan Industrial Group Co., Limited — Factory No. 5 (江蘇江南實業集團五分廠)	Manufacture of bearing shell for diesel engine	Technician, participated in design of auxiliary tools and equipment and knives	From August 1995 to January 1996
Jiangsu Jiangnan Industrial Group Co., Limited — Factory No. 6 (江蘇江南實業集團六分廠)	Design and manufacture of valve actuator	Technician, participated in product design and development	From February 1996 to June 2002
Jiangsu Jiangnan Industrial Group Co., Limited — Factory No. 6 (江蘇江南實業集團六分廠)	Design and manufacture of valve actuator	Deputy factory manager of production, responsible for production management of Factory No.6	From July 2002 to July 2004

Mr. Guo graduated from Changzhou Institute of Technology (常州工業技術學院), the PRC with a diploma in Machinery Manufacturing and Technology in July 1995.

Mr. Wu Xiaojun (吳曉俊先生), aged 44, has been the vice president of sales and the supervisor of sales department of Jiangsu Province at Jiangnan Precision since August 2016. Mr. Wu is mainly responsible for sales strategies and management of our Group. Mr. Wu joined our Group in July 2006 and served as Jiangnan Precision's sales representative of Guangdong region from July 2006 to March 2011. He was a supervisor of sales department in Jiangsu region of Jiangnan Precision from March 2011 to July 2016.

Mr. Wu has over 20 years of experience in the manufacturing industry, and his working experience prior to joining our Group is set forth in the table below:

Company name	Principal business activities of the company	Position and responsibilities	Period
Jiangsu Jiangnan Industrial Group Co., Limited — Factory No. 5 (江蘇江南實業集團五分廠)	Production and sales of bearing shell	Workshop supervisor (班長), responsible for production management	From March 1995 to June 2002
Jiangsu Jiangnan Industrial Group Co., Limited — Factory No. 3 (江蘇江南實業集團三分廠)	Production, and sales of aluminium alloy doors and frames	Buyer, responsible for material procurement	From July 2002 to June 2004
Jiangnan Chuangjia	Production, processing and sales of aluminium alloy profile	Salesman, responsible for product sales	From July 2004 to June 2006

Mr. Wu graduated from Wujin County Hutang Vocational School (武進縣湖塘職業中學), the PRC with a high school diploma in Machinery in July 1993.

Mr. Liu Yu (劉宇先生), aged 30, has been serving as the head of procurement of material of Jiangnan Precision since January 2017 and is mainly responsible for our Group's material procurement and management. Mr. Liu joined our Group in September 2010 as a technician of Jiangnan Precision. He served as the sales representative of Jiangnan Precision from March 2011 to August 2016 and later served as a buyer at the material procurement department of Jiangnan Precision from August 2016 to December 2016. He is the cousin of Ms. Liu and the cousin-in-law of Mr. Mei.

Mr. Liu graduated from Huaiyin Normal University (淮陰師範學院), the PRC with a undergraduate diploma of Social Work in June 2010.

Ms. Huang Yue (黃粵女士), aged 47, is the Financial Controller of our Group. Ms. Huang joined our Group in May 2018 and is primarily responsible for overseeing accounting and financial management of our Group. Ms. Huang is a member of The American Institute of Certified Public Accountants.

Ms. Huang has over 22 years of experience in accounting, finance and enterprise risk management. She worked as an auditor in the audit and assurance department at Ernst & Young Huaming LLP (安永華明會計師事務所) from October 1993 to September 1997, responsible for conducting annual audit and initial public offering audit for multinational and state-owned enterprises. From September 2001 to February 2003, she worked as a business process analysis manager at AT&T Inc., responsible for analysis and management of prepayment products, retail distribution channel and supply chain. Ms. Huang worked in PricewaterhouseCoopers from 2003 to 2009, where she last held the position of associate director. From July 2009 to November 2017, she worked in PricewaterhouseCoopers as a partner in the consulting department, responsible for financial management consulting in the PRC.

Ms. Huang graduated from Beijing Institute of Economics (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)), the PRC with an undergraduate certificate of Auditing in July 1993. She further obtained a master's degree of Business Administration from University of Maryland, the United States in May 2001.

COMPANY SECRETARY

Mr. Chung Yau Tong (鍾有棠先生), aged 46, is our company secretary. He was appointed as our company secretary on May 2018. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chung has over 20 years of experience in audit practice, financial management and compliance assurance of listed companies in Hong Kong. From August 1994 to July 1999, Mr. Chung worked in PricewaterhouseCoopers, where he last held the position of audit manager. Mr. Chung worked in CITIC 21CN Company Limited (stock code: 0241), a company listed on the Main Board of the Stock Exchange, from July 2000 to October 2005, where he last held the position as the group financial controller. He was also appointed as the company secretary of the company from August 2003 to March 2005. He was the senior finance manager of Gome Electrical Appliances Holding Company Limited (stock code: 0493), a company listed on the Main Board of the Stock Exchange, from December 2005 to March 2007. Mr. Chung was the company secretary of Max Wide Finance Limited, a member of Vongroup Limited (stock code: 0318), a company listed on the Main Board of the Stock Exchange, from March 2007 to December 2007.

Since January 2008, Mr. Chung has served as the company secretary of International Business Settlement Holdings Limited (stock code: 0147), a company listed on the Main Board of the Stock Exchange. From September 2011 onwards, he has served as an independent non-executive director of Labixiaoxin Snacks Group Limited (formerly known as China Lifestyle Food and Beverages Group Limited) (stock code: 1262), a company listed on the Main Board of the Stock Exchange.

Mr. Chung was awarded a bachelor's degree in Business Administration from The University of Hong Kong in January 1995.

Save as disclosed in the paragraph headed "Directors And Senior Management — Senior Management" in this section, none of our senior management members held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

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. The membership of such committees is as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Mei Zefeng	–	–	–
Ms. Liu Ping	–	–	Chairman
Mr. Zhang Zhihong	–	Member	–
Mr. Xu Chao	–	–	–
Ms. Lu Xiaoyu	–	–	–
INEDs			
Mr. Li Yuen Fai Roger	Chairman	Member	Member
Mr. Cao Baozhong	Member	Chairman	Member
Mr. Yang Guang	Member	Member	Member

Audit Committee

Our Company has established the 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. Li, Mr. Cao and Mr. Yang, all being our independent non-executive Directors. Mr. Li 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 our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company has established the 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. Cao, Mr. Li, Mr. Yang and Mr. Zhang. Mr. Cao 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 the 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 Ms. Liu, Mr. Cao, Mr. Li and Mr. Yang. Ms. Liu 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.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of corporate governance in the management structures and internal control of our Group so as to achieve accountability.

Our Company has adopted the provisions stated in the CG Code as set forth in Appendix 14 to the Listing Rules. Our Board has a balanced composition of executive Directors and INEDs, allowing the Board to effectively exercise independent judgment.

Our Directors are aware that we are expected to comply with the CG Code upon and after Listing. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. We will continue to comply with the CG Code to protect the best interests of our Shareholders upon and after Listing.

Human Resources

Our Company maintains good employee relations. Our Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, our Company has not suffered from any material disruption of normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

As at the Latest Practicable Date, we had 487 employees, most of whom are located in PRC. Please refer to the section headed "Business — Employees" in this prospectus for details of breakdown of our employees by function.

Benefits and social insurance

As required by the Chinese regulations on social insurance, our Group participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance, maternity insurance and housing fund.

For the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018, our Group accrued (i) staff's salaries, wages and other benefits in the sum of approximately RMB19.1 million, RMB23.4 million, RMB32.6 million and RMB11.6 million respectively, and (ii) contributions to defined contribution retirement plans in the sum of approximately RMB1.9 million, RMB2.2 million, RMB2.4 million and RMB0.9 million respectively.

Remuneration Policy

The aggregate amounts of remuneration of our Directors for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018 were approximately RMB0.4 million, RMB0.4 million, RMB1.9 million and RMB0.5 million respectively. Details of the arrangement for remuneration are set out in Note 23 to the Accountants' Report in Appendix I to this prospectus. Under such arrangement and pursuant to the Directors' service agreements and letters of appointment referred to in paragraph 3.2 under Appendix IV — "Statutory And General Information" to this prospectus, the aggregate amount of Directors' fee and other emoluments payable to our Directors for the year ending 31 December 2018 is estimated to be approximately RMB2.9 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to its operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

After Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

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 — 3. Further information about our Directors and Substantial Shareholders — 3.5. Share Option Scheme" in Appendix IV to this prospectus for details.

COMPLIANCE ADVISER

We have appointed GF Capital 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.

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.

So far as is known to any Director or chief executive of our Company as at the date of this prospectus and immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Long Positions in Shares of our Company

		As at the date of this prospectus		Immediately after the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme	
Name of Shareholder	**Nature of interest/Capacity**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Newrich BVI *(Note 1)*	Beneficial owner	152	76.0%	342,000,000	57.0%
Star Century *(Note 2)*	Beneficial owner	38	19.0%	85,500,000	14.25%

Notes:

1. Newrich BVI is wholly owned by Mr. Mei, our executive Director.

2. Star Century is wholly owned by Ms. Liu, our executive Director.

3. Mr. Mei is the spouse of Ms. Liu. Under the SFO, Mr. Mei is taken to be interested in the same number of Shares in which Ms. Liu is interested, and vice versa.

Saved as disclosed above, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group as at the date of this prospectus and once the Shares are listed on the Stock Exchange.

CORNERSTONE PLACING

We entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**") dated 29 October 2018, among our Company, GF Securities and DONGFANG (HONGKONG) LIMITED 香港東方控股實業有限公司 ("**DF HK**"). Pursuant to the Cornerstone Investment Agreement, DF HK has agreed to subscribe at the Offer Price for an aggregate of 59,000,000 Offer Shares or, if the size of the Global Offering is or becomes less than 150,000,000 Offer Shares, such lesser number of Offer Shares as will represent approximately 9.83% of the total issued Shares of our Company immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) (the "**Cornerstone Placing**"). The Shares to be subscribed pursuant to the Cornerstone Investment Agreement, assuming that the Over-allotment Option is not exercised, represent (i) approximately 43.70% of the total International Placing Shares initially available under the International Placing; or (ii) approximately 39.33% of the Offer Shares under the Global Offering; or (iii) approximately 9.83% of the Shares in issue upon the completion of the Global Offering; or, assuming that the Over-allotment Option is exercised in full, represent (iv) approximately 37.46% of the total International Placing Shares available under the International Placing; or (v) approximately 34.20% of the Offer Shares under the Global Offering; or (vi) approximately 9.48% of the Shares in issue upon the completion of the Global Offering. Assuming an Offer Price of HK$1.00 and HK$1.30 per Offer Share, being the lowest and highest points of the indicative Offer Price range, respectively, the Cornerstone Investor would pay an aggregate of approximately HK$59.0 million and approximately HK$76.7 million, respectively, for the Shares to be subscribed pursuant to the Cornerstone Placing.

To the best knowledge of our Company, the Cornerstone Investor is, and will immediately following the Global Offering be, an Independent Third Party, not our connected person, and not an existing Shareholder of our Company or its close associates.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. The Cornerstone Investor will not subscribe for Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Investment Agreement). Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company. The Cornerstone Investor does not have any preferential rights compared with other public Shareholders in the Cornerstone Investment Agreement.

The number of the Shares to be acquired by the Cornerstone Investor might be affected by the reallocation of Shares between the Public Offer and the International Placing in the event of over-subscription under the Public Offer. For details of the reallocation pursuant to paragraph 4.2 of Practice Note 18 to the Listing Rules, please refer to the section headed "Structure And Conditions of The Global Offering — The Public Offer — Reallocation" in this prospectus. In the event that the number of Offer Shares allocated to the International Placing are reduced, the number of Shares to be subscribed by the Cornerstone Investor may be, to the largest extent, deducted on a pro rata basis pursuant to the terms of the Cornerstone Placing Agreement to satisfy the public demands under the Public Offer as stipulated under the Listing Rules.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around 16 November 2018.

CORNERSTONE INVESTOR

DF HK is a company incorporated in the Hong Kong with limited liability on 17 November 2016 and principally engaged in investment holding. Its ultimate beneficial owner is Management Committee of Economic Development Zone of Changzhou City, Jiangsu Province 江蘇常州經濟開發區管理委員會.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Public Offer Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) and not having been terminated;

(b) neither of the Public Offer Underwriting Agreement and the International Underwriting Agreement having been terminated;

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no applicable laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Global Offering and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters).

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of our Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the Cornerstone Investment Agreement) any of the relevant Shares or any interest in any company or entity holding any of the relevant Shares, other than in certain limited circumstances (which are customary and commonly-found in cornerstone investment agreements) such as transfers to any wholly-owned subsidiary of the Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary gives a written undertaking agreeing to, and the Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, be bound by the Cornerstone Investor's obligations under the Cornerstone Investment Agreement and such restrictions on disposal imposed on such Cornerstone Investor.

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering and the Capitalisation Issue:

Number		
Authorised share capital:		*HK$*
5,000,000,000	Shares	5,000,000
Issued and to be issued and fully paid or credited as fully paid:		
200	Shares in issue as at the date of this prospectus	0.2
449,999,800	Shares to be issued pursuant to the Capitalisation Issue	449,999.8
150,000,000	Shares to be issued pursuant to the Global Offering	150,000
600,000,000	Total *(Note)*	600,000

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

Note: The share capital of our Company will be enlarged by up to an additional 22,500,000 Shares in the event that the Over-allotment Option is exercised in full.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total number of issued Shares of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph 3.5 under Appendix IV — "Statutory And General Information" to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the Issuing Mandate to allot, issue and deal in a total number of Shares of not more than the aggregate of:

(i) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme; and

(ii) the total number of our Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Issuing Mandate, please see paragraph 1.3 under Appendix IV — "Statutory And General Information" to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in paragraph 1.7 under Appendix IV — "Statutory And General Information" to this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, see paragraph 1.3 under Appendix IV — "Statutory And General Information" to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares. The circumstances under which general meetings are required are provided in the Articles. Detailed information on the Articles is set forth in the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

You should read this section in conjunction with the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information was prepared on the basis set out therein and in accordance with IFRSs, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' 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 a leading midstream galvanized steel products manufacturer in the home appliance sector in Jiangsu Province, the PRC. According to the F&S Report, we are the largest market player in the galvanized steel product market in Jiangsu Province in terms of revenue in 2017, and we ranked third with a market share of 3.9% in the galvanized steel product market in the home appliance sector in the PRC in terms of revenue in 2017. We ranked 16th with a market share of 0.5% in the galvanized steel product industry in the PRC by revenue in 2017. The market size by revenue of the galvanized steel product industry in the home appliance sector in Jiangsu Province amounted to approximately RMB3.5 billion in 2017. We primarily engage in production and sales of (i) unpainted galvanized steel products to midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products, for their onward sales mainly to home appliance manufacturers; and (ii) Cold Rolled Steel Products to home appliance manufacturers for production of home appliances such as refrigerators, washing machines and ovens. Our Directors confirm that we differentiate ourselves from our customers who are midstream steel products processors, in the light that we, via our hot-dip galvanisation production line, process hot rolled steel coils/hard steel coil into unpainted galvanised steel products which are then sold to these midstream steel products processors for their subsequent processing such as cutting, polishing and color coating. In the light that white home appliances require certain qualities including corrosion resistance, galvanized steel products, which are coated with a layer of zinc on the surface of steel and with lower costs than stainless steel, are considered superior in terms of cost and durability, and thus our Directors and F&S consider that there are no direct substitutes to our Group's products in the market. Our Cold Rolled Steel Products are sold under the trademark of "江南".

We procure hot rolled steel coils for processing into our Cold Rolled Steel Products at our production facility located in Changzhou City, Jiangsu Province. Our main products include (i) hard steel coil (軋硬卷) and (ii) hot-dip galvanized steel products (熱鍍鋅產品), which can be further categorized into painted galvanized steel products (彩塗鍍鋅產品) and unpainted galvanized steel products (非彩塗鍍鋅產品). For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our total revenue amounted to RMB1,140.7 million, RMB1,264.1 million, RMB1,497.5 million and RMB504.8 million, respectively. Revenue from the sales of hot-dip galvanized steel products accounted for approximately 95.7%, 96.1%, 95.6% and 94.7%, respectively, of our total revenue during the Track Record Period, while revenue from the sales of hard steel coil accounted for the remaining 4.3%, 3.9%, 4.4% and 5.3%, respectively, of our total revenue during the same period.

Leveraging on our full line of high quality products with strong production know-how, strategic location in Eastern China with close proximity to major customers and suppliers, long-standing business rapport with key suppliers and customers and stringent quality control and our experienced and dedicated management team, we achieved growth in earnings for the years ended 31 December 2015, 2016 and 2017. Our gross profit increased from approximately RMB94.0 million in 2015 to RMB161.5 million in 2017, representing a CAGR of 31.1%. Our gross profit decreased from approximately RMB57.4 million for the four months ended 30 April 2017 to RMB48.8 million for the corresponding period in 2018, respectively. We recorded a continuous increase in our gross profit margin, which was approximately 8.2%, 9.2% and 10.8% for the years ended 31 December 2015, 2016 and 2017, respectively, primarily attributable to improving yield rate (成材率). Our gross profit margin decreased from approximately 11.5% for the four months ended 30 April 2017 to 9.7% for the four months ended 30 April 2018, primarily due to our utilisation of raw materials purchased at a relatively high price level for the four months ended 30 April 2018. Our net profit and net profit margin were RMB16.5 million and 1.5%, RMB34.0 million and 2.7%, RMB66.1 million and 4.4%, RMB25.9 million and 5.2%, and RMB16.1 million and 3.2%, respectively, for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018. Our total assets as at 31 December 2015, 2016 and 2017 and 30 April 2018 amounted to RMB1,233.5 million, RMB1,210.6 million, RMB1,315.8 million and RMB1,291.3 million respectively.

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.

Demand for our products

Our products are primarily sold to home appliance manufacturers for production of their end products and midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products. Demand for the end products such as refrigerators, washing machines and ovens manufactured and sold by our customers to the end users drive demand for our Cold Rolled Steel Products while frequent end product upgrades and innovation in the home appliance industry propel end users' demand for new products.

Although we have developed long term business relationships with most of our major customers, they are not obliged in any way to continue placing orders with us and the quantity of our Cold Rolled Steel Products they order from us depends on their sales forecast and/or the actual sales performance of their end products in the market. Furthermore, the introduction of new products in the home appliance industry may sometimes slow down demand for our products, thereby leading to reduced demand for our Cold Rolled Steel Products from home appliance manufacturers. As such, 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. If for any reason the business environment of the home appliance industry deteriorates, our customers in this industry may discontinue or significantly reduce their purchase orders with us.

Should any of our customers cease to place orders with us or reduce their purchases from us and we are unable to obtain new orders at a comparable level, our business and profitability could be materially and adversely affected.

Availability of hot rolled steel coils

During the Track Record Period, a significant portion of our principal raw materials, hot rolled steel coils, were supplied by two suppliers, Supplier A and Supplier C. Supplier A accounted for approximately 23.8%, 41.4%, 35.2% and 45.3% of our total purchases and Supplier C accounted for approximately 22.4%, 28.9%, 40.7% and 33.4% of our total purchases for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Our five largest raw materials suppliers accounted for approximately 80.8%, 81.9%, 85.2% and 88.8% of our total purchases for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Please refer to the section headed "Business — Raw materials, procurement and suppliers — Our suppliers" in this prospectus on our relationship with suppliers.

We cannot assure that there will not be any dispute with our major suppliers, or that we will be able to maintain business relationships with our existing suppliers, in particular Supplier A and Supplier C. Although we typically enter into annual framework agreement with Supplier C, there is no assurance that we are able to maintain business relationship with Supplier C or any other suppliers, or that we will be able to secure supply of steel raw materials at competitive prices. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which would materially and adversely affect our profitability.

Gross profit margin and growth in profit

Our direct materials, which, among others, consist of hot rolled steel coils, constitute a majority of our cost of sales. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the cost of direct materials accounted for approximately 79.6%, 80.7%, 84.6% and 85.5% of our total cost of goods sold, respectively. Our cost of sales and gross profit margin are affected by the fluctuations of the purchase price of direct materials, in particular hot rolled steel coils.

The purchase price of hot rolled steel coils fluctuated over the past few years due to the fluctuations in the supply of hot rolled steel coils. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our average purchase price for hot rolled steel coils was approximately RMB2,600, RMB2,905, RMB3,777 and RMB4,132 per tonne, respectively. For details of factors affecting our purchase price of different steel products, including hot rolled steel coils which are categorised as hot rolled steel products, please refer to the section headed "Industry Overview — Pricing analysis of steel product industry — Price analysis of different steel products" in this prospectus. The purchase price of hot rolled steel coils may in turn impact the selling price of our Cold Rolled Steel Products. If we are unable to pass on the impact of the increase in purchase prices of hot rolled steel coils to our customers by adjusting our selling price in a timely manner, our gross profit, cash flow and results of operations will be materially and adversely affected. Please refer to the section headed "Business — Pricing" in this prospectus for details of our pricing strategy. The purchase price of hot rolled steel coils and selling price of our Cold Rolled Steel Products are affected by a range of factors which we have limited control and there is no assurance that the upward trend of our gross profit margin for the years ended 31 December 2015, 2016 and 2017 will continue.

As such, we cannot assure that we can maintain our gross profit margin and that the growth in our revenue can cover the increase in our cost of goods sold. If there is an increase in the purchase price of hot rolled steel coils and we are unable to shift the increased cost to our customers by adjusting our selling price of Cold Rolled Steel Products, our gross profit, cash flow and results of operations may be materially and adversely affected.

BASIS OF PRESENTATION AND PREPARATION

The financial information in this prospectus (excluding the Accountants' Report as set out in Appendix I to this prospectus), which reflects the consolidated historical financial information of our Group, is presented in Renminbi except as stated otherwise. Such financial information is prepared using a historical cost basis.

IFRS 9, *Financial instruments*, replaces the provisions of IAS 39, *Financial Instruments: Recognition and Movement*, and IFRS 15, *Revenue from Contracts with Customers*, replaces the previous revenue standards IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and the related interpretations. Both IFRS 9 and IFRS 15 became effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

We have early adopted IFRS 15 on a fully retrospective basis throughout the Track Record Period, and have applied IFRS 9 since 1 January 2018 in accordance with the transition requirements. We have assessed the effects of the adoption of IFRS 15 and IFRS 9 on our financial statements and we consider that the adoption of these standards did not have significant impact on our financial position and performance during the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of the consolidated historical financial information of our Group for the Track Record

Period. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. When reviewing the consolidated historical financial information of our Group for the Track Record Period, you should take note of (i) our selection of significant accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. The following discussion provides information on our significant accounting policies. Our significant accounting policies, judgments and estimates, which are important for an understanding of our financial conditions and results of operations, are set forth in more details in Note 2 and Note 4 of the Accountants' Report in Appendix I to this prospectus.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)(ii) of the Accountants' Report in Appendix I to this prospectus).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	35 years
Machinery and equipment	3–15 years
Motor vehicles and other equipment	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(h)(i) of the Accountants' Report in Appendix I to this prospectus), or property, plant and equipment (see Note 2(d) of the Accountants' Report in Appendix I to this prospectus).

Incremental costs of obtaining a contract are those costs that our Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because our Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventories, or property, plant and equipment, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that our Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(q) of the Accountants' Report in Appendix I to this prospectus.

Revenue and other income

Income is classified by our Group as revenue when it arises from the sale of goods in the ordinary course of our Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of our Group's revenue and other income recognition policies are as follows:

(i) Sale of products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(g)(i) of the Accountants' Report in Appendix I to this prospectus).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are recognised as deferred income and consequently recognised in profit or loss on a systematic basis over the useful life of the asset.

ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment losses for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(g)(ii) of the Accountants' Report in Appendix I to this prospectus. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. Our Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the asset and could result in additional impairment charge or reversal of impairment in future periods.

Expected credit loss for receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about the expected loss rates. Our Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on our Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 24(a) of the Accountants' Report in Appendix I to this prospectus. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of profit or loss.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management of our Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

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 years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants' Report in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,140,716	1,264,109	1,497,537	499,171	504,849
Cost of sales	(1,046,756)	(1,148,016)	(1,336,059)	(441,749)	(456,084)
Gross profit	93,960	116,093	161,478	57,422	48,765
Other income/(loss)	4,682	3,261	998	546	(436)
Selling expenses	(43,403)	(51,327)	(44,829)	(16,830)	(14,352)
Administrative expenses	(9,853)	(9,226)	(15,203)	(2,921)	(7,400)
Profit from operations	45,386	58,801	102,444	38,217	26,577
Net loss on disposal of a subsidiary	–	–	(156)	–	–
Finance costs	(22,415)	(12,525)	(12,734)	(3,252)	(4,889)
Profit before taxation	22,971	46,276	89,554	34,965	21,688
Income tax	(6,429)	(12,296)	(23,411)	(9,069)	(5,612)
Profit for the year/period	16,542	33,980	66,143	25,896	16,076
Other comprehensive income for the year/period (after tax)					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation into presentation currency of the Group	–	–	–	–	123
Total comprehensive income for the year/period	16,542	33,980	66,143	25,896	16,199

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Attributable to:					
Equity shareholders of the Company	16,523	33,932	66,162	25,912	16,199
Non-controlling interests	19	48	(19)	(16)	–
Total comprehensive income for the year/period	16,542	33,980	66,143	25,896	16,199
Earnings per share					
Basic and diluted	N/A	N/A	N/A	N/A	N/A

DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our Group generates revenue primarily from the sales of Cold Rolled Steel Products, which consist of (i) hard steel coil and (ii) hot-dip galvanized steel products which include unpainted galvanized steel products and painted galvanized steel products. For each of the two years ended 31 December 2015 and 2016, our total revenue amounted to approximately RMB1,140.7 million and RMB1,264.1 million, respectively, representing an increase of approximately RMB123.4 million, or a 10.8% year on year growth. The total revenue further increased to approximately RMB1,497.5 million for the year ended 31 December 2017, representing an increase of approximately RMB233.4 million, or a 18.5% year on year growth. For each of the four months ended 30 April 2017 and 2018, our total revenue amounted to approximately RMB499.2 million and RMB504.8 million, respectively, representing an increase of approximately RMB5.6 million, or 1.1% period to period growth.

The following table sets out the breakdown of our revenue for the periods indicated:

	For the years ended 31 December												For the four months ended 30 April							
	2015				2016				2017				2017				2018			
	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue	Sales volume	Average selling price [1]	Revenue	% of revenue
	(tonnes)	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB/ tonne)*	*(RMB'000)*	*(%)*
Cold Rolled Steel Products																				
Hard steel coil	15,850	3,118	49,418	4.3	15,750	3,098	48,798	3.9	16,350	4,014	65,628	4.4	4,676	4,022	18,822	3.8	5,890	4,504	26,528	5.3
Hot-dip galvanized steel products	260,400	4,191	1,091,298	95.7	300,480	4,045	1,215,311	96.1	270,590	5,292	1,431,909	95.6	88,827	5,408	480,349	96.2	85,301	5,608	478,321	94.7
– unpainted galvanized steel products	224,370	3,981	893,206	78.3	247,630	3,832	948,931	75.0	229,840	5,152	1,184,024	79.1	76,117	5,263	400,617	80.2	71,338	5,410	385,940	76.4
– painted galvanized steel products	36,030	5,498	198,092	17.4	52,850	5,040	266,380	21.1	40,750	6,083	247,885	16.5	12,710	6,273	79,732	16.0	13,963	6,618	92,381	18.3
Total	276,250		1,140,716	100	316,230		1,264,109	100	286,940		1,497,537	100	93,503		499,171	100	91,191		504,849	100

Note:

1. Average selling price is calculated by the total revenue generated from the sales of each product during the respective period divided by the sales volume for each product during the same period.

(i) Sales of hard steel coil

We mainly sell our hard steel coil directly to home appliance manufacturers for their production of electric water heaters. The sales of hard steel coil amounted to approximately RMB49.4 million, RMB48.8 million, RMB65.6 million, RMB18.8 million and RMB26.5 million and accounted for approximately 4.3%, 3.9%, 4.4%, 3.8% and 5.3% of total revenue for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, respectively.

(ii) Sales of hot-dip galvanized steel products — unpainted galvanized steel products

We mainly sell our unpainted galvanized steel products to midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products, and home appliance manufacturers for their production of home appliance products such as refrigerators, washing machines and ovens. The unpainted galvanized steel products are our major products which accounted for approximately 78.3%, 75.0%, 79.1%, 80.2% and 76.4% of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, respectively. The sales of our unpainted galvanized steel products increased from approximately RMB893.2 million in 2015 to approximately RMB948.9 million in 2016, primarily due to the increase in sales volume from 224,370 tonnes in 2015 to 247,630 tonnes in 2016, mainly as a result of increased demand from our customers, partially offset by the slight decrease in average selling price from RMB3,981 per tonne in 2015 to RMB3,832 per tonne in 2016. Our revenue of unpainted galvanized steel products further increased to approximately RMB1,184.0 million in 2017, primarily due to the significant increase in average selling price from RMB3,832 per tonne in 2016 to RMB5,152 per tonne in 2017, primarily resulted from the overall increase in price of steel raw materials, partially offset by the decrease in sales volume from 247,630 tonnes in 2016 to 229,840 tonnes in 2017, primarily resulted from decreased sales to Southern China and increased maintenance time of our production line in 2017. For details of the reason for the increased maintenance time of our production line, please refer to the paragraph headed "Financial Information — Period to period comparison of results of operations — Year ended 31 December 2017 compared with year ended 31 December 2016" in this section. The decrease in revenue from RMB400.6 million to RMB385.9 million for the four months ended 30 April 2017 and 2018 respectively was mainly caused by the decrease in our sales volume from 76,117 tonnes to 71,338 tonnes, resulted from reduced demand from a major customer, i.e. Customer A, due to the cessation of purchase from us in relation to its refrigerator business, partially offset by the slight increase in our average selling price.

(iii) Sales of hot-dip galvanized steel products – painted galvanized steel products

Painted galvanized steel products are mainly sold to home appliance manufacturers for the production of outer panels of home appliance products, such as the front panels and side panels of refrigerators. The sales of painted galvanized steel products accounted for approximately 17.4%, 21.1%, 16.5%, 16.0% and 18.3% of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, respectively. The sales of our painted galvanized steel products increased from approximately RMB198.1 million in 2015 to approximately RMB266.4 million in 2016, primarily due to the increase in sales volume from 36,030 tonnes in 2015 to 52,850 tonnes in 2016, mainly as a result of increased demand from our customers, partially offset by the decrease in average selling price, from RMB5,498 per tonne in 2015 to RMB5,040 per tonne in 2016. Our revenue of painted galvanized steel products decreased to approximately RMB247.9 million in 2017, primarily due to the decrease in sales volume from 52,850 tonnes in 2016 to 40,750 tonnes in 2017 primarily as a result of the change of our colour coating process from subcontracting to in-house production, partially offset by the increase in average selling price, from RMB5,040 per tonne in 2016 to RMB6,083 per tonne in 2017. For details of the reason for the decrease in sales volume resulted from the change of our colour coating process from subcontracting to in-house production, please refer to the paragraph headed "Financial Information – Period to period comparison of results of operations – Year ended 31 December 2017 compared with year ended 31 December 2016" in this section. The increase in revenue from RMB79.7 million to RMB92.4 million for the four months ended 30 April 2017 and 2018 respectively was mainly attributable to the combined effect of (i) the increase in average selling price from RMB6,273 per tonne to RMB6,618 per tonne, mainly due to the overall increase of price level in steel market price in the PRC for the four months ended 30 April 2018 and (ii) the increase in sales volume from 12,710 tonnes to 13,963 tonnes.

The following table sets out the average selling price of our Cold Rolled Steel 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			Four months ended 30 April	
	2015	2016	2017	2017	2018
Hard steel coil					
– *Average selling price (RMB/ tonne)*	3,118	3,098	4,014	4,022	4,504
– *Average cost (RMB/ tonne)*	2,778	2,849	3,683	3,681	4,137
– *Difference between average selling price and average cost*	340	249	331	341	367
Unpainted galvanized steel product					
– *Average selling price (RMB/ tonne)*	3,981	3,832	5,152	5,263	5,410
– *Average cost (RMB/ tonne)*	3,680	3,529	4,654	4,723	4,953
– *Difference between average selling price and average cost*	301	303	498	540	457
Painted galvanized steel product					
– *Average selling price (RMB/ tonne)*	5,498	5,040	6,083	6,273	6,618
– *Average cost (RMB/ tonne)*	4,915	4,338	5,062	5,114	5,614
– *Difference between average selling price and average cost*	583	702	1,021	1,159	1,004

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, we were able to maintain a reasonable difference between the average selling price and the average cost of direct materials used for our Cold Rolled Steel Products, ranging from approximately RMB249 per tonne to approximately RMB367 per tonne in relation to hard steel coil, from approximately RMB301 per tonne to approximately RMB540 per tonne in relation to unpainted galvanized steel products and from approximately RMB583 per tonne to approximately RMB1,159 per tonne in relation to painted galvanized steel products, respectively. Our Directors consider that fluctuation in the price of steel raw materials may only have a limited adverse impact on our profitability during the Track Record Period, mainly because we were able to pass on the fluctuation of materials costs to downstream customers.

While from an industry point of view, the sales volume and average selling price of both unpainted and painted galvanized steel products have witnessed continuous increase across the Track Record Period, our Group's historical trend of the same throughout the Track Record Period recorded a slightly different trend, with average selling price of unpainted and painted galvanized steel products declined by approximately 3.7% and 8.3% respectively for the year ended 31 December 2016, and sales volume of hot-dip galvanized steel products declined by 9.9% for the year ended 31 December 2017. Our Directors consider that the high degree of fragmentation of the galvanized steel products market in the PRC and the negligible market share of our Group in the galvanized steel product market (i.e. 0.5%) and in the home appliance sector of the galvanized steel product industry (i.e. 3.9%) imply that on top of the general factors affecting each market player and the entire industry as a whole, certain factors specific to market players, such as the operation status, the number of sales orders from key customers, production capacity, the sector or products specialised in, etc. also weigh to a certain degree in determining the performance of a market player and that of our Group. For details of the reasons for fluctuations of our Group's performance, please refer to the paragraph headed "Financial Information — Period to period comparison of results of operations" in this section.

Geographical coverage

During the Track Record Period, our domestic sales contributed over 92.0% of our total revenue while the remaining portion was attributable to sales to overseas customers (mainly from South Korea). The following table sets out the breakdown of our revenue by geographical locations of our customers for the periods indicated:

	For the years ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
Location	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
China	1,108,107	97.1	1,208,737	95.6	1,403,072	93.7	477,711	95.7	464,195	92.0
Eastern China	828,623	72.6	932,342	73.7	1,137,354	75.9	399,173	79.9	374,816	74.3
Southern China	217,616	19.1	204,350	16.2	182,168	12.2	50,689	10.2	62,079	12.3
Other regions of China	61,868	5.4	72,045	5.7	83,550	5.6	27,849	5.6	27,300	5.4
South Korea	26,974	2.4	52,157	4.1	87,996	5.9	19,543	3.9	38,500	7.6
Other countries	5,635	0.5	3,215	0.3	6,469	0.4	1,917	0.4	2,154	0.4
Total	1,140,716	100	1,264,109	100	1,497,537	100	499,171	100	504,849	100

Note: The location of our customers is determined based on their place of incorporation.

During the Track Record Period, Eastern China region is the largest component in our domestic market in terms of sales primarily due to our strategic location in Eastern China with close proximity to major customers and suppliers. Our sales to Eastern China accounted for approximately 72.6%, 73.7%, 75.9%, and 74.3% of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively.

During the same period, our sales to Southern China experienced a generally decreasing trend and accounted for approximately 19.1%, 16.2%, 12.2% and 12.3% for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. As a result of our production utilisation rate continuously increasing and reaching near 90% in 2017, we reduced our sales to customers in Southern China, especially Guangdong Province, which usually generated relatively lower profit margin due to relatively higher transportation cost than other customers with closer proximity. In view of the transportation cost and our highly utilised hot-dip galvanization line, utilisation rate of which is expected to remain at a relatively high level until our new hot-dip galvanization line commences operation, we intended to continue prioritising our production capacity for sales order from our customers in Eastern China over those in Southern China before the commencement of our new production line.

Our sales to South Korea and other overseas customers experienced an increasing trend and accounted for approximately 2.9%, 4.4%, 6.3%, and 8.0% of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively.

Cost of sales

Our cost of sales primarily consists of direct materials, utilities, depreciation and amortisation expenses, direct labour and others.

The following table sets out the breakdown of our cost of sales for the periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct materials	832,705	79.6	926,075	80.7	1,130,340	84.6	372,123	84.2	390,062	85.5
Utilities	81,915	7.8	78,316	6.8	80,511	6.0	26,241	5.9	27,039	5.9
Depreciation and amortisation expenses	45,673	4.4	46,023	4.0	48,601	3.6	17,074	3.9	16,299	3.6
Direct labour	16,009	1.5	20,229	1.8	26,200	2.0	7,653	1.7	9,850	2.2
Others	70,454	6.7	77,373	6.7	50,407	3.8	18,658	4.3	12,834	2.8
Subcontracting fees - processing fee	33,859	3.2	35,126	3.1	13,717	1.0	4,359	1.0	4,898	1.1
Subcontracting fees - labour cost	16,495	1.6	20,992	1.8	17,048	1.3	8,217	1.9	2,148	0.5
Repairs and maintenance expenses	11,094	1.1	12,983	1.1	13,614	1.0	3,988	0.9	3,303	0.7
Others	9,006	0.9	8,272	0.7	6,028	0.5	2,094	0.5	2,485	0.5
Total	1,046,756	100	1,148,016	100	1,336,059	100	441,749	100	456,084	100

Direct materials represent the cost of raw materials, primarily consists of hot rolled steel coils and zinc. The direct materials accounted for over 79.6% of our cost of sales for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018. For each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, cost of direct materials amounted to approximately RMB832.7 million, RMB926.1 million, RMB1,130.3 million, RMB372.1 million and RMB390.1 million, respectively.

Utilities relate primarily to electricity, water and natural gas consumed throughout our production process. For each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, we incurred utilities costs of approximately RMB81.9 million, RMB78.3 million, RMB80.5 million, RMB26.2 million and RMB27.0 million, respectively.

Depreciation and amortisation expenses relate primarily to the depreciation and amortisation of our property, plant and equipment and land use right for production use. Depreciation and amortisation amounted to approximately RMB45.7 million, RMB46.0 million, RMB48.6 million, RMB17.1 million and RMB16.3 million for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, respectively.

Direct labour represents salaries and wages for our labour involved in production. For each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, our direct labour amounted to approximately RMB16.0 million, RMB20.2 million, RMB26.2 million, RMB7.7 million and RMB9.9 million, respectively.

Other costs primarily comprise repairs and maintenance, subcontracting fees and other miscellaneous expenses.

Sensitivity analysis

The following table demonstrates the sensitivity analysis of the estimated increase/decrease of our gross profit in relation to the general percentage changes to our costs of direct materials, 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 gross profit:

	Years ended 31 December			**Four months ended 30 April**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Change of direct materials by:					
+10%	(83,271)	(92,608)	(113,034)	(37,212)	(39,006)
+5%	(41,635)	(46,304)	(56,517)	(18,606)	(19,503)
-5%	41,635	46,304	56,517	18,609	19,503
-10%	83,271	92,608	113,034	37,212	39,006

Despite the fluctuation of the market price of direct materials during the Track Record Period, our Group's gross profit margin amounted to approximately 8.2%, 9.2%, 10.8% and 9.7% for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively, and we were able to maintain a reasonable difference between the average selling price and the average cost of direct materials used for our Cold Rolled Steel Products. For details of the difference between the average selling price and the average cost of direct materials used during the Track Record Period, please refer to the paragraph headed "Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income — Revenue" in this section. Our Directors consider that we are able to pass on the price fluctuations in direct materials to customers mainly because (i) we adopt a "cost-plus" pricing strategy, (ii) we provide monthly quotations to customers based on raw materials price list given by our suppliers, and (iii) we have established stable and long-standing business relationship with our key suppliers and customers. For details of our "cost-plus" pricing strategy, please refer to the section headed "Business — Pricing" in this prospectus.

Our Directors consider the above sensitivity analysis on the cost of direct materials is solely for illustrative purpose.

Gross profit and gross profit margin

The following table sets out the breakdown of our gross profit and gross profit margin for the periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Cold Rolled Steel Products										
Hard steel coil	5,388	10.9	3,908	8.0	5,408	8.2	1,609	8.5	2,161	8.1
Hot-dip galvanized steel products	88,572	8.1	112,185	9.2	156,070	10.9	55,813	11.6	46,604	9.7
– unpainted galvanized steel products	67,572	7.6	75,106	7.9	114,435	9.7	41,085	10.3	32,604	8.4
– painted galvanized steel products	21,000	10.6	37,079	13.9	41,635	16.8	14,728	18.5	14,000	15.2
Total	**93,960**	**8.2**	**116,093**	**9.2**	**161,478**	**10.8**	**57,422**	**11.5**	**48,765**	**9.7**

Our gross profit increased by approximately RMB22.1 million, or 23.5%, from RMB94.0 million for the year ended 31 December 2015 to approximately RMB116.1 million for the year ended 31 December 2016. Our gross profit further increased by approximately RMB45.4 million, or 39.1%, to approximately RMB161.5 million for the year ended 31 December 2017. Our gross profit for the four months ended 30 April 2018 decreased by approximately RMB8.6 million, or 15.0%, from approximately RMB57.4 million for the four months ended 30 April 2017 to approximately RMB48.8 million for the four months ended 30 April 2018.

For the years ended 31 December 2015, 2016 and 2017, the gross profit margin for our Cold Rolled Steel Products increased from approximately 8.2% for the year ended 31 December 2015 to approximately 9.2% for the year ended 31 December 2016 and further increased to approximately 10.8% for the year ended 31 December 2017 primarily due to improving yield rate (成材率) from 85.2% in 2015 to 85.5% in 2016 and further to 87.0% in 2017. Our gross profit margin decreased from approximately 11.5% to approximately 9.7% for the four months ended 30 April 2017 and 2018. There was a rising trend in market price of steel materials for the first quarter of 2017, whereas the market price for the first quarter of 2018 remained relatively stable. As a result, our Cold Rolled Steel Products sold for the four months ended 30 April 2017 were produced from raw materials purchased at a relatively lower price level and we were able generate a higher gross profit margin of approximately 11.5% for the four months ended 30 April 2017.

Other income/(loss)

The following table sets out the breakdown of our other income/(loss) for the periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Interest income	4,887	104.4	1,397	42.8	298	29.9	113	20.7	98	(22.5)
Net foreign exchange (loss)/gain	(384)	(8.2)	1,365	41.9	(276)	(27.7)	174	31.9	(796)	182.6
Government grants	150	3.2	302	9.3	305	30.6	95	17.4	151	(34.6)
Net loss on disposal of property, plant and equipment	–	–	(4)	(0.1)	(16)	(1.6)	–	–	(45)	10.3
Others	29	0.6	201	6.2	687	68.8	164	30.0	156	(35.8)
	4,682	100	3,261	100	998	100	546	100	(436)	100

Interest income mainly represents interest from our security deposit with banks. The significant balance for the year ended 31 December 2015 was due to a one-off time deposit of approximately RMB100.5 million with original maturity of one year. Government grants primarily include subsidies awarded in recognition of our (i) transformation and upgrade (升級轉型) and (ii) invention and patents.

Selling expenses

Our selling expenses mainly consist of transportation expenses, staff costs, export related expenses, and other miscellaneous expenses.

The following table sets out the breakdown of our selling expenses for the periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Transportation expenses	32,108	74.0	38,704	75.4	28,580	63.8	12,840	76.3	9,799	68.3
Staff costs	2,011	4.6	2,183	4.3	4,831	10.8	1,083	6.4	1,273	8.9
Export related expenses	1,083	2.5	2,061	4.0	3,114	6.9	363	2.2	799	5.6
Others[Note]	8,201	18.9	8,379	16.3	8,304	18.5	2,544	15.1	2,481	17.2
	43,403	100	51,327	100	44,829	100	16,830	100	14,352	100

Note: Others mainly represent expenses for entertainment, advertisement, storage and exhibition.

Our selling expenses amounted to approximately RMB43.4 million, RMB51.3 million and RMB44.8 million for the years ended 31 December 2015, 2016 and 2017, respectively. The decrease of selling expenses in 2017 was primarily due to the decrease in transportation expense as a result of (i) decrease in transportation expense in relation to subcontracting resulted from the change of our colour coating process from subcontracting to in-house production, (ii) our decreased sales to customers in Southern China, in particular Guangdong Province which involved relatively higher transportation expense than other customers with closer proximity and (iii) our lower average unit transportation expense resulted from the change of delivery mode from road transit to waterway shipping in relation to sales to certain regions of China, i.e. Chengdu and Jingzhou. Our selling expenses decreased from approximately RMB16.8 million to RMB14.4 million for the four months ended 30 April 2017 and 2018, respectively, primarily due to decrease in transportation expenses resulted from our decreased sales volume, partially offset by increase in export related expenses resulted from our increased overseas sales volume.

Transportation expenses mainly represent the costs incurred in delivering our Cold Rolled Steel Products to local customers. During the Track Record Period, we delivered our Cold Rolled Steel Products primarily through road transit and waterway shipping.

Staff costs consist of salaries, wages and other benefits in respect of our employees in the sales department.

Export related expenses mainly represent agency fees in relation to international goods transportation.

Administrative expenses

Our administrative expenses mainly comprise staff costs, depreciation expense, other taxes and surcharges, listing expense and other miscellaneous expenses.

The following table sets out the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Staff costs, including directors' remuneration	3,042	30.9	3,216	34.9	3,944	25.9	1,224	41.9	1,379	18.6
Depreciation expense	1,538	15.6	1,284	13.9	1,431	9.4	482	16.5	735	9.9
Other taxes and surcharges	1,708	17.3	1,683	18.2	1,899	12.5	571	19.5	588	7.9
Office and entertainment expenses	395	4.0	411	4.5	401	2.6	77	2.6	76	1.0
Listing expense	–	–	–	–	3,584	23.6	–	–	3,592	48.5
Others	3,170	32.2	2,632	28.5	3,944	26.0	567	19.5	1,030	14.1
	9,853	100	9,226	100	15,203	100	2,921	100	7,400	100

Our administrative expenses amounted to approximately RMB9.9 million, RMB9.2 million and RMB15.2 million for the years ended 31 December 2015, 2016 and 2017, respectively. The increase in administrative expenses for the year ended 31 December 2017 was mainly due to the incurrence of listing expense amounting to RMB3.6 million. The administrative expenses increased from approximately RMB2.9 million to RMB7.4 million for the four months ended 30 April 2017 and 2018, respectively, primarily due to the incurrence of listing expense of RMB3.6 million, accounting for approximately 48.5% of our administrative expenses for the four months ended 30 April 2018.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017, staff cost for our administrative personnel and Directors' remuneration was the largest component of our administrative expenses, amounting to approximately 30.9%, 34.9%, 25.9% and 41.9%, respectively.

Depreciation expense mainly comprise depreciation expenses of motor vehicles and other equipment for administrative use.

Other taxes and surcharges mainly represent real estate tax (房產稅) and tenure tax (土地使用稅), which are charged on properties and leased land.

Other miscellaneous expenses primarily comprise bank service fees, consulting service expense and other miscellaneous expenses in relation to office equipment.

Net loss on disposal of a subsidiary

Net loss on disposal of a subsidiary amounting to approximately RMB0.2 million represents net loss from disposal of Jiangnan Gangcai, our PRC subsidiary on 21 September 2017. For further details of the disposal, please refer to the section headed "History, Reorganisation And Development — Reorganisation — Disposal of Qingdao Jiangnan Gangcai Jiagong Limited ("青島江南鋼材加工有限公司") ("Jiangnan Gangcai")" in this prospectus.

Finance costs

The finance costs represent interest expenses on bank and other loans.

The following table sets out the breakdown of our finance costs for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses on bank and other loans	22,415	12,525	12,734	3,252	4,889

Our bank and other loans were charged at interest rates ranging from approximately 4.8% to 6.9% for the year ended 31 December 2015, from approximately 4.4% to 6.9% for the year ended 31 December 2016, from approximately 4.4% to 6.9% for the year ended 31 December 2017, from approximately 4.4% to 6.9% for the four months ended 30 April 2017 and from approximately 4.4% to 5.8% for the four months ended 30 April 2018, respectively. The decrease in interest expenses on bank and other loans from approximately RMB22.4 million for the year ended 31 December 2015 to RMB12.5 million for the year ended 31 December 2016 was primarily attributable to the lower level of bank borrowings during the year ended 31 December 2016 as compared to the year ended 31 December 2015. The finance costs increased from approximately RMB3.2 million to RMB4.9 million for the four months ended 30 April 2017 and 2018, respectively, primarily due to the increase in average balance of bank and other loans for the four months ended 30 April 2018.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdiction in which companies comprising our Group domicile or operate.

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

Jiangnan Precision, our major operating subsidiary and Jiangnan Gangcai, our PRC subsidiary before being disposed of on 21 September 2017, were subject to PRC enterprise income tax rate at 25% during the Track Record Period on the assessable profits arising in or derived from the PRC.

Hong Kong

No provision for Hong Kong profits tax has been made, as our Hong Kong incorporated subsidiary did not have assessable profits which are subject to Hong Kong profits tax 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 2016 compared with year ended 31 December 2015

Revenue

Our total revenue increased by approximately RMB123.4 million, or 10.8%, from RMB1,140.7 million for the year ended 31 December 2015 to RMB1,264.1 million for the year ended 31 December 2016, primarily attributable to the increase in sales of our hot-dip galvanized steel products, which consist of unpainted galvanized steel products and painted galvanized steel products.

Our sales of unpainted galvanized steel products increased from approximately RMB893.2 million in 2015 to approximately RMB948.9 million in 2016, primarily due to the increase in sales volume from 224,370 tonnes in 2015 to 247,630 tonnes in 2016, as a result of the increased demand from our customers for unpainted galvanized steel sheets, partially offset by the slight decrease in average selling price from approximately RMB3,981 per tonne in 2015 to approximately RMB3,832 per tonne in 2016. The increase of 23,260 tonnes sales volume across the respective period was primarily driven by the increase in sales orders of three customers, amounting to approximately 13,000 tonnes, 6,000 tonnes and 5,000 tonnes, respectively, in relation to unpainted galvanized steel sheets which were utilised for production of back plates of refrigerators.

Our sales of painted galvanized steel products increased from approximately RMB198.1 million in 2015 to approximately RMB266.4 million in 2016, primarily due to the increase in sales volume from 36,030 tonnes in 2015 to 52,850 tonnes in 2016 as a result of the increased demand from our customers, partially offset by the decrease in average selling price from approximately RMB5,498 per tonne in 2015 to approximately RMB5,040 per tonne in 2016. In light of the higher gross profit margin as compared to that of unpainted galvanized steel products and the increase of market demand, our Group sought to expand our market share of painted galvanized steel products and captured more sales orders for painted galvanized steel products in 2016, resulting in increase in sales volume in 2016. The increased sales order from our customers was mainly attributable to our customers in home appliance industry, in particular Customer Group EF and Customer H*(Note 1)*, primarily due to their increasing production volume of home appliance products in 2016. As compared to the year ended 31 December 2015, our average selling price of painted galvanized steel products witnessed a drop for the year ended 31 December 2016, primarily due to the increased proportion of sales of painted galvanized steel products with lower average selling price.

Cost of sales

Our cost of sales increased by approximately RMB101.2 million, or 9.7%, from approximately RMB1,046.8 million in 2015 to RMB1,148.0 million in 2016, mainly attributable to the increase of RMB89.1 million in direct materials used in production.

For each of the two years ended 31 December 2015 and 2016, the largest component of our cost of sales was direct materials, primarily hot rolled steel coils and zinc, and accounted for approximately 79.6% and 80.7% of our cost of sales. Direct materials increased by RMB93.4 million, or 11.2% from approximately RMB832.7 million in 2015 to approximately RMB926.1 million in 2016. Such increase primarily stemmed from the rising cost of raw materials and was in line with our increased total sales volume for the year ended 31 December 2016.

The decrease in utilities expenses from approximately RMB81.9 million for the year ended 31 December 2015 to RMB78.3 million by approximately RMB3.6 million or 4.4% for the year ended 31 December 2016, was mainly a result of the decrease in unit cost of gas used in production charged by utility companies.

Depreciation and amortisation expenses experienced an increase of approximately RMB0.4 million, or 0.8%, from approximately RMB45.7 million for the year ended 31 December 2015 to RMB46.0 million for the year ended 31 December 2016.

Our direct labour increased from approximately RMB16.0 million to RMB20.2 million by approximately RMB4.2 million, or 26.4%, for each of the two years ended 31 December 2015 and 2016, respectively. Such increase was primarily a result of the hiring of additional production personnel so as to cope with our increased production activities during the same period.

Note 1: Customer H is a home appliance manufacturer publicly traded on SZSE. According to publicly available information, Customer H had approximately 17,000 employees with a registered capital of approximately RMB1 billion in 2017. Customer H and some of our customers are owned by the same substantial shareholder in the PRC ("**Customer Group H**"), who was also our customer during the Track Record Period. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, revenue generated from Customer Group H in total accounted for approximately 3.8%, 5.5%, 5.4% and 5.9%, respectively, of our total revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB22.1 million, or 23.5%, from RMB94.0 million for the year ended 31 December 2015 to RMB116.1 million for the year ended 31 December 2016.

Our gross profit margin increased from approximately 8.2% for the year ended 31 December 2015 to approximately 9.2% for the year ended 31 December 2016. In relation to unpainted galvanized steel products, the gross profit margin remained stable at approximately 7.6% and 7.9% for the two years ended 31 December 2016. For painted galvanized steel products, the gross profit margin increased from approximately 10.6% in 2015 to approximately 13.9% in 2016, primarily due to the decrease in processing cost from RMB1,188 per tonne for the year ended 31 December 2015 to RMB1,015 per tonne for the year ended 31 December 2016 resulted from our switch to certain subcontractors with lower processing fee in 2016.

Other Income

Other income decreased from RMB4.7 million in 2015 to RMB3.3 million in 2016, primarily due to the decrease in interest income from RMB4.9 million in 2015 to RMB1.4 million in 2016, primarily as a result of the maturity of a one-off time deposit of approximately RMB100.5 million in 2016. Such decrease was partially offset by the increase in net foreign exchange gain from loss of RMB0.4 million in 2015 to gain of RMB1.4 million in 2016.

Selling expenses

Our selling expenses increased by approximately RMB7.9 million, or 18.2%, from approximately RMB43.4 million for the year ended 31 December 2015 to approximately RMB51.3 million for the year ended 31 December 2016. The increase in selling expenses was mainly attributable to the increases in transportation expenses for delivery of our products to customers, which was in line with the increase of our total sales volume during the same period.

Administrative expenses

The decrease in our administrative expenses by approximately RMB0.7 million, or 7.1%, from approximately RMB9.9 million for the year ended 31 December 2015 to approximately RMB9.2 million for the year ended 31 December 2016, was primarily due to decrease in depreciation expenses of approximately RMB0.3 million.

Income tax expense

For the year ended 31 December 2016, the income tax expense increased by approximately RMB5.9 million, or 92.2%, from approximately RMB6.4 million in 2015 to approximately RMB12.3 million in 2016. The increase was in line with the increase in profit before taxation by approximately RMB23.3 million, or 101.3%, for the year ended 31 December 2016 as compared to the year ended 31 December 2015, while our effective tax rate remained stable at 28.0% and 26.6% for the two years ended 31 December 2016, respectively.

Net profit for the year

Benefited from the uplift of gross profit by approximately RMB22.1 million, our net profit increased by RMB17.5 million or 105.4%, from RMB16.5 million in 2015 to RMB34.0 million in 2016. Accordingly, our net profit margin increased from approximately 1.4% to 2.7%.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our total revenue increased by RMB233.4 million, or 18.5% from approximately RMB1,264.1 million in 2016 to RMB1,497.5 million in 2017, primarily attributable to the increase in sales of our unpainted galvanized steel products, which is partially offset by the decrease in sales of our painted galvanized steel products.

The sales of our unpainted galvanized steel products increased from approximately RMB948.9 million in 2016 to approximately RMB1,184.0 million in 2017, primarily due to the increase in average selling price from approximately RMB3,832 per tonne in 2016 to approximately RMB5,152 per tonne in 2017 as a result of the overall increase in price of steel raw materials. Such increase was partially offset by the decrease in sales volume from 247,630 tonnes in 2016 to 229,840 tonnes in 2017, primarily attributable to (i) the decreased sales in Southern China, in particular Guangdong Province, when we re-directed our strategic focus in Eastern China with close proximity to major customers as sales to Eastern China generally incurred lower transportation costs and (ii) increased maintenance time of our production line in 2017, mainly due to the replacement of one frequency changer equipment of the transmission system and one overhead crane in relation to our hot-dip galvanization line which took approximately 22 days. For details of the maintenance time of our production line, please refer to the section headed "Business — Production — Equipment maintenance" in this prospectus.

The sales of our painted galvanized steel products decreased from approximately RMB266.4 million in 2016 to approximately RMB247.9 million in 2017, primarily due to the decrease in sales volume from 52,850 tonnes in 2016 to 40,750 tonnes in 2017. Upon our in-house colour coating line commenced operation in early 2017, we consequently switched our colour coating process from subcontracting to in-house production. However, we took a relatively prudent approach during such early transition period in order to (i) maintain the quality of our painted galvanized steel products during the early operation period of our colour coating line and (ii) balance the interest of our customers of unpainted galvanized steel products who are also painted galvanized steel processors (and thus our Group's painted galvanized steel products might pose competitions to them). These painted galvanized steel processors contributed to a considerable portion of our total sales during the Track Record Period, amounted to approximately 37.8%, 35.8%, 45.0% and 42.5% of our total sales for the respective periods. During the Track Record Period, these painted galvanized steel processors have not been subcontractors of our Group for the colour coating process.

As we primarily sold our painted galvanized steel products to home appliance manufacturers, our Directors are of the view that upon having our in-house colour coating line which enabled us to produce painted galvanized steel products ourselves, some of our customers of unpainted galvanized steel products, i.e., those painted galvanized steel processors may regard us as direct competitors for painted galvanized steel products as they also sell their finished products to the home appliance manufacturers. For example, our Directors confirmed that due to such potential competition issue, since 2017, our Group has lost a customer which is listed on the National Equities Exchange and Quotation when we introduced our in-house colour coating line. Please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — We face relatively fierce competition in the galvanized steel product industry and may not be able to maintain our competitive edge and such failure could materially and adversely affect our business" in this prospectus for the relevant risk. To cope with such potential competitions by minimizing the risk of losing a particular customer group and supplementing the possible loss of revenue attributable to that particular customer group, we intend to focus on providing painted galvanized steel products of high quality and large dimension for production of high-end home appliance products in order to differentiate ourselves from existing and potential customers to the largest extent. Also, with the upcoming new hot-dip galvanization production line and spare capacity of our hot-dip galvanization production line and in-house colour coating line, we intend to (i) broaden our product diversity and thus product offering mix and customer base; and (ii) gradually increase our revenue contributed by painted galvanized steel products to supplement the potential loss of revenue from those painted galvanized steel products manufacturers. For further details, please refer to the section headed "Business — Our business strategies — Expand production capacity and product range diversity to increase our market penetration in the galvanized steel product market, in particular the home appliance sector" in this prospectus.

Across the Track Record Period, we noted that the requirements in terms of quality of painted galvanized steel products by our customers have been increasing and the painted galvanized steel products undergone colour coating process by our subcontractors gradually failed to meet the specifications of some of our customers when such customers came to seek quotation from us with their specifications, including our largest customer, Customer A, who is one of the leading home appliance manufacturers in the PRC. Although we have introduced the in-house colour coating line to resolve such enhanced quality requirement and to strengthen our quality control in early 2017, in view of the specifications set out in certain quotation of Customer A, we believed that we were not ready to produce painted galvanized steel products with such quality and quantity required by Customer A at the outset. As a result, we have decided to take a prudent approach and only supply limited volume of painted galvanized steel products to Customer A in 2017, lest any failure to meet the stringent standard of Customer A would lead to adverse impact on the future business relationship with Customer A as well as our reputation across the industry. Our Directors confirmed that the decrease in sales of painted galvanized steel products to Customer A was not due to our products' failure to meet the quality requirement as we have assessed the feasibility of producing products at our customers' satisfaction when the specifications are received.

Set forth below is a breakdown of Customer A's revenue and sales volume by product type during the Track Record Period:

	For the years ended 31 December									For the four months ended 30 April		
	2015			2016			2017			2018		
	Revenue	% of total revenue	Sales volume	Revenue	% of total revenue	Sales volume	Revenue	% of total revenue	Sales volume	Revenue	% of total revenue	Sales volume
	(RMB'000)	*(%)*	*(tonnes)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB'000)*	*(%)*	*(tonnes)*
Customer A												
Hard steel coil	45,133	17.3	13,803	42,171	17.8	13,160	58,909	28.9	14,512	23,218	38.3	5,096
Unpainted galvanized steel products	92,958	35.7	18,707	114,795	48.4	20,702	135,241	66.3	20,781	33,686	55.6	5,047
Painted galvanized steel products	122,268	47.0	20,668	80,315	33.8	15,982	9,851	4.8	1,030	3,717	6.1	357
Total	**260,359**	**100**	**53,178**	**237,281**	**100**	**49,844**	**204,001**	**100**	**36,323**	**60,621**	**100**	**10,500**

For the years ended 31 December 2015, 2016 and 2017, notwithstanding our sales to Customer A decreased from RMB260.4 million to RMB204.0 million, our sales volume of hard steel coil and unpainted galvanized steel products remained stable throughout the same period. While our sales of painted galvanized steel products to Customer A experienced a decrease of approximately 14,952 tonnes or RMB70.5 million for the year ended 31 December 2017 as a result of our approach to reduce sales of such products to Customer A for the reason set forth above, our sales volume of hard steel coil and unpainted galvanized steel products to Customer A remained relatively stable for the same period.

We recorded a relatively low product replacement (which occurs where some of our products fail to meet customers' requirements) rate of approximately 0.06%, 0.05%, 0.16% and 0.17% during the Track Record Period, and our Directors confirmed that no painted galvanized steel products sold to Customer A or other customers were returned by them due to quality issues during the Track Record Period and up to the Latest Practicable Date. At the same time, since we have commenced operation of our in-house colour coating line, we have decided not to source from other subcontractors during the transition period which would meet the requirements of Customer A in lieu of the then existing subcontractors, as it would hinder the development of our in-house colour coating line with the reliance on these subcontractors who are also our competitors in the colour coating business.

With the accumulated experience in our in-house colour coating line in 2017, the quality of painted galvanised steel products produced by our in-house colour coating line improved gradually. The introduction of our in-house colour coating line not only improved our financial performance due to cost saving, but also enabled us to eventually meeting the demand of painted galvanized steel products with higher quality including Customer A, and hence, our sales to Customer A bounced back as at the Latest Practicable Date. Based on the unaudited management account of our Group for the nine months ended 30 September 2018, our sales of painted galvanized steel products to Customer A have already reached approximately RMB24.0 million, as compared to approximately RMB9.9 million for the year ended 31 December 2017. For further details of the cost saving analysis, please refer to the section headed "Business — Our competitive strengths — Full line of high quality products with strong production know-how" in this prospectus.

Our Directors are of the view that the adoption of our in-house colour coating process in 2017 had relatively larger impact on our Group's sales of painted galvanized steel products to Customer A, but not other customers. While sales of painted galvanized steel products to Customer A decreased from approximately RMB122.3 million for the year ended 31 December 2015 to only approximately RMB9.9 million for the year ended 31 December 2017, sales of painted galvanized steel products to customers other than Customer A have increased during the Track Record Period, amounting to approximately RMB75.8 million, RMB186.1 million and RMB238.0 million for the years ended 31 December 2015, 2016 and 2017, respectively. Set forth below is a breakdown of our revenue from our sales of painted galvanized steel products to Customer A and other customers during the Track Record Period:

	For the years ended 31 December									For the four months ended 30 April		
	2015			2016			2017			2018		
	Revenue	% of total revenue	Sales volume	Revenue	% of total revenue	Sales volume	Revenue	% of total revenue	Sales volume	Revenue	% of total revenue	Sales volume
	(RMB'000)	*(%)*	*(tonnes)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB'000)*	*(%)*	*(tonnes)*	*(RMB'000)*	*(%)*	*(tonnes)*
Sales of painted galvanized steel products												
Customer A	122,268	61.7	20,668	80,315	30.2	15,982	9,851	4.0	1,030	3,717	4.0	357
Other customers	75,824	38.3	15,362	186,065	69.8	36,868	238,034	96.0	39,720	88,664	96.0	13,606
Total	**198,092**	**100**	**36,030**	**266,380**	**100**	**52,850**	**247,885**	**100**	**40,750**	**92,381**	**100**	**13,963**

Cost of sales

Our cost of sales increased by approximately RMB188.1 million, or 16.4%, from approximately RMB1,148.0 million to RMB1,336.1 million for the two years ended 31 December 2017. Such increase was primarily attributable to the increase of RMB204.3 million in cost of direct materials, partially offset by the decrease of RMB27.0 million in other expenses.

For each of the two years ended 31 December 2017, the largest component of our cost of sales was direct materials, primarily hot rolled steel coils and zinc, and accounted for approximately 80.7% and 84.6% of our cost of sales. Direct materials increased by approximately RMB204.3 million or 22.1% from approximately RMB926.1 million in 2016 to RMB1,130.3 million in 2017. Such increase was primarily attributable to the substantial increase in price of raw materials, partially offset by decrease in our purchase volume.

The increase in utilities expenses by approximately RMB2.2 million or 2.8% from approximately RMB78.3 million in 2016 to RMB80.5 million in 2017 was primarily due to the commencement of our in-house colour coating production line and the cessation of our previous subcontracting of colour coating process.

Depreciation and amortisation expenses experienced an increase of approximately RMB2.6 million or 5.6% from approximately RMB46.0 million to RMB48.6 million for the years ended 31 December 2016 and 2017, primarily as a result of (i) the commencement of our in-house colour coating production line in 2017 and (ii) the addition of new machinery and equipment during the period.

Our direct labour increased by approximately RMB6.0 million or 29.5% from approximately RMB20.2 million in 2016 to RMB26.2 million in 2017. Such increase was primarily a result of (i) the increase in the number of production personnel for the year ended 31 December 2017 following the commencement of operation in relation to our in-house colour coating production line in January 2017 and (ii) a general increase in our staff salary.

Other expenses decreased by approximately RMB27.0 million or 34.9% from RMB77.4 million in 2016 to RMB50.4 million in 2017, primarily due to the decrease in processing fee following the commencement of our in-house colour coating production line in January 2017 and the cessation of our subcontracting of colour coating process in June 2017.

Gross profit and gross profit margin

As a result of foregoing, our gross profit increased by approximately RMB45.4 million, or 39.1%, from approximately RMB116.1 million in 2016 to RMB161.5 million in 2017.

Our gross profit margin increased from approximately 9.2% for the year ended 31 December 2016 to approximately 10.8% for the year ended 31 December 2017. In relation to unpainted galvanized steel products, the gross profit margin increased from approximately 7.9% in 2016 to approximately 9.7% in 2017. Such increase in gross profit margin was driven by the relatively higher proportionate increase in revenue than the cost of sales due to the improved yield rate (成材率) from 85.5% for the year ended 31 December 2016 to 87.0% for the year ended 31 December 2017. For painted galvanized steel products, the gross profit margin increased from approximately 13.9% in 2016 to approximately 16.8% in 2017, primarily attributable to the decrease of average processing cost for our colour coating products from RMB1,015 per tonne in 2016 to RMB850 per tonne in 2017 as a result of the introduction of our in-house colour coating production line and the cessation of the subcontracting of our colour coating process in early 2017. For details of the cost saving brought about by switching to in-house colour coating production line, please refer to the section headed "Business — Production — Production facility and equipment" in this prospectus.

Selling expenses

Our selling expenses decreased by approximately RMB6.5 million, or 12.7%, from approximately RMB51.3 million to approximately RMB44.8 million for each of the two years ended 31 December 2016 and 2017, respectively. The decrease in selling expenses was mainly attributable to the decrease in transportation expenses due to (i) our decreased sales to customers in Southern China, in particular Guangdong Province which involved relatively higher transportation cost than other customers with closer proximity, and (ii) our lower average unit transportation cost resulted from the change of delivery mode from road transit to waterway shipping in relation to sales to certain regions of China, i.e. Chengdu and Jingzhou, partially offset by the increase in export related expenses due to rising overseas sales.

The increases in export related expenses by approximately RMB1.0 million was in line with the increase in our overseas sales volume.

The increase in staff costs by approximately RMB2.6 million was in line with our increased production volume and revenue.

Administrative expenses

The increase in our administrative expenses by approximately RMB6.0 million, or 65.2%, from approximately RMB9.2 million for the year ended 31 December 2016 to approximately RMB15.2 million for the year ended 31 December 2017, was mainly due to the incurrence of listing expenses of approximately RMB3.6 million during the period.

Income tax expense

For the year ended 31 December 2017, the income tax expense increased by approximately RMB11.1 million, or 90.4%, from approximately RMB12.3 million in 2016 to RMB23.4 million in 2017. The increase was mainly attributable to the increase in profit before taxation, while our effective tax rate remained stable at 26.6% and 26.1% for the two years ended 31 December 2017, respectively.

Net profit for the year

Benefited from the uplift of gross profit by approximately RMB45.4 million, our net profit increased by approximately RMB32.2 million, or 94.7%, from approximately RMB34.0 million in 2016 to RMB66.1 million in 2017. Accordingly, our net profit margin increased from 2.7% to 4.4%.

Four months ended 30 April 2017 compared with four months ended 30 April 2018

Revenue

Our total revenue increased by approximately RMB5.6 million or 1.1% from approximately RMB499.2 million to RMB504.8 million for the four months ended 30 April 2017 and 2018, respectively, primarily attributable to the increase in sales of our painted galvanized steel products and hard steel coil, partially offset by the decrease in sales of our unpainted galvanized steel products.

The sales of our painted galvanized steel products increased from approximately RMB79.7 million for the four months ended 30 April 2017 to approximately RMB92.4 million for the four months ended 30 April 2018, primarily attributable to the combined effect of (i) the increase in average selling price from RMB6,273 per tonne to RMB6,618 per tonne, mainly due to the overall increase of price level in home appliance industry in the PRC and (ii) the increase in sales volume from 12,710 tonnes to 13,963 tonnes.

The sales of our hard steel coil increased from approximately RMB18.8 million for the four months ended 30 April 2017 to approximately RMB26.5 million for the four months ended 30 April 2018, primarily attributable to the combined effect of (i) the increase in sale volume from 4,676 tonnes to 5,890 tonnes, primarily due to increased sales to Customer A and (ii) the increase in average selling price from RMB4,022 per tonne to RMB4,504 per tonne, mainly due to the overall increase of price level in home appliance industry in the PRC.

The sales of our unpainted galvanized steel products decreased from approximately RMB400.6 million for the four months ended 30 April 2017 to approximately RMB385.9 million for the four months ended 30 April 2018, primarily attributable to the decrease in our sales volume from 76,117 tonnes to 71,338 tonnes, resulted from reduced demand from a major customer, i.e. Customer A, due to the cessation of purchase from us of unpainted galvanized steel products in relation to its refrigerator business, partially offset by the slight increase in our average selling price.

Cost of sales

The cost of sales increased by approximately RMB14.4 million or 3.2% from approximately RMB441.7 million to RMB456.1 million for the four months ended 30 April 2017 and 2018, respectively, primarily attributable to the increase of RMB17.9 million in cost of direct materials, partially offset by the decrease of RMB5.8 million in other expenses.

For each of the four months ended 30 April 2017 and 2018, the largest component of our cost of sales was direct materials, primarily hot rolled steel coils and zinc, and accounted for approximately 84.2% and 85.5% of our cost of sales. Direct materials increased from approximately RMB372.1 million to RMB390.1 million for the four months ended 30 April 2017 and 2018, respectively, primarily attributable to increase in price of raw materials.

The increase in utilities expenses by approximately RMB0.8 million or 3.0% from approximately RMB26.2 million to RMB27.0 million for the four months ended 30 April 2017 and 2018, respectively, was primarily attributable to the increase in unit cost of gas used in production charged by utility companies.

Depreciation and amortisation expenses experienced a decrease of approximately RMB0.8 million or 4.5% from approximately RMB17.1 million to RMB16.3 million for the four months ended 30 April 2017 and 2018, respectively, primarily as a result of full depreciation of certain property, plant and equipment.

Our direct labour increased by approximately RMB2.2 million or 28.7% from approximately RMB7.7 million to RMB9.9 million for the four months ended 30 April 2017 and 2018, respectively, primarily attributable to (i) the increase in the number of production personnel and (ii) a general increase in our staff salary for the four months ended 30 April 2018.

Other expenses decreased by approximately RMB5.9 million or 31.2% from approximately RMB18.7 million to RMB12.8 million for the four months ended 30 April 2017 and 2018, respectively, primarily attributable to the decrease in labour cost incurred in subcontracting of our colour coating process following the cessation of such subcontracting in June 2017.

Gross profit and gross profit margin

As a result of foregoing, our gross profit decreased by approximately RMB8.6 million or 15.0% from approximately RMB57.4 million to RMB48.8 million for the four months ended 30 April 2017 and 2018.

Our gross profit margin decreased from approximately 11.5% to 9.7% for the four months ended 30 April 2017 and 2018 despite improved yield rate for the same period. In the same period, in relation to unpainted galvanized steel products, the gross profit margin decreased from approximately 10.3% to 8.4%. For painted galvanized steel products, the gross profit margin decreased from approximately 18.5% to 15.2%. There was a rising trend in market price of steel materials for the first quarter of 2017, whereas the market price for the first quarter of 2018 remained relatively stable. As a result, our Cold Rolled Steel Products sold for the four months ended 30 April 2017 were produced from raw materials purchased at a relatively lower price level and we were able generate a higher gross profit margin of 11.5% for the four months ended 30 April 2017.

Selling expenses

Our selling expenses decreased by approximately RMB2.4 million or 14.3% from approximately RMB16.8 million to RMB14.4 million for the four months ended 30 April 2017 and 2018, respectively, primarily attributable to decrease in transportation expenses resulted from our decreased revenue, partially offset by increase in export related expenses resulted from our increased overseas sales volume.

Administrative expenses

The increase in our administrative expenses by approximately RMB4.5 million or 155.2% from approximately RMB2.9 million to RMB7.4 million for the four months ended 30 April 2017 and 2018, respectively, was primarily attributable to the incurrence of listing expenses amounting to RMB3.6 million.

Income tax expense

The income tax expense decreased by approximately RMB3.5 million or 38.5% from approximately RMB9.1 million to RMB5.6 million for the four months ended 30 April 2017 and 2018, respectively. The decrease was mainly attributable to the decrease in profit before taxation, while our effective tax rate remained stable at 25.9% for the four months ended 30 April 2017 and 2018, respectively.

Net profit for the period

Due to the decrease of gross profit by approximately RMB8.6 million or 15.0% from approximately RMB57.4 million to RMB48.8 million for the four months ended 30 April 2017 and 2018, respectively, our net profit margin decreased from 5.2% to 3.2%.

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 Cold Rolled Steel Products. The sources of our cash outflow from operations mainly included purchase of raw materials, various production costs such as electricity and water, salary and wages, selling expenses such as transportation and export related expenses. We incurred capital expenditures mainly for construction of factory premises and construction/acquisition of plant and machinery. 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			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from operating activities	58,040	115,915	31,980	25,381	26,317
Net cash used in investing activities	(15,991)	(20,632)	(14,740)	(5,854)	(1,570)
Net cash used in financing activities	(48,332)	(104,518)	(11,056)	(22,108)	(14,952)
Net (decrease)/increase in cash and cash equivalents	(6,283)	(9,235)	6,184	(2,581)	9,795
Cash and cash equivalents at the beginning of the year/period	38,415	32,144	22,970	22,970	28,782
Effect of foreign exchange rate changes	12	61	(372)	(8)	(184)
Cash and cash equivalents at the end of the year/period	32,144	22,970	28,782	20,381	38,393

Cash flows generated from operating activities

Our cash generated from operating activities reflects profit before taxation for the year, mainly adjusted for depreciation of property, plant and equipment, finance costs, interest income, changes in inventories, changes in trade and bills receivables, changes in prepayments, deposits and other receivables, changes in trade and bills payables, and changes in accrued expenses and other payables.

For the year ended 31 December 2015, we recorded net cash generated from operating activities of approximately RMB58.0 million. Such amount was derived from our profit before taxation of approximately RMB23.0 million, primarily adjusted, positively from (i) depreciation of property, plant and equipment of approximately RMB47.2 million, (ii) finance costs of approximately RMB22.4 million, (iii) decrease in inventories by approximately RMB41.7 million, and (iv) decrease in prepayments, deposits and other receivables by approximately RMB61.8 million; and negatively from (i) interest income of approximately RMB4.9 million, (ii) increase in trade and bills receivables by approximately RMB118.2 million, and (iii) decrease in accrued expenses and other payables by approximately RMB3.5 million.

For the year ended 31 December 2016, we had net cash generated from operating activities of approximately RMB115.9 million. Such amount was derived from our profit before taxation of approximately RMB46.3 million, primarily adjusted, positively from (i) depreciation of property, plant and equipment of approximately RMB47.3 million, (ii) finance costs of approximately RMB12.5 million, and (iii) increase in trade and bills payables of approximately RMB130.2 million; and negatively from (i) interest income of approximately RMB1.4 million, (ii) increase in inventories by approximately RMB34.2 million and (iii) increase in trade and bills receivables of approximately RMB70.5 million during the year.

For the year ended 31 December 2017, we recorded net cash generated from operating activities of approximately RMB32.0 million. Such amount was derived from our profit before taxation of approximately RMB89.6 million, primarily adjusted, positively from (i) depreciation of property, plant and equipment of approximately RMB50.0 million, (ii) finance costs of approximately RMB12.7 million, (iii) decrease in inventories of approximately RMB3.1 million, and (iv) increase in trade and bills payables of approximately RMB14.7 million; and negatively from (i) increase in trade and bills receivables by approximately RMB55.7 million and (ii) increase in prepayments, deposits and other receivables by approximately RMB86.7 million during the year.

For the four months ended 30 April 2018, we recorded net cash generated from operating activities of approximately RMB26.3 million. Such amount was derived from our profit before taxation of approximately RMB21.7 million, primarily adjusted, positively from (i) depreciation of property, plant and equipment of approximately RMB17.0 million, (ii) finance costs of approximately RMB4.9 million, (iii) decrease in prepayments, deposits and other receivables by approximately RMB74.4 million and (iv) decrease in trade and bills receivables by approximately RMB30.3 million; and negatively from (i) increase in inventories of approximately RMB72.5 million, (ii) decrease in trade and bills payables of approximately RMB27.9 million and (iii) decrease in accrued expenses and other payables of approximately RMB21.7 million during the period.

Cash flows used in investing activities

For the year ended 31 December 2015, we had net cash used in investing activities of approximately RMB16.0 million, which was mainly due to payments for the purchase of property, plant and equipment of approximately RMB16.8 million.

For the year ended 31 December 2016, we had net cash used in investing activities amounting to approximately RMB20.6 million, which was primarily due to payments for the purchase of property, plant and equipment of approximately RMB26.1 million.

For the year ended 31 December 2017, our net cash used in investing activities was approximately RMB14.7 million, which was primarily due to payments for the purchase of property, plant and equipment of approximately RMB14.5 million.

For the four months ended 30 April 2018, we had net cash used in investing activities of approximately RMB1.6 million, which was mainly due to payments for the purchase of property, plant and equipment of approximately RMB9.7 million, partially offset by disposal of a subsidiary, net of cash disposed of, amounting to RMB8.0 million.

Cash flows used in financing activities

For the year ended 31 December 2015, our net cash used in financing activities was approximately RMB48.3 million, which was mainly due to proceeds from bank and other loans amounting to approximately RMB444.6 million, partially offset by (i) repayment of bank and other loans of approximately RMB304.4 million and (ii) net decrease in amounts due to related parties of approximately RMB65.6 million.

For the year ended 31 December 2016, our net cash used in financing activities was RMB104.5 million, which was mainly due to repayment of bank and other loans of approximately RMB456.3 million, partially offset by proceeds from bank and other loans amounting to approximately RMB287.1 million.

For the year ended 31 December 2017, our net cash used in financing activities was RMB11.1 million, which was mainly due to (i) repayment of bank and other loans of approximately RMB270.1 million and (ii) net decrease in amounts due to related parties of approximately RMB122.8 million, partially offset by proceeds from bank and other loans amounting to approximately RMB394.6 million.

For the four months ended 30 April 2018, our net cash used in financing activities was RMB15.0 million, which was mainly due to repayment of bank and other loans of approximately RMB234.7 million, partially offset by proceeds from bank and other loans amounting to approximately RMB225.8 million.

Detailed discussions on the fluctuation of each amount/balance aforementioned are set out in the paragraphs headed "Financial Information — Results of operations" and "Financial Information — Discussion of certain consolidated statements of financial position items" in this section.

Consolidated statements of financial position

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	391,455	373,869	339,550	332,989
Lease prepayments	40,611	39,211	37,811	37,343
	432,066	413,080	377,361	370,332
Current assets				
Inventories	235,301	269,550	266,466	338,955
Trade and bills receivables	372,791	443,291	449,134	468,794
Prepayments, deposits and other receivables	48,054	44,808	131,491	49,097
Amounts due from the controlling shareholders of the Company	–	–	–	13,500
Cash at bank and on hand	145,244	39,890	41,302	50,667
	801,390	797,539	938,393	921,013

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Trade and bills payables	218,573	352,456	371,638	344,117
Accrued expenses and other payables	69,807	60,746	59,651	37,634
Amounts due to related parties	199,263	175,965	52,501	62,569
Bank and other loans	351,725	182,530	306,989	298,110
Current taxation	9	6,029	30,409	38,502
	839,377	777,726	821,188	780,932
Net current (liabilities)/assets	(37,987)	19,813	117,205	140,081
Total assets less current liabilities	394,079	432,893	494,566	510,413
Non-current liabilities				
Deferred tax liabilities	36,492	42,727	41,696	39,112
Other payables	39,211	37,810	36,410	36,410
	75,703	80,537	78,106	75,522
NET ASSETS	318,376	352,356	416,460	434,891
Capital and reserves				
Share capital	–	–	–	–
Reserves	316,366	350,298	416,460	434,891
Total equity attributable to equity shareholders of the Company	316,366	350,298	416,460	434,891
Non-controlling interests	2,010	2,058	–	–
TOTAL EQUITY	318,376	352,356	416,460	434,891

DISCUSSION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment consists of buildings and facilities, machinery and equipment, transportation facilities, construction in progress and others. Our property, plant and equipment amounted to approximately RMB391.5 million, RMB373.9 million, RMB339.6 million and RMB333.0 million as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively, representing 90.6%, 90.5%, 90.0% and 89.9% of our Group's total non-current assets.

The decreasing trend of our property, plant and equipment during the Track Record Period was primarily because the annual depreciation expenses charged was larger than the addition of property, plant and equipment.

Lease prepayments

Lease prepayments represent prepayments in relation to the lease of one parcel of collectively-owned land in the PRC. As at 31 December 2015, 2016 and 2017 and 30 April 2018, the balance amounted to RMB40.6 million, RMB39.2 million, RMB37.8 million and RMB37.3 million respectively, and will be amortised over the lease period on a straight-line basis.

Inventories

Our inventories consist of raw materials, finished goods and spare parts. The following table sets out the breakdown of our inventories as at the dates indicated:

	As at 31 December						As at 30 April	
	2015		2016		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	24,028	10.2	83,822	31.1	52,683	19.8	99,037	29.2
Finished goods	152,073	64.6	132,750	49.2	156,865	58.8	183,932	54.3
Sub-total	176,101	74.8	216,572	80.3	209,548	78.6	282,969	83.5
Spare parts	59,200	25.2	52,978	19.7	56,918	21.4	55,986	16.5
Total	235,301	100	269,550	100	266,466	100	338,955	100

Under our procurement policy, our procurement team closely monitors our inventory level and the market conditions for our raw materials and in particular, hot rolled steel coils, in order to minimise price volatility risks and ensure stable production. Our procurement team procures raw materials according to the customers' intended amount of purchase orders, which were placed after the indicative price list is formulated and circulated by the sales team. For further details of the indicative price list, please refer to the section headed "Business — Pricing" in this prospectus. To ensure smooth operation, we may purchase additional hot rolled steel coils based on the amount of secured orders, inventory level or the market conditions as inventory to cater for additional demand.

Our raw materials balance increased by approximately RMB59.8 million from RMB24.0 million as at 31 December 2015 to RMB83.8 million as at 31 December 2016, and decreased to RMB52.7 million as at 31 December 2017. The fluctuation of our raw materials balance was generally in line with our level of production activities and sales volume for the years ended 31 December 2015, 2016 and 2017. Our raw materials balance increased to approximately RMB99.0 million as at 30 April 2018, primarily attributable to our purchase of additional hot rolled steel coils as buffer inventory in anticipation of increase in price of hot rolled steel coils.

The balance of finished goods amounted to approximately RMB152.1 million, RMB132.8 million and RMB156.9 million, representing an aggregate inventory volume of approximately 44,730 tonnes, 31,900 tonnes and 33,114 tonnes, as at 31 December 2015, 2016 and 2017, respectively. The decrease in the balance of finished goods as at 31 December 2016 was mainly due to decreased finished products inventory volume as a result of shortened time of delivery of the finished goods to our customers for the year ended 31 December 2016. The increase in such balance as at 31 December 2017 was primarily attributable to (i) increase in finished products inventory volume and (ii) increase in unit cost of our finished products due to overall increase in the price of steel raw materials for the year ended 31 December 2017. Our finished goods balance increased to approximately RMB183.9 million as at 30 April 2018, primarily because we maintained higher inventory level in anticipation of increasing sales volume in the coming months based on our secured sales orders as at 30 April 2018.

The following table sets out the aging analysis of our inventories (excluding spare parts) as at the dates indicated:

	As at 31 December						As at 30 April	
	2015		2016		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Within 30 days	122,452	69.6	212,555	98.2	192,554	91.9	273,369	96.6
31-90 days	49,695	28.2	675	0.3	13,577	6.5	5,697	2.0
Over 90 days	3,954	2.3	3,342	1.5	3,417	1.6	3,903	1.4
	176,101	100	216,572	100	209,548	100	282,969	100

Inventories (excluding spare parts) aged within 30 days accounted for approximately 69.6%, 98.2%, 91.9% and 96.6% of total raw materials as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively, being in line with our effective inventory control in keeping our inventory at a relatively low level.

The following table sets out the inventory turnover days as at the dates indicated:

	Years ended 31 December 2015	2016	2017	Four months ended 30 April 2018
Inventory turnover days	68	62	58	65

Note: Our inventory turnover days is calculated by dividing the average of the opening and closing balances of inventories (excluding spare parts) by the cost of sales and multiplied by the number of days in such period, being 365 days for a full-year period or 120 days for a four-month period.

Our inventory turnover days was approximately 68 days, 62 days, 58 days and 65 days for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively, which was generally in line with our effective inventory control in keeping our inventory at a relatively low level during the Track Record Period. Our inventory turnover days increased to 65 days for the four months ended 30 April 2018 mainly because we maintained higher finished goods level in anticipation of increasing sales in the coming months.

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, our procurement team procures raw materials according to the customers' intended amount of purchase orders. Further, we adopt a "cost-plus" pricing strategy for our Cold Rolled Steel Products, taking into consideration, amongst others, the market demand, anticipated market trends, historical sales data, fluctuations of the raw materials price, current number of purchase orders, production capacity, the amount of the customer's purchase order, the relationship with the customer and prices of our competitors' products. We usually place back-to-back orders to suppliers upon receipt of orders from our customers. Accordingly, our inventories are not exposed to material price risks. Moreover, our steel raw materials are non-perishable in nature with wide applications. As a result, our Group did not make any provision for writing down our inventory during the Track Record Period.

Spare parts mainly include parts in relation to the machinery and equipment used in our production. We maintained a relatively large amount of spare parts which included screw, nut, gasket, value bearing, etc., amounting to 25.2%, 19.7%, 21.4% and 16.5% of our total inventory during the Track Record Period, primarily because such spare parts were used for repair and maintenance in relation to our production lines and were subject to operational wear and tear. Such spare parts are classified as inventory, rather than property, plant and equipment, mainly because the spare parts (i) comprise a large number of individual items of low-value and the cost of each category of the spare parts is considered insignificant in comparison to the cost of our production equipment, (ii) are only used as the replacement of defective parts of our production equipment for repair and maintenance, (iii) are used for the purpose of ensuring smooth operation of production lines, rather than improving or enhancing production equipment, and (iv) are expected to be worn out quickly once utilised.

As at 31 August 2018, approximately RMB294.5 million, or 86.9% of our inventories and approximately RMB283.0 million, or 100.0% of our inventory (excluding spare parts) as at 30 April 2018 had been sold/used.

Trade and bills receivables

Our trade and bills receivables represent receivables from the sale of our products. The following table sets out the breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	116,521	115,748	113,378	158,153
Less: allowance for doubtful debt*(Note 1)*	–	–	–	(26)
	116,521	115,748	113,378	158,127
Bills receivables*(Note 2)*	256,270	327,543	385,756	310,667
	372,791	443,291	499,134	468,794

Notes:

1. For details of credit risk, please refer to the paragraph headed "Financial Information — Quantitative and qualitative disclosures about market risks — Credit risk" in this section below.

2. The bills receivables represent the bills we receive from our customers for settling their purchase from us. We may tender the bills to banks when they fall due or discount them for cash before they become due, or endorse the bills to pay for our suppliers.

Our customers may settle the payment in one of the following three methods: (i) prepayment of full purchase amount, (ii) payment upon delivery with prepayment of 10% to 20% of total amount or (iii) credit period of one to three months payable by way of bank acceptance bills of one to six months or by telegraphic transfer. In determining which payment method is offered to each customer, we generally take into account, amongst others, (i) the length of our business relationship with the customers, (ii) their payment history, (iii) the size of purchase order, (iv) the time between receiving customers' orders and delivery and (v) the customers' type (midstream steel product processors or home appliance manufacturers). In general, we require new customers to prepay while flexibility in payment terms is offered to customers with whom we have longer business relationship and sound payment history.

Our trade receivables remained stable at RMB116.5 million, RMB115.7 million and RMB113.4 million as at 31 December 2015, 2016 and 2017, respectively. The following table sets out the aging analysis of our trade receivables from our customers as at the dates indicated:

	As at 31 December						As at 30 April	
	2015		2016		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Within 1 month	111,913	96.1	113,396	98.0	89,617	79.1	142,533	90.1
1 to 3 months	989	0.8	–	–	23,723	20.9	14,628	9.3
3 to 6 months	2,890	2.5	13	0.0	8	0.0	936	0.6
Over 6 months	729	0.6	2,339	2.0	30	0.0	30	0.0
	116,521	100	115,748	100	113,378	100	158,127	100

Our trade receivables increased to RMB158.1 million as at 30 April 2018, mainly attributable to the increase in trade receivables within one month primarily resulted from decrease in the use of prepayment of full purchase amount by our customers.

As at 31 August 2018, approximately 100%, 100%, 100% and 97.2%, equivalent to approximately RMB116.5 million, RMB115.7 million, RMB113.4 million and RMB153.7 million, of our trade receivables as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively have been subsequently settled.

Our bills receivables amounted to RMB256.3 million, RMB327.5 million and RMB385.8 million as at 31 December 2015, 2016 and 2017, respectively. The balances included bills discounted to banks or endorsed to suppliers and factored trade receivables with recourse amounting to RMB190.4 million, RMB309.0 million and RMB317.8 million as at 31 December 2015, 2016 and 2017, respectively. Such bills receivables were not derecognized as our Group remained exposed to the credit risk of these receivables. For details, please refer to Note 15(c) to the Accountants' Report in Appendix I to this prospectus. Of the bills receivables as at 31 December 2017, approximately RMB385.8 million, or 100%, have been subsequently settled as at 31 August 2018. The bills receivables amounted to approximately RMB310.7 million as at 30 April 2018, of which approximately RMB225.2 million, or 72.5%, have been subsequently settled as at 31 August 2018.

The following table sets out the debtors' turnover days as at the dates indicated:

	Years ended 31 December			Four months ended 30 April
	2015	**2016**	**2017**	**2018**
Debtors' turnover days[Note]	28	34	28	32

Note: The debtors' turnover days is calculated by dividing the average of the opening and closing balances of the trade receivables by the revenue and multiplied by the number of days in such period, being 365 days for a full-year period or 120 days for a four-month period.

With reference to the above table, our average debtors' turnover days for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, were approximately 28 days, 34 days, 28 days and 32 days, respectively, which was generally in line with the credit periods we offer to our customers.

Prepayments, deposits and other receivables

The following table sets out a breakdown of prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for purchase of raw materials	34,863	25,961	112,606	37,214
Consideration receivables for disposal of a subsidiary	–	–	8,000	–
Prepayments for utilities expenses	8,496	10,722	6,964	7,177
Prepayments in connection with the proposed initial listing of the Company's shares	–	–	1,183	3,450
Others(Note)	4,695	8,125	2,738	1,256
	48,054	44,808	131,491	49,097

Note: Others mainly consist of receivables in relation to bank deposit interest and input tax to be verified (待認證進項税) which is refundable to us upon verification.

Our prepayments, deposits and other receivables primarily consist of prepayments for purchase of raw materials, prepayments for utilities expenses, consideration receivables for disposal of a subsidiary and receivables in relation to bank deposit interest. For further details of the disposal, please refer to the section headed "History, Reorganisation And Development — Reorganisation — Disposal of Qingdao Jiangnan Gangcai Jiagong Limited ("青島江南鋼材加工有限公司") ("Jiangnan Gangcai")" in this prospectus. As at 31 December 2015, 2016 and 2017, the balance of prepayments, deposits and other receivables amounted to approximately RMB48.1 million, RMB44.8 million and RMB131.5 million, respectively. The decrease in 2016 was primarily due to the drop in prepayments for purchase of raw materials. The substantial increase for the year ended 31 December 2017 was primarily attributable to the significant increase in prepayments for procurement of raw materials by approximately RMB86.6 million. Our prepayments, deposits and other receivables decreased to approximately RMB49.1 million as at 30 April 2018, primarily due to the decrease of prepayments for purchase of raw materials.

Our prepayments for purchase of raw materials mainly represent prepayments made to Supplier A, Supplier B and Supplier C in relation to our purchase of steel raw materials. The average rate of prepayment made to Supplier A and Supplier B is in the range of 20% to 30% of the total purchases amount of next month. The average prepayment rate for Supplier C is approximately 20% of the purchase amount of next month, save for our two monthly purchases made in December 2017 and January 2018, where Supplier C required full prepayment in exchange for offering us some purchase discount. As far as our Directors are aware, the discount was offered due to Supplier C's target for better cash position for its year end and the Chinese New Year and we accepted such arrangement because of (i) our sufficient cash balance allowing us for making full prepayment; and (ii) our willingness to maintain cordial relationship with our major supplier. For typical credit terms of our suppliers, please refer to section headed "Business — Raw materials, procurement and suppliers — Our suppliers" in this prospectus.

During the Track Record Period, prepayments for purchase of raw materials amounted to approximately RMB34.9 million, RMB26.0 million, RMB112.6 million and RMB37.2 million, respectively. The significant increase for the year ended 31 December 2017 was primarily attributable to higher prepayment rate required by one of our major suppliers, namely Supplier C, in relation to the supply of hot rolled steel coils. Before December 2017, the credit policy of Supplier C was payment upon delivery with prepayment of approximately 20% of the purchase amount of the next month. For the years ended 31 December 2015 and 2016, the amount of prepayments made to Supplier C were approximately RMB26.4 million and RMB20.9 million, respectively. In December 2017 and January 2018, due to the reasons set forth above, Supplier C required full prepayment in return for granting to us some discount, which amounted to approximately RMB0.8 million. Such amount represented a discount of 0.6% of the total purchases amount from Supplier C in January 2018 and February 2018, which amounted to approximately RMB129.0 million. In the light of the above arrangement, we made full prepayment to Supplier C in December 2017 and the amount of prepayments made to Supplier C at 31 December 2017 amounted to RMB82.4 million. Since February 2018, Supplier C resumed its previous credit policy with a requisite prepayment rate of approximately 20% and discontinued the abovementioned one-off full prepayment offer in December 2017 and January 2018. From April 2018 onwards, we decided to increase our purchase of hot rolled steel coils from Supplier A instead, which required prepayment of 20% to 30% but offered greater flexibility in purchase amount. Our Directors confirm that there has been no material change in the terms of Supplier A and Supplier C during the Track Record Period. Therefore, our prepayments for purchase of raw materials decreased to RMB37.2 million as at 30 April 2018.

Up to the Latest Practicable Date, 100% of our prepayment to Supplier C was subsequently utilised.

Trade and bills payables

The following table sets out the breakdown of trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables				
— Trade payables	180,764	325,946	335,406	318,305
— Bills payables	37,809	26,510	36,232	25,812
	218,573	352,456	371,638	344,117

Trade and bills payables mainly represent payables to our suppliers for the procurement of raw materials. For our major suppliers, we generally pay to them in advance upon placement of purchase orders and settle the payment by bank acceptance bills and bank transfer.

Our trade payables amounted to approximately RMB180.8 million, RMB325.9 million, RMB335.4 million and RMB318.3 million as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively. Such trend was generally in line with the fluctuation of our cost of sales.

The bills payables amounted to approximately RMB37.8 million, RMB26.5 million, RMB36.2 million and RMB25.8 million as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively.

The following table sets out the creditors' turnover days for trade and bills payables as at the dates indicated:

	Years ended 31 December			Four months ended 30 April
	2015	**2016**	**2017**	**2018**
Creditors' turnover days	64	91	99	94

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 the number of days in such period, being 365 days for a full-year period or 120 days for a four-month period.

The creditors' turnover days were approximately 64 days, 91 days, 99 days and 94 days for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively, which were generally within the credit periods granted by our suppliers.

The following table sets out the aging analysis of our trade and bills payables as at the dates indicated:

	As at 31 December						As at 30 April	
	2015		**2016**		**2017**		**2018**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Within 3 months	140,014	64.1	177,929	50.5	189,193	50.9	142,354	41.3
3 to 6 months	70,921	32.4	158,761	45.0	170,951	46.0	190,186	55.3
over 6 months	7,638	3.5	15,766	4.5	11,494	3.1	11,577	3.4
	218,573	100	352,456	100	371,638	100	344,117	100

As at 31 August 2018, approximately 100%, 100%, 97.9% and 77.0% of our trade payables as at 31 December 2015, 2016 and 2017 and 30 April 2018 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 conditions or results of operations.

Accrued expenses and other payables

The following table sets out the breakdown of accrued expenses and other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for other taxes	14,313	14,557	13,641	12,904
Deposits from third parties	11,000	7,200	1,236	200
Payables for staff related costs	5,694	4,242	6,469	3,854
Payables for costs incurred in connection with the proposal initial listing of the Company's shares	–	–	339	2,279
Payables for land use right premiums	1,400	1,400	1,400	1,400
Others	253	293	3	6
Financial liabilities measured at amortised cost	32,660	27,692	23,088	20,643
Receipts in advance from customers	37,147	33,054	36,563	16,991
	69,807	60,746	59,651	37,634

Payables for other taxes included mainly various kinds of government levies or taxes such as urban construction tax (城市建設維護稅), education surcharge (教育費附加), tenure tax (土地使用稅) and real estate tax (房產稅).

Deposits from third parties represent security deposits from customers. The decrease in the balance from approximately RMB11.0 million as at 31 December 2015 to RMB7.2 million as at 31 December 2016 and further to RMB1.2 million and RMB0.2 million as at 31 December 2017 and 30 April 2018, respectively was primarily attributable to the return of such security deposit to a customer due to declining business transaction.

Payables for staff related costs amounted to approximately RMB5.7 million, RMB4.2 million and RMB6.5 million as at 31 December 2015, 2016 and 2017, respectively. It represented the accrued staff salaries and benefits for December of the respective years. The increase in accrued staff costs to approximately RMB6.5 million as at 31 December 2017 was primarily a result of the increase in our total number of employees from 398 as at 31 December 2016 to 469 as at 31 December 2017 and the increase in staff costs for production and sales personnel being commensurate with our increased revenue. The balance amounted to approximately RMB3.9 million as at 30 April 2018, primarily because apart from salaries, wages and other benefits, the balance as at 31 December 2015, 2016 and 2017 also included year-end bonus.

Receipts in advance from customers represent the deposit amount we request from our customers when they place confirmed orders with us. The balance remained stable at RMB37.1 million, RMB33.1 million and RMB36.6 million as at 31 December 2015, 2016 and 2017, respectively. The balance decreased to approximately RMB17.0 million as at 30 April 2018 primarily because we requested lower deposit amount in light of our enduring relationship with a customer.

Amounts due to related parties

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Amounts due from the controlling shareholders of the Company	–	–	–	13,500
Amounts due to related parties	199,263	175,965	52,501	49,372
Consideration payable for acquisition of a subsidiary under the reorganization	–	–	–	13,197

Consideration payable for acquisition of a subsidiary under the reorganisation represents the outstanding consideration payable by KangLi HK as at 30 April 2018 for its acquisition of Jiangnan Precision in the Reorganisation, which was subsequently settled in May 2018. For details of the Reorganisation, please refer to section headed "History, Reorganisation And Development — Reorganisation" in this prospectus.

Amounts due to related parties mainly represent advances from one of our Controlling Shareholders and companies and branches controlled by our Controlling Shareholders arising from outstanding amount of advances from them in support of previous capital expenditure for machineries and equipment. The balances were unsecured, interest-free, non-trade in nature and had no fixed term of repayment and amounted to approximately RMB199.3 million, RMB176.0 million, RMB52.5 million and RMB49.4 million as at 31 December 2015, 2016 and 2017 and as at 30 April 2018, respectively. All outstanding amounts due to related parties will be fully settled prior to Listing.

Bank and other loans

During the Track Record Period, our bank and other loans consisted of short term loans from bank and other financial institutions denominated in Renminbi. As at the Latest Practicable Date, our Group has unutilised banking facilities of RMB139.8 million.

The following table sets forth a breakdown of our bank and other loans as at the respective dates indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	351,725	182,530	306,989	298,110
	351,725	182,530	306,989	298,110

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our loans from banks and other financial institutions were set out as follows:

	As at 31 December 2015	2016	2017	As at 30 April 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:				
– Secured by the Group's property, plant and equipment and land use right, guaranteed by related parties of the Group and an equity Shareholder of the Company	96,125	38,930	–	–
– Secured by the Group's property, plant and equipment and land use right, and guaranteed by related parties	–	–	49,489	–
– Secured by the Group's property plant and equipment and land use right	–	–	–	27,300
– Guaranteed by equity shareholders of the Company and/or a related party of the Group	13,000	23,000	50,000	–
– Guaranteed by a third party *(Note 2)* and a related party of the Group and an equity shareholder of the Company	60,600	60,600	50,000	–
– Guaranteed by third parties *(Note 3)*	–	–	–	110,810
– Unsecured and unguaranteed	182,000	60,000	110,000	160,000
	351,725	182,530	259,489	298,110
Loan from other financial institution *(Note 1)*				
– Secured by property, plant and equipment of the Group	–	–	47,500	–
	351,725	182,530	306,989	298,110

Note:

1. Secured loans from other financial institution represent loans borrowed from financial institutions other than banks, bearing a fixed interest rate of 4.905% per annum and have been settled as at 30 April 2018.

2. The third party is Jiangsu Lanling Polymer Material Company Limited (江蘇蘭陵高分子材料有限公司) ("**Jiangsu Lanling Polymer Material**"), which principally engages in manufacturing of paints and coatings and is a supplier of our coatings. During the Track Record Period and up to the Latest Practicable Date, we did not provide any guarantee to Jiangsu Lanling Polymer Material Company Limited.

3. The third parties are (i) Jiangsu Lanling Polymer Material and (ii) Jiangsu Lanling Steel Structure Engineering Company Limited (江蘇蘭陵鋼結構工程有限公司), both of which are fellow subsidiaries within the same group. Jiangsu Lanling Steel Structure Engineering Company Limited principally engages in manufacturing of steel structures and grids. The bank loans guaranteed by these third parties were being used to support our procurement of raw materials for our production of Cold Rolled Steel Products.

   We have entered into guarantee contracts with Jiangsu Lanling Polymer Material and Jiangsu Lanling Steel Structure Engineering Company Limited respectively. The scope of the guarantee by the guarantor under the guarantee contracts included all debts incurred by the debtor under the main bank loan contract, including but not limited to principal, interest, liquidated damages, taxes, etc. We did not pay any consideration for obtaining the guarantee.

   We obtained the guarantee from these third parties mainly attributable to (i) our good and stable business relationship with Jiangsu Lanling Polymer Material, being one of our suppliers of coatings; (ii) the mutual benefit shared between us and Jiangsu Lanling Polymer Material, in light of Jiangsu Lanling Polymer Material, being the supplier and thus a stakeholder of our Group during the Track Record Period; and (iii) our good credit history and stable financial position. During the Track Record Period and up to the Latest Practicable Date, we did not provide any guarantee to Jiangsu Lanling Steel Structure Engineering Company Limited. Our Directors confirm that the contracts entered into with these third parties are typical guarantee contracts in the PRC without any unusual features.

At 31 December 2015, 2016 and 2017 and 30 April 2018, the aggregate carrying amounts of property, plant and equipment and land use right pledged as collaterals for our Group's short-term bank and other loans are RMB80.8 million, RMB78.0 million, RMB107.3 million and RMB74.2 million, respectively. All guarantees by related parties have been released as at the Latest Practicable Date.

Other payables

Other payables represent our obligations under lease payable and amounted to RMB39.2 million, RMB37.8 million, RMB36.4 million and RMB36.4 million as at 31 December 2015, 2016 and 2017 and as at 30 April 2018, respectively. For details, please refer to note 22 to the Accountants' Report in Appendix I to this prospectus.

WORKING CAPITAL

The table below sets forth our current assets, current liabilities and net current assets/liabilities as at the respective dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2015	**2016**	**2017**	**2018**	**2018**
					(unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Inventories	235,301	269,550	266,466	338,955	292,772
Trade and bills receivables	372,791	443,291	499,134	468,794	500,407
Prepayments, deposits and other receivables	48,054	44,808	131,491	49,097	86,005
Amounts due from the controlling shareholders of the Company	–	–	–	13,500	–
Cash at bank and on hand	145,244	39,890	41,302	50,667	27,325
	801,390	797,539	938,393	921,013	906,509
Current liabilities					
Trade and bills payables	218,573	352,456	371,638	344,117	332,513
Accrued expenses and other payables	69,807	60,746	59,651	37,634	54,528
Amounts due to related parties	199,263	175,965	52,501	62,569	19,953
Bank and other loans	351,725	182,530	306,989	298,110	292,300
Current taxation	9	6,029	30,409	38,502	42,742
	839,377	777,726	821,188	780,932	742,036
Net current (liabilities)/assets	(37,987)	19,813	117,205	140,081	164,473

We recorded net current liabilities of approximately RMB38.0 million as at 31 December 2015. Our net current liabilities position as at 31 December 2015 was mainly resulting from the bank and other loan of approximately RMB351.7 million and amounts due to related parties of approximately RMB199.3 million.

We recorded a net current assets position of approximately RMB19.8 million as at 31 December 2016 because of (i) the decrease in the amount of bank and other loans to approximately RMB182.5 million and (ii) the increase in the amount of trade and bills receivables to approximately RMB443.3 million.

Our net current assets position further increased to approximately RMB117.2 million as at 31 December 2017 principally due to the increase in the amount of trade and bills receivables to approximately RMB499.1 million and prepayments, deposits and other receivables to approximately RMB131.5 million, partially offset by the increase in the amount of bank and other loans to approximately RMB307.0 million.

Our net current assets position further increased to approximately RMB140.1 million as at 30 April 2018 primarily due to the decrease in the amount of trade and bills payables to approximately RMB344.1 million and the increase in the amount of inventories to approximately RMB339.0 million, partially offset by the decrease in the amount of prepayments, deposits and other receivables to approximately RMB49.1 million.

Our net current assets position further increased to approximately RMB164.5 million as at 31 August 2018 primarily due to the increase in the amount of trade and bills receivables to approximately RMB500.4 million and the increase in the amount of prepayments, deposits and other receivables to approximately RMB86.0 million, partially offset by the decrease in the amount of inventories to approximately RMB292.8 million.

For risk related to our net current liabilities, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Our net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as materially and adversely affect our ability to expand our business" in this prospectus.

INDEBTEDNESS

As at 31 August 2018, being the latest practicable date for the purpose of this statement of indebtedness, our Group had bank loans of approximately RMB292.3 million and other borrowings of approximately RMB20.0 million, which bore fixed interest rates ranging from approximately 4.4% to 5.8%. The bank and other loans comprised (i) bank loans secured by our Group's property, plant and equipment and land use right of approximately RMB27.3 million, (ii) bank loans secured by our Group's trade receivables of approximately RMB50.0 million, (iii) bank loans guaranteed by third parties amounting to approximately RMB165.0 million, (iv) unsecured and unguaranteed bank loans amounting to approximately RMB50.0 million. Other borrowings represent outstanding amount due to a related party, Jiangnan Tiehejin, which was unsecured and unguaranteed.

As at 31 August 2018, save as disclosed in the paragraph headed "Financial Information — Discussion of certain consolidated statements of financial position items — Bank and other loans" in this section, 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, debentures, mortgages, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

We intend to use approximately 3.9%, or HK$5.3 million (equivalent to approximately RMB4.7 million), of the net proceeds from the Global Offering to repay a bank loan at an interest rate of 5.76% per annum which will be due for repayment in December 2018. For further details, please refer to the section headed "Future Plans And Use Of Proceeds — Future plans and prospects" in this prospectus.

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 31 August 2018.

Our Directors confirm that we did not have any further plan for material debt financing as at the Latest Practicable Date. Since 31 August 2018 and up to the Latest Practicable Date, there has been no material adverse change in our indebtedness.

WORKING CAPITAL CONFIRMATION

Our Group recorded net current liabilities of approximately RMB38.0 million, net current assets of approximately RMB19.8 million, RMB117.2 million, and RMB140.1 million as at 31 December 2015, 2016 and 2017 and as at 30 April 2018, respectively. The net current liabilities position as at 31 December 2015 was mainly due to the amount of amounts due to related parties amounting to RMB199.3 million and bank and other loans amounting to RMB351.7 million.

Taking into account our cash generated/to be generated from operating activities, our currently available financial resources including cash and cash equivalents, internally generated funds, bank loans and other borrowings, and the net proceeds from the Global Offering, our Directors have confirmed and the Sole Sponsor concurs that we have sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this prospectus.

We currently do not expect any significant changes in the mix and the relative costs of our capital resources. As at the date of this prospectus, save for the proposed Global Offering, we do not have any definite external financing plan.

PLEDGE OF ASSETS

As at 31 December 2015, 2016 and 2017 and as at 30 April 2018, the aggregate carrying amounts of property, plant and equipment and land use right pledged as collaterals for our Group's short-term bank and other loans amounted to RMB80.8 million, RMB78.0 million, RMB107.3 million, and RMB74.2 million, respectively. For details, please refer to Note 20 to the Accountants' Report in Appendix I to 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.

COMMITMENTS

Capital commitment

As at 31 December 2015, 2016 and 2017, 30 April 2018 and 31 August 2018, we had capital commitment contracted but not provided for in respect of the acquisition of property, plant and machinery of approximately RMB1.6 million, RMB0.3 million, RMB0.9 million, RMB0.8 million and RMB0.8 million, respectively.

Operating lease commitment

The table below sets out our operating lease commitments as at 31 December 2015, 2016 and 2017 and as at 30 April 2018:

	At 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	600	342	111	126
After 1 year but within 5 years	–	–	192	165
	600	342	303	291

Operating lease commitments arose mainly from the operating lease of land, properties and warehouses.

PROPERTY INTERESTS

Please refer to the section headed "Business — Properties" in this prospectus for further details.

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			Four months ended/as at 30 April
	2015	**2016**	**2017**	**2018**
Current ratio(1)	1.0 times	1.0 times	1.1 times	1.2 times
Quick ratio(2)	0.7 times	0.7 times	0.8 times	0.7 times
Gross profit margin(3)	8.2%	9.2%	10.8%	9.7%
Net profit margin(4)	1.5%	2.7%	4.4%	3.2%
Return on assets(5)	1.3%	2.8%	5.0%	N/A
Return on equity(6)	5.2%	9.6%	15.9%	N/A
Interest coverage ratio(7)	2.0 times	4.7 times	8.0 times	5.4 times
Net debt to equity ratio(8)	1.3 times	0.9 times	0.8 times	0.7 times
Gearing ratio(9)	1.7 times	1.0 times	0.9 times	0.8 times

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year/period.

(2) Quick ratio is calculated by dividing current assets less inventories by current liabilities as at the end of the respective year/period.

(3) Gross profit margin is calculated by dividing gross profit by revenue for the respective year/period.

(4) Net profit margin is calculated by dividing net profit by revenue for the respective year/period.

(5) Return on asset is calculated by dividing net profit for the year/period by total assets as at the end of the year/period.

(6) Return on equity is calculated by dividing net profit for the year/period by total equity as at the end of the year/period.

(7) Interest coverage ratio is calculated by dividing profit before interest expenses and tax by interest expenses for the year/period.

(8) Net debt to equity ratio is calculated by dividing net debt by total equity as at the end of the respective year/period. Net debt includes all interest-bearing loans, amounts due to related parties, others under accrued expenses and other payables and net of cash and cash equivalents.

(9) Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective year/period. Total debt includes all interest-bearing loans, amounts due to related parties and others under accrued expenses and other payables.

(10) Return on assets and return on equity are calculated on a full year basis.

Current ratio

Our current ratio remained at approximately 1.0 times as at 31 December 2015 and 2016, and improved to 1.1 times as at 31 December 2017, mainly due to the increase in prepayments, deposits and other receivables and trade and bills receivables. Our current ratio further increased to approximately 1.2 times as at 30 April 2018 mainly due to the decrease in trade and bills payables and the increase in inventory, partially offset by the decrease in prepayments, deposits and other receivables.

Quick ratio

Inventories accounted for approximately 29.4%, 33.8% and 28.4% of our current assets as at 31 December 2015, 2016 and 2017, respectively. Thus, our quick ratios fluctuated by similar proportions to their corresponding current ratios as at the indicated dates. Our quick ratio remained stable at approximately 0.7 times as at 31 December 2015 and 2016, and increased to 0.8 times as at 31 December 2017, which is in line with our effective inventory control in keeping our inventory at a relatively low level. Our quick ratio decreased to approximately 0.7 times as at 30 April 2018 mainly due to our increased inventory level, as we anticipated higher sales volume in the coming months based on our secured sales orders as at 30 April 2018, despite the increase in current ratio across the same period.

Gross profit margin

Our gross profit margin increased from approximately 8.2% for the year ended 31 December 2015 to approximately 9.2% for the year ended 31 December 2016, and further increased to approximately 10.8% for the year ended 31 December 2017. Our gross profit margin decreased to approximately 9.7% for the four months ended 30 April 2018. For detailed analysis, please refers to the paragraphs headed "Financial Information — Period to period comparison of results of operations" in this section.

Net profit margin

Our net profit margin increased from approximately 1.5% for the year ended 31 December 2015 to 2.7% for the year ended 31 December 2016, and increased further to 4.4% for the year ended 31 December 2017. The increase in net profit margin for the years ended 31 December 2015, 2016 and 2017 was mainly due to our improving gross profit margin. Our net profit margin decreased to approximately 3.2% for the four months ended 30 April 2018 as a result of our decreased gross profit margin.

Return on assets

Our return on assets increased from approximately 1.3% for the year ended 31 December 2015 to 2.8% for the year ended 31 December 2016, and increased further to 5.0% for the year ended 31 December 2017. The increase in return on assets for the year ended 31 December 2016 was mainly due to the net profit of approximately RMB34.0 million recorded during the year, which was 2.1 times the net profit for the year ended 31 December 2015, coupled with the decrease in total assets by RMB22.9 million from

RMB1,233.5 million as at 31 December 2015 to RMB1,210.6 million as at 31 December 2016 mainly as a result of the decrease in the amount of cash at bank and on hand, partially offset by the increase in the amount of trade and bills receivables.

The increase in return on assets for the year ended 31 December 2017 was mainly due to the net profit of approximately RMB66.1 million recorded during the year, which was 1.9 times the net profit for the year ended 31 December 2016, partially offset by the increase in total assets by RMB105.2 million from RMB1,210.6 million as at 31 December 2016 to RMB1,315.8 million as at 31 December 2017 mainly as a result of the increase in the amount of trade and bills receivables and prepayments, deposits and other receivables.

Return on equity

Our return on equity increased from approximately 5.2% for the year ended 31 December 2015 to 9.6% for the year ended 31 December 2016, and further increased to 15.9% for the year ended 31 December 2017. The increase in return on equity in 2016 was mainly attributable to the increase in net profit by approximately RMB17.4 million, partially offset by the increase in equity of RMB34.0 million as a result of profit recognised during the year. The increase in return on equity for the year ended 31 December 2017 was mainly attributable to the growth in net profit by approximately RMB32.2 million, which was partially offset by the increase in equity of RMB64.1 million primarily as a result of profit recognised during the year.

Interest coverage ratio

Our interest coverage ratio increased from approximately 2.0 times for the year ended 31 December 2015 to 4.7 times for the year ended 31 December 2016, and further increased to 8.0 times for the year ended 31 December 2017. The increase in the ratio for the year ended 31 December 2016 was mainly due to the increase in profit before interest expenses and tax by approximately RMB13.4 million, combined with the decrease in finance costs by RMB9.9 million. The increase in 2017 was mainly due to the growth in profit before interest expenses and tax by RMB43.5 million.

Our interest coverage ratio for the four months ended 30 April 2018 decreased to approximately 5.4 times primarily due to relatively larger amount of finance cost incurred for the four months ended 30 April 2018.

Net debt to equity ratio

Our net debt to equity ratio decreased from approximately 1.3 times as at 31 December 2015 to 0.9 times as at 31 December 2016, which was mainly attributable to (i) the decrease in bank and other loans by approximately RMB169.2 million from RMB351.7 million as at 31 December 2015 to RMB182.5 million as at 31 December 2016, the effect of which was partially offset by the decrease in cash and cash equivalents by RMB105.4 million between the said dates; and (ii) the increase in total equity by RMB34.0 million between the said dates.

The ratio decreased to 0.8 times as at 31 December 2017 mainly due to the increase in total equity by RMB64.1 million between the said dates. Our net debt to equity ratio as at 30 April 2018 decreased to approximately 0.7 times primarily due to the increase in total equity by RMB18.4 million.

Gearing ratio

Our gearing ratio decreased from approximately 1.7 times as at 31 December 2015 to 1.0 times as at 31 December 2016, and remained stable at 0.9 times and 0.8 times as at 31 December 2017 and 30 April 2018 respectively. The fluctuation was generally in line with the movements of our net debt to equity ratios.

RELATED PARTY TRANSACTIONS AND BALANCES

With respect to the related parties transactions set out in Note 25 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm 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. Set forth below are the material related party transactions of our Group during the Track Record Period, both of which has been terminated as at the Latest Practicable Date:

(a) Sale of zinc wastes

During the Track Record Period, our Group had sold zinc wastes to Jiangnan Tiehejin. The transactions between our Group and Jiangnan Tiehejin in relation to the sale of zinc wastes amounted to approximately RMB5.0 million, RMB6.6 million, RMB0.4 million, and nil, respectively, for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018. Such transactions took place as and when Jiangnan Tiehejin was in need of such zinc wastes from time to time for exploring business opportunities in relation to the production and sales of zinc ingot.

The transactions will not continue after Listing as Jiangnan Tiehejin has terminated the relevant business segment in relation to the purchase of zinc wastes from our Group.

(b) Purchase of zinc ingot

During the Track Record Period, our Group had purchased zinc ingot from Jiangnan Tiehejin. The transactions between our Group and Jiangnan Tiehejin in relation to the purchase of zinc ingot amounted to approximately RMB5.4 million, RMB7.0 million, RMB1.4 million, and nil, respectively, for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018. Such transactions took place as and when our Group was in need of zinc ingot from time to time for our Group's production process.

The transactions will not continue after Listing as Jiangnan Tiehejin has terminated the relevant business segment in relation to the sale of zinc ingot to our Group.

For those related party transactions which will also constitute continuing connected transactions upon Listing, please refer to the section headed "Connected Transactions" in this prospectus for details.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group's credit risk is primarily attributable to trade and other receivables. Our Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of our Group, for which our Group considers to have low credit risk.

Trade receivables

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. At 31 December 2015, 2016 and 2017 and 30 April 2018, 13.2%, 3.7%, 6.1% and 6.9% of the total trade and bills receivables, respectively, were due from our Group's largest trade debtor, and 22.7%, 15.0%, 15.4% and 17.5% of the trade and bills receivables, respectively, were due from our Group's five largest trade debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, our Group does not obtain collateral from customers.

The following table provides information about our Group's exposure to credit risk and expected credit losses ("**ECLs**") for trade receivables as at 30 April 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Less than 1 month	0.01%	142,547	14
1–3 months	0.05%	14,635	7
3–6 months	0.5%	941	5
Over 6 months	1%	30	–
Total		158,153	26

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(g)(i) — policy applicable prior to 1 January 2018 of the Accountants' Report in Appendix I to this prospectus). At 31 December 2015, 2016 and 2017, trade receivables of nil, nil and nil were determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

Upon adoption of IFRS 9, an opening adjustments as at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 3 of the Accountants' Report in Appendix I to this prospectus).

Movement in the loss allowance account in respect at trade receivables is a follows:

	Trade receivables *RMB'000*
Balance at 31 December 2017 under IAS 39	–
Impact on initial application at IFRS 9 (see Note 3 of the Accountants' Report in Appendix I to this prospectus)	21
Adjusted balance at 1 January 2018	21
Provision for loss allowance recognised in profit or loss	5
At 30 April 2018	26

An increase in the gross carrying amounts of origination of new trade receivables contributed to the increase in the loss allowance during the four months ended 30 April 2018.

Bills receivables and other receivables

Our Group has assessed that the expected credit losses for bills receivables and other receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised for the four months ended 30 April 2018.

Liquidity risk

Our Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of our Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the respective reporting periods) and the earliest dates our Group can be required to pay:

	At 31 December 2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	354,509	–	–	–	354,509	351,725
Trade and bills payables	218,573	–	–	–	218,573	218,573
Amounts due to related parties	199,263	–	–	–	199,263	199,263
Accrued expenses and other payables measured at amortised cost	32,660	–	–	–	32,660	32,660
Other payables	–	1,400	4,200	33,611	39,211	39,211
	805,005	1,400	4,200	33,611	844,216	841,432

	At 31 December 2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	184,530	–	–	–	184,530	182,530
Trade and bills payables	352,456	–	–	–	352,456	352,456
Amounts due to related parties	175,965	–	–	–	175,965	175,965
Accrued expenses and other payables measured at amortised cost	27,692	–	–	–	27,692	27,692
Other payables	–	1,400	4,200	32,210	37,810	37,810
	740,643	1,400	4,200	32,210	778,453	776,453

	At 31 December 2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	309,804	–	–	–	309,804	306,989
Trade and bills payables	371,638	–	–	–	371,638	371,638
Amounts due to related parties	52,501	–	–	–	52,501	52,501
Accrued expenses and other payables measured at amortised cost	23,088	–	–	–	23,088	23,088
Other payables	–	1,400	4,200	30,810	36,410	36,410
	757,031	1,400	4,200	30,810	793,441	790,626

	At 30 April 2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	305,310	–	–	–	305,310	298,110
Trade and bills payables	344,117	–	–	–	344,117	344,117
Amounts due to related parties	62,569	–	–	–	62,569	62,569
Accrued expenses and other payables measured at amortised cost	20,643	–	–	–	20,643	20,643
Other payables	–	1,400	4,200	30,810	36,410	36,410
	732,639	1,400	4,200	30,810	769,049	761,849

Interest rate risk

Our Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following tables detail the interest rate profile of our Group's total borrowings at the end of each reporting period:

	At 31 December 2015		At 31 December 2016	
	Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:				
– Bank loans	4.785%~6.90%	351,725	4.35%~6.90%	182,530
Fixed rate borrowings as a percentage of total borrowings		100%		100%

	At 31 December 2017		At 30 April 2018	
	Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:				
Bank loans	4.35%~5.76%	259,489	4.35%~5.76%	298,110
Loan from other financial institution	4.9050%	47,500	N/A	–
		306,989		298,110
Fixed rate borrowings as a percentage of total borrowings		100%		100%

Our Group is not exposed to cash flow interest rate risk during the Track Record Period.

Currency risk

Our Group is exposed to currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily US$.

The following tables detail our Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the respective year end dates.

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	–	1,917	10,266	1,770
Trade and bills receivables	1,242	1,528	5,633	6,864
	1,242	3,445	15,899	8,634

At 31 December 2015, 2016 and 2017 and 30 April 2018, an increase/decrease of 5% in US$ with all other variables held constant would decrease/increase our Group's profit after tax and retained profits by approximately RMB47,000, RMB129,000, RMB596,000 and RMB324,000, respectively.

Fair value measurement

Fair values of financial instruments carried at other than fair value

The carrying amounts of our Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2015, 2016 and 2017 and 30 April 2018.

DIVIDENDS

For the years ended 31 December 2015, 2016 and 2017, for the four months ended 30 April 2018 and up to the date of this prospectus, we had no dividend declaration and payments to our then Shareholders.

Under Cayman Islands law, dividends may be paid out of the profits of our Company or subject to the solvency of the Company, 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.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing. Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.15 (being the mid-point of the stated range of the Offer Price between HK$1.00 and HK$1.30), the estimated total expenses in connection with the Listing is approximately HK$37.2 million (equivalent to approximately RMB32.8 million), of which (i) approximately HK$8.2 million (equivalent to approximately RMB7.2 million) have already been reflected in the consolidated statements of profit or loss and other comprehensive income of our Group for the Track Record Period, and approximately HK$15.9 million (equivalent to approximately RMB14.0 million) is expected to be reflected in the consolidated statements of profit or loss and other comprehensive income of our Group after the Track Record Period; and (ii) approximately HK$13.1 million (equivalent to approximately RMB11.6 million) is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity. Accordingly, approximately HK$24.0 million (equivalent to approximately RMB21.2 million) had been or is expected to be reflected in our consolidated statements of profit or loss and other comprehensive income.

Listing expenses are non-recurring in nature but based on the aforesaid, we expect that it will materially affect our Group's financial performance and results of operations for the year ending 31 December 2018.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

For details of the subsequent events, please refer to Note 29 of the Accountants' Report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at 30 April 2018, 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.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

During the Track Record Period and up to the date of this prospectus, the United States imposed additional tariffs on imports from, amongst others, the PRC. The products which are subject to tariffs are set out in the U.S. Trade Action Section 232 ("**Section 232**") which was imposed on 23 March 2018 and U.S. Trade Action Section 301 ("**Section 301**") of which the third list containing products including, amongst others, refrigerators, washing machines and ovens, was imposed on 24 September 2018. As at the date of this prospectus, the tariffs remain effective and the rate of tariffs range from 10% to 25%. Although our Directors believe that during the Track Record Period and up to the date of this prospectus, we have not witnessed any decrease in orders placed by our customers due to the imposition of Section 232 and Section 301 tariffs, in view of the trade tariffs and anti-dumping measures imposed by the United States against China on our customers' products, our Directors consider this will lead to a reduction in the demand for their products in the United States. The reduction in demand for our customers' products might thereby lead to a reduction in demand for our Cold Rolled Steel Products, hence, our sales might decrease. In the event that these trade measures between the United States and China continue for an extended period of time, our results of operation could be materially and adversely affected. For further details, please refer to the section headed "Risk Factors — Risks relating to our business and the galvanized steel product industry — Imposition of trade tariffs and/or anti-dumping measures by the United States against our customers' products, if any, may materially and adversely affect our results of operation" in this prospectus.

Apart from the listing expenses to be charged to our consolidated statements of profit or loss and comprehensive income for the year ending 31 December 2018, our Group's financial performance is expected to be adversely affected and our net profit for the year ending 31 December 2018 may record a year-on-year decrease, primarily due to slight increase in finance costs and expected salary expenses due to increase in head count and average salary level. For further details, please refer to the section headed "Summary — Listing expenses" in this prospectus and the paragraph headed "Financial Information — Listing expenses" in this section.

Based on our Group's financial information for the eight months ended 31 August 2018, our operation and financial results remained relatively stable since 30 April 2018 and up to the date of this prospectus.

As far as our Directors are aware, save for the expenses in connection to the Listing, there was no material adverse change in the market condition or regulatory conditions in our industry and environment in which we operate that has materially and adversely affected our financial or operating position or prospects of our Group since 30 April 2018 and up to the date of this prospectus. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 30 April 2018, being the date to which our latest audited financial information was prepared up to the date of this prospectus.

FUTURE PLANS AND PROSPECTS

Please refer to the section headed ''Business — Our business strategies'' in this prospectus for details of our future plans.

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), assuming an Offer Price of HK$1.15, being the mid-point of the indicative Offer Price range, will be approximately HK$135.3 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the net proceeds in the following manner:

1. approximately 96.1%, or HK$130.0 million (equivalent to approximately RMB114.7 million), of the net proceeds from the Global Offering will be used to implement our expansion plan to expand our production capacity and increase our production efficiency as follows:

   (i) approximately 36.1%, or HK$48.8 million (equivalent to approximately RMB43.1 million), of the net proceeds from the Global Offering will be used during the six months ending 31 December 2019 for the commencement of the construction of the buildings and instalment payment for production facilities and equipment;

   (ii) approximately 36.1%, or HK$48.8 million (equivalent to approximately RMB43.1 million), of the net proceeds from the Global Offering will be used during the six months ending 30 June 2020 for the completion of the construction of the buildings and instalment payment for production facilities and equipment and installation of the hot-dip galvanization line;

   (iii) approximately 23.9%, or HK$32.3 million (equivalent to approximately RMB28.5 million), of the net proceeds from the Global Offering will be used during the six months ending 31 December 2020 for the final payment for production facilities and equipment; and

2. approximately 3.9%, or HK$5.3 million (equivalent to approximately RMB4.7 million), of the net proceeds from the Global Offering will be used to repay a bank loan at an interest rate of 5.76% per annum which will be due for repayment in December 2018.

We believe that expansion of our production capacity is essential to increasing our market penetration and maintaining our leading market position in the PRC. Frost & Sullivan estimates that the galvanized steel product market in the PRC is expected to grow at a CAGR of approximately 8.4% from 2018 to 2022, and the sales volume is expected to reach approximately 96.0 million tonnes in 2022. In particular, it is expected that the demand for high-end home appliance products would result in increased demand for galvanized steel products of higher quality. For each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the actual production volume of our hot-dip galvanization process were approximately 258,000 tonnes, 289,000 tonnes, 266,000 tonnes and 89,000 tonnes, respectively, and the utilisation rate has been persistently high during the Track Record Period, with an average utilisation rate of approximately 85.9%, 96.4%, 88.8% and 88.6%, respectively, for the same period. Over the years, we have been continuously expanding our manufacturing and processing capability by upgrading and expanding our manufacturing and processing facilities. In view of the substantially high utilisation rate of our hot-dip galvanization line during the Track Record Period and to enable our Group to grow persistently in the future by strengthening our market position and capturing the market growth, we intend to set up a new hot-dip galvanization line to increase our production capacity of unpainted galvanized steel products of approximately 320,000 tonnes, representing an increase of 106.7% of our current production capacity of unpainted galvanized steel products. The additional hot-dip galvanization unit not only could serve to increase our existing production capacity of unpainted galvanized steel products with widths of 700 mm to 1,250 mm, but also expand our product mix by producing unpainted galvanized steel products up to a width of 1,450 mm, which will allow us to offer a more diverse range of products for white home appliance manufacturers in the PRC. To accommodate the new production line, we intend to lease a piece of land in close proximity to our current production facility with a size of approximately 50 mu. Our Directors decided to locate the new hot-dip galvanization line in close proximity to the current production facility such that the new production facilities could continue to benefit from our strategic location in Changzhou City, Jiangsu Province and share the existing ancillary facilities with the current production facility to minimize the expansion and operating costs. For further details of our proposed expansion of production capacity, please refer to the section headed "Business — Our business strategies" in this prospectus.

For item 2, as the expansion plan will involve internal resources of approximately RMB13.5 million by instalments during the period from the year ending 31 December 2019 to 2020, we believe that it is more sensible to use a portion of the net proceeds to repay bank loan instead of keeping the cash idle. Our Directors believe that our Group is likely to be able to generate the amount of approximately RMB13.5 million through our operation during the period from the year ending 31 December 2019 to 2020. We believe that the net proceeds of approximately HK$5.3 million (equivalent to approximately RMB4.7 million to be used to repay a bank loan at an interest rate of 5.76% per annum, which will be due for repayment in December 2018, will be able to help reduce our financial cost and improve our profitability. Moreover, as the bank's demand deposit interest rate is 0.3% while the interest rate of the loan is 5.76% per annum, we believe that it is more beneficial to repay the loan and generate portion of the capital required for the construction of production facility through operation gradually in the view that the capital required will be spent gradually during the period from the year ending 31 December 2019 to 2020.

In the event that the Offer Price is set at the high point (being HK$1.30 per Offer Share) or the low point (being HK$1.00 per Offer Share) of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$21.8 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not sufficient to fund the purposes described above, we intend to fund the balance through a variety of means including cash generated from our operations, debt financing and/or equity fund raising.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK$28.4 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK$1.30 per Share; (ii) HK$25.1 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK$1.15 per Share; and (iii) HK$21.8 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK$1.00 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to repayment of outstanding loans.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks as permitted by the relevant laws and regulations. Our PRC Legal Adviser is of the view that there is no restriction under the PRC Laws which will prohibit the Company from transferring the net proceeds to be received by the Company from the Global Offering to the foreign invested PRC subsidiaries by way of capital increase or shareholders' loan subject to the approvals, registrations or filings that may be required by the PRC governmental authorities. We will comply with the PRC laws in respect of foreign exchange registration and proceeds remittance.

REASONS FOR LISTING IN HONG KONG

We believe that the Listing represents an important step to implement our business strategies. We have recorded substantially high utilisation rate of our major production lines during the Track Record Period. Our Directors believe that it is essential for our Group's persistent growth in the future to increase our production capacity by introducing a new production line through our expansion plan. For further details of the utilisation rate of our major production lines, please refer to the section headed "Business — Production — Utilisation rate" in this prospectus. Through the Listing, not only we can raise funds from the Global Offering and apply them to the above uses, we believe we can gain access to capital market for future secondary fund raising for our further expansion plans as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with similar financing that can be obtained by a private company.

Further, our Directors believe that it is necessary to (a) maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run; and (b) maintain a cash level sufficient to support our Group's existing operations. Our Group has considered using internal resources, existing banking facilities or external borrowings to fund our expansion plan. In view of our Group's initial cash outflow exposure with respect to the upfront payment, including payment to suppliers and staff costs, our Group estimates that the monthly working capital required for maintaining our operations amounts to approximately RMB30.0 million. Our Directors believe that our Group does not have sufficient internally generated funds to fully finance our expansion plan while maintaining sufficient working capital for our Group's operations. Although our Group has unutilised banking facilities of RMB139.8 million as at the Latest Practicable Date, significant portion of which was mainly composited with banking facilities designated for bills receivables, with the remainder being credit lines with short repayment period (i.e. less than a year), which are not sufficient and suitable for our expansion plan as we expected the full commercial production of the additional machinery requires as much as RMB150.0 million and will only commence by March 2021, and only by which could additional operating cash inflow from the new production line be materialised. As for external borrowings, given that our Groups' land use rights and factory buildings have been pledged as collateral for bank loan as at 30 April 2018, our Directors consider that as part of a group of private companies, our Company, without a listing status, would be more difficult to obtain bank borrowings without personal guarantee or other form of collateral provided by our Controlling Shareholders. To explore the possibility of finance lease, we have made enquiries to certain financial institutions in the PRC and they are generally less willing to allow enterprises to pledge equipment and machinery as collaterals on favorable terms. In view of the forgoing, our Directors consider that our current financial resources could only support our current scale of operations, but is not sufficient to support the expansion plan. As such, extra financial resources from listing are crucial for our Group to facilitate the implementation of our expansion plan in a faster pace without exerting additional pressure on our financial position and cash flow. Thus, our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of Global Offering for the purpose of our business expansion.

Following the Listing, our Directors believe that our Group will be able to obtain higher bargaining power in negotiating terms with our business partners. In addition, our Directors believe that customers may prefer to conduct business with a listed company in Hong Kong given its reputation, listing status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. We also consider that the Listing will enhance our Group's corporate profile, market reputation and brand awareness which will strengthen our customers' confidence in our Group and in turn boost our business. Our products will also be better known by new potential local and overseas customers.

Our Company is applying for listing in Hong Kong because it has a high level of internationalisation and maturity in the global financial market with sufficient institutional capital and funds which focus on market investments in companies listed in Hong Kong. Therefore, our Directors believe that there will be higher liquidity and valuation, and greater exposure to a broader analyst and investment community, which would facilitate our future fund raising should such need arise.

PUBLIC OFFER UNDERWRITERS

GF Securities (Hong Kong) Brokerage Limited

SSIF Securities Limited

Sinomax Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally but not jointly (nor "jointly and severally") agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) has the right to terminate the Public Offer Underwriting Agreement by giving notice in writing to our Company, if prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator:

(i) any material breach of any of the representations, warranties and undertakings as set forth in the Public Offer Underwriting Agreement by our Company or any of our Controlling Shareholders; or

(ii) any statement contained in this prospectus, the Application Forms, announcement or the formal notice to be published by or on behalf of our Company in connection with the Public Offer, was or has become or been discovered to be untrue, incorrect or misleading in any material respect in the context of the Global Offering, or that any forecast, expression of opinion, intention or expectation expressed in any of this prospectus and the Application Forms (the "**Public Offer Documents**") is not, in the context of the Global Offering, fair and honest in any material respect and based on reasonable assumptions, when taken as a whole; or

(iii) any person named in the section headed "Statutory And General Information — 4. Other information — 4.7. Qualification of experts" in Appendix IV to this prospectus (other than the Sole Sponsor and any of the Public Offer Underwriters) has withdrawn its consent to being named in this prospectus or to the issue of this prospectus; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company under the indemnity provisions of the Public Offer Underwriting Agreement; or

(v) any material adverse change or development involving a prospective material adverse change in the business, assets, liabilities, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Group which is considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) as to make it impracticable or inadvisable to proceed with the Global Offering; or

(vi) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus; or

(vii) a petition or an order is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any such member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or a substantial part of the assets or undertaking of our Company or any such member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group which is considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) as to make it impracticable or inadvisable to proceed with the Global Offering; or

(viii) a material portion of the orders in the book building process at the time the International Underwriting Agreement is entered into have been withdrawn, terminated or cancelled as to make it impracticable or inadvisable to proceed with the Global Offering; or

(b) there shall develop, occur, exist or come into effect:

(i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, regional, national, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material devaluation of the Hong Kong dollar or the RMB against any foreign currency) in or affecting any of Hong Kong, the PRC, the U.S. or the European Union (the "**Relevant Jurisdictions**"), or the imposition by the U.S. government of additional international trade sanctions or customs duties which are more stringent than those as currently in place or as disclosed in this prospectus and which have a material adverse effect on the financial conditions of the Group; or

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) any event, or series of events, beyond the reasonable control of the Public Offer Underwriters (including, without limitation, 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 national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza (H5N1 and H7N9), Swine Flu (H1N1) or such related or mutated forms)) in or affecting any of the Relevant Jurisdictions; or

(iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, declared or imposed by the relevant competent banking or monetary authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in or affecting any of the Relevant Jurisdictions; or

(v) 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

(vi) the commencement by any governmental or regulatory body or organisation in Hong Kong or the PRC of any action against our executive Director in his or her capacity as such or an announcement by such body or organisation that it intends to take any such action; or

(vii) material non-compliance by our Company with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(viii) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(ix) save as disclosed in the section headed "Business — Legal proceedings and non-compliance matters" in this prospectus, any material litigation or claim being threatened or instigated against any member of our Group; or

(x) any material contravention by any member of our Group or any Director of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the SFO or any of the Listing Rules in the context of the Global Offering or proposed Listing;

which in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and after consultation with our Company:

(a) is or shall have or could be expected to have a material adverse effect on the business, financial or other operational condition or prospects of our Group as a whole; or

(b) has or shall have a material adverse effect on the success, marketability of the Global Offering or the level of applications under the Public Offer or the level of interest under the International Placing; or

(c) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme and for other circumstances expressly allowed under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date).

By Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Stock Borrowing Agreement or save for the creation of a pledge or charge as permitted under Note (2) to Rule 10.07(2) of the Listing Rules (the "**Permissible Pledge**") or disposal pursuant to the Permissible Pledge, he/she/it shall not and shall procure that his/her/its close associates or companies controlled by him/her/it or his/her/its nominees or trustees (as the case may be) who is/are the registered holder(s) of the Shares as referred to in paragraph (a) below shall not:

(a) in the period commencing on the date of 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 the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owners (whether direct or indirect); and

(b) in the period of six months commencing on the date on which the period mentioned 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 Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be or cease to deem to be our Controlling Shareholder(s).

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any Shares beneficially owned by him/her/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), immediately inform us in writing of such pledge or charge together with the number of such Shares so pledged or charged; and

(b) when he/she/it receives any indications, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

For the avoidance of doubt and as permitted under Note (1) to Rule 10.07(2) of the Listing Rules, notwithstanding the above restrictions, our Controlling Shareholders are free to purchase additional Shares or other securities of our Company during the period commencing on the date of this prospectus and ending on the date which is twelve (12) months from that date, and dispose of such securities so purchased during the relevant periods without any restrictions, subject to compliance with the requirements of Rule 8.08 of the Listing Rules to maintain an open market in the Shares and a sufficient public float.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by us

We have undertaken to the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that we shall, and, each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to the Sole Sponsor, the Public Offer Underwriters to procure our Company shall, except pursuant to the Capitalisation Issue, the Global Offering and the Over-allotment Option and the exercise of any options granted or to be granted under the Share Option Scheme or with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and unless as allowed or in compliance with the requirements of the Listing Rules,

(i) at any time commencing on the Listing Date up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(a) not offer, accept subscription for, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase from our Company, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for from our Company, make any share sale, either directly or indirectly, or repurchase, any of its share capital or any securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase from our Company, any such share capital or securities or interest therein, as applicable);

(b) not 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 share capital or other securities of our Company or any interest therein;

(c) not enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) not agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(ii) during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sole Sponsor and the Public Offer Underwriters 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 Global Coordinator (for itself and on behalf of all Public Offer Underwriters) that:

(i) at any time during the First Six-Month Period, he/she/it shall not, and shall procure that his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it who is/are the relevant registered holders of the Relevant Securities (as defined below), (collectively, the "**Related Parties**") shall not

(a) offer to sell, transfer, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase from him/her/it, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase from him/her/it, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) beneficially owned by him/her/it directly or indirectly through its Related Parties as of the Listing Date ("**Relevant Securities**"); 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;

(c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or

(d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share or such other securities, in cash or otherwise; and

(ii) at any time during the Second Six-Month Period, he/she/it shall not, and shall procure that the Relevant Parties shall not, enter into any of the foregoing transactions in paragraphs (i) (a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as defined in the Listing Rules) of our Company; and

(iii) at any time before the expiry of the Second Six-Month Period, in the event that he/she/it enters into any transaction referred to in paragraphs (i) (a), (b) or (c) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/she/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken jointly and severally to our Company, the Sole Sponsor and the Public Offer Underwriters that within the First Six-Month Period and the Second Six-Month Period, he/she/it will:

(i) when he/she/it pledges or charges any 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, the Sole Sponsor and the Sole Global Coordinator in writing of such pledges or charges together with the number of Relevant Securities and nature of interest so pledged or charged; and

(ii) when he/she/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Relevant Securities will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Each of our Controlling Shareholders undertakes with our Company, the Sole Sponsor and the Public Offer Underwriters that he/she/it shall and shall procure the Related Parties shall, comply with all restrictions and requirements under the Listing Rules (as may be amended from time to time) on the disposal by him/her/it or by the Related Parties of any Relevant Securities within the Second Six-Month Period.

The International Placing

In connection with the International Placing, it is expected that our Company, our Controlling Shareholders and executive Directors will enter into the International Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally but not jointly (nor "jointly and severally") agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Public Offer to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing approximately 15% of the initial Offer Shares in aggregate, at the same price per Share under the Global Offering to cover, among other things, over-allocations (if any) in the International Placing.

Commission and expenses

The Underwriters will receive an underwriting commission at the rate of 3% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option, if any), out of which they will pay any sub-underwriting commissions. Furthermore, our Company agrees, at its discretion, to pay to the Sole Global Coordinator an incentive fee of up to 1%. The underwriting commission (not taking into account the aforesaid incentive fee), together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately HK$37.2 million in aggregate (based on an Offer Price of HK$1.15 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.00 and HK$1.30 per Offer Share and based on the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company.

Indemnity

Our Company has agreed to indemnify the Public Offer Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

Underwriters' interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Company nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Company nor any interest in the Global Offering.

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.

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. GF Capital (Hong Kong) Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange and GF Securities (Hong Kong) Brokerage Limited is the Sole Global Coordinator of the Global Offering. The Global Offering comprises:

(a) the Public Offer of initially 15,000,000 Shares (subject to reallocation) in Hong Kong as described below in "— The Public Offer" in this section; and

(b) the International Placing of initially 135,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S as described below in "— The International Placing" in this section.

Investors may either apply for Public Offer Shares under the Public Offer or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 25.0% of the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue.

THE PUBLIC OFFER

The Public Offer is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Public Offer Underwriting Agreement and described in the paragraph headed "Conditions of the Global Offering" below) for the subscription in Hong Kong of, initially, 15,000,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised)). Subject to the reallocation of Offer Shares between the International Placing and the Public Offer described below, the Public Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors.

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based on the level of valid applications received under the Public Offer. The basis of allocation may vary depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and that those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of the Offer Shares available under the Public Offer is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer with an aggregate subscription price of HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer with an aggregate subscription price of more than HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of the 15,000,000 Offer Shares initially included in the Public Offer (that is, 7,500,000 Offer Shares) will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Public Offer.

Reallocation

The allocation of Offer Shares between the Public Offer and the International Placing is subject to readjustment and reallocation on the following basis:

(a) Where the International Placing Shares are fully subscribed or over-subscribed:

(i) if the Public Offer Shares are not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the International Placing in such amount as the Sole Global Coordinator deems appropriate;

(ii) if the Public Offer Shares are not under-subscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then up to 15,000,000 Offer Shares may be reallocated to the Public Offer from the International Placing, increasing the total number of Offer Shares available under the Public Offer to 30,000,000, representing 20% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 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 total number of Offer Shares initially available under the Public Offer, then the total number of Offer Shares available under the Public Offer will be increased to 45,000,000, 60,000,000, 75,000,000, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering, and such reallocation being referred to in this prospectus as “Mandatory Reallocation”.

(b) Where the International Placing Shares are not fully subscribed:

(i) if the Public Offer Shares are not fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; or

(ii) if the Public Offer Shares are fully subscribed or over-subscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 15,000,000 Offer Shares may be reallocated to the Public Offer from the International Placing, so that the total number of Offer Shares available under the Public Offer may be increased to 30,000,000, representing 20% of the total number of Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares between the Public Offer and the International Placing in the circumstances where (xx) the International Placing Shares are fully subscribed or over-subscribed and the Public Offer Shares are fully subscribed or over-subscribed by less than 15 times or (yy) the International Placing Shares are not fully subscribed and the Public Offer Shares are fully subscribed or over-subscribed irrespective of the number of times of the initial number of the Public Offer Shares, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e., HK$1.00 per Offer Share) stated in this prospectus.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 30,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator and such additional Offer Shares will be allocated to Pool A and Pool B equally. If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

THE INTERNATIONAL PLACING

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 135,000,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (before any exercise of the Over-allotment Option).

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the International Placing Shares to investors under the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Placing Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Public Offer and to ensure that such investor is excluded from any application of Public Offer Shares under the Public Offer. The International Placing is subject to the Public Offer becoming unconditional.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company intends to grant the Over-allotment Option to the Sole Global Coordinator. The Over-allotment Option gives the Sole Global Coordinator the right, exercisable at any time from the day on which trading of our Shares commences on the Stock Exchange within 30 days from the last day for lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing in aggregate 15.0% of the initial size of the Global Offering at the Offer Price to cover over-allocations in the International Placing, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

The Sole Global Coordinator may cover any over-allocations by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued under the Over-allotment Option, namely 22,500,000 Shares, representing 15.0% of the Shares initially available under the Global Offering.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer price of the securities. In Hong Kong and certain other jurisdictions, the stabilization price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Public Offer. The stabilizing period is expected to expire on 8 December 2018. However, there is no obligation on the Stabilizing Manager, or its affiliates or any person acting for it to do this. Such stabilizing action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 22,500,000 Shares, which is 15.0% of the Shares available under the Global Offering. For purposes of covering such over-allocations, the Stabilizing Manager may borrow from Newrich BVI in the aggregate up to 22,500,000 Shares, which is equivalent to the maximum number of Shares to be allotted and issued upon exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement.

Sabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (a) primary stabilization, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimising any reduction in the market price of the Shares, and (b) ancillary stabilization in connection with any primary stabilizing action, including: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) offering or attempting to do anything described in (ii), (iii) or (iv). The Stabilizing Manager may take any one or more of the stabilizing actions described above.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;

- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization 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 Public Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilizing Manager may choose to borrow Shares from Newrich BVI under the Stock Borrowing Agreement, or acquire Shares from other sources.

The stock borrowing arrangement will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Newrich BVI or its nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-allotment Option may be exercised; or (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option have been issued. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Newrich BVI by the Stabilizing Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

PRICING

Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Thursday, 8 November 2018 and in any event, no later than Thursday, 15 November 2018. The Offer Price will not be more than HK$1.30 per Offer Share and is expected to be not less than HK$1.00 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Public Offer publish a notice on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.jnpmm.com**.

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in "Financial Information — Working capital" in this prospectus, the offering statistics as currently disclosed in the section headed "Summary" in this prospectus, the use of proceeds in the section headed "Future Plans And Use Of Proceeds" and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or an indicative Offer Price range is reduced, we will issue a supplemental prospectus updating investors of the change in the number of Offer Shares and/or the indicative Offer Price together with an update of all financial and other information in connection with such change; extend the period under which the Public Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications. Details of the arrangement will then be announced by our Company as soon as practicable.

If we are unable to reach an agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price by Thursday, 15 November 2018, the Global Offering will not proceed and will lapse. We expect to publish an announcement of the Offer Price, together with the level of interest in the International Placing and the level of applications and the basis of allocation of the Public Offer Shares, on Friday, 16 November 2018.

Price Payable on Application

The Offer Price will not be more than HK$1.30 and is expected to be not less than HK$1.00, unless otherwise announced by no later than the morning of the last day for lodging applications under the Public Offer as further explained below. If you apply for the Offer Shares under the Public Offer, you must pay the maximum Offer Price of HK$1.30 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 2,000 Offer Shares, you should pay HK$2,626.20 at the time of your application.

If the Offer Price is lower than the maximum Offer Price of HK$1.30, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed "How To Apply For Public Offer Shares" in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Public Offer and the International Placing are subject to the conditions described in the section headed "Underwriting" in this prospectus. In particular, we and the Sole Global Coordinator (for itself and on behalf of the Underwriters), must agree on the Offer Price for the Global Offering. The Public Offer Underwriting Agreement was entered into on 30 October 2018 and, is subject to an agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us for purposes of the Public Offer. The International Underwriting Agreement (including the agreement on the Offer Price among us and the Sole Global Coordinator (for itself and on behalf of the International Underwriters for purposes of the International Placing) is expected to be entered into on Thursday, 8 November 2018, being the Price Determination Date. The Public Offer Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting the listing of and permission to deal in our Shares in issue and to be issued as described in this prospectus (including any additional Shares issuable pursuant to the exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.jnpmm.com** on the day after such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed "How To Apply For Public Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other banks licensed under the Banking Ordinance.

We expect to despatch share certificates for the Offer Shares on or before Friday, 16 November 2018. However, these share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date 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" in this prospectus has not been exercised.

DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on the Listing Date, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on the Listing Date. The Shares will be traded in board lots of 2,000 shares each. The stock code of the Shares is 6890.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest or International Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form:
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; 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, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at 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 and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- are a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use **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 Wednesday, 31 October 2018 until 12:00 noon on Thursday, 8 November 2018 from:

(i) any of the following offices of the Public Offer Underwriters:

GF Securities (Hong Kong) Brokerage Limited	29–30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
SSIF Securities Limited	Unit A 29/F Admiralty Center Tower 1 18 Harcourt Road Admiralty Hong Kong
Sinomax Securities Limited	Room 2705-6, 27/F, Tower One Lippo Centre 89 Queensway Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

Hong Kong Island	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin, Kowloon
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon
New Territories	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui, New Territories
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 October 2018 until 12:00 noon on Thursday, 8 November 2018 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 "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – KANGLI INTERNATIONAL 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:

Wednesday, 31 October 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 1 November 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, 2 November 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 3 November 2018	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 5 November 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 6 November 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 7 November 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 8 November 2018	**—**	**9:00 a.m. to 12:00 noon**

The application for the Public Offer Shares will commence on Wednesday, 31 October 2018 through Thursday, 8 November 2018, being longer than the normal market practice of four days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 8 November 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

The application for the Public Offer Shares will commence on Wednesday, 31 October 2018 through Thursday, 8 November 2018. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, 16 November 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 19 November 2018.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the HK eIPO White Form service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their respective agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set forth 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 Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not 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 Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(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 and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in this prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(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 Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by anyone 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 his agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on Thursday, 8 November 2018, the last application day) from 9:00 a.m. on Wednesday, 31 October 2018 until 11:30 a.m. on Thursday, 8 November 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 8 November 2018 or such later time under the "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer service centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf. You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as his agent;

- confirm that you understand that 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 Public 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 Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set forth 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 forth in any supplement to this prospectus; agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the expiration of 30 days after the date of this prospectus, such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer

Shares to any person before the expiration of 30 days after the date of this prospectus, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the expiration of 30 days after the date of this prospectus 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;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the 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 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 31 October 2018	**—**	**9:00 a.m. to 8:30 p.m.**
Thursday, 1 November 2018	**—**	**8:00 a.m. to 8:30 p.m.**
Friday, 2 November 2018	**—**	**8:00 a.m. to 8:30 p.m.**
Saturday, 3 November 2018	**—**	**8:00 a.m. to 1:00 p.m.**
Monday, 5 November 2018	**—**	**8:00 a.m. to 8:30 p.m.**
Tuesday, 6 November 2018	**—**	**8:00 a.m. to 8:30 p.m.**
Wednesday, 7 November 2018	**—**	**8:00 a.m. to 8:30 p.m.**
Thursday, 8 November 2018	**—**	**8:00 a.m. to 12:00 noon**

Note: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 31 October 2018 until 12:00 noon on Thursday, 8 November 2018 (24 hours daily, except on Thursday, 8 November 2018 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 8 November 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the 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, our Hong Kong Branch Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Thursday, 8 November 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares. You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms. You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** Service Provider in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC). For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — Pricing".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 November 2018. 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 Thursday, 8 November 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. 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 Public Offer and the basis of allocation of the Public Offer Shares on Friday, 16 November 2018 on our Company's website at **www.jnpmm.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.jnpmm.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 16 November 2018;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 16 November 2018 to 12:00 midnight on Thursday, 22 November 2018;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 16 November 2018 to Wednesday, 21 November 2018 on a Business day;

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 16 November 2018 to Tuesday, 20 November 2018 at all the receiving bank's designated 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 Public 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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the expiration of 30 days from the date of this prospectus. 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 the expiration of 30 days from the date of this prospectus 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.

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, our Hong Kong Branch Share Registrar, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.30 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Global Offering — Conditions of the Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, 16 November 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, 16 November 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section 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 Public 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 our Hong Kong Branch Share Registrar – Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 16 November 2018 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 our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 16 November 2018 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, 16 November 2018 by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of

HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 16 November 2018 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Friday, 16 November 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Branch Share Registrar – Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 16 November 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 16 November 2018.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 16 November 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Friday, 16 November 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 16 November 2018 or such other date as determined by HKSCC or HKSCC Nominees. If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 16 November 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- 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 Friday, 16 November 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-63, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KANGLI INTERNATIONAL HOLDINGS LIMITED AND GF CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of KangLi International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-63, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 April 2018 and the statements of financial position of the Company as at 31 December 2017 and 30 April 2018, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 (the "**Track Record Period**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2018 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016 and 2017 and 30 April 2018 and the Company's financial position as at 31 December 2017 and 30 April 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the four months ended 30 April 2017 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 23(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 October 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi ("RMB"))

		Years ended 31 December			Four months ended 30 April	
		2015	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*5*	1,140,716	1,264,109	1,497,537	499,171	504,849
Cost of sales		(1,046,756)	(1,148,016)	(1,336,059)	(441,749)	(456,084)
Gross profit	*5(b)*	93,960	116,093	161,478	57,422	48,765
Other income/(loss)	*6*	4,682	3,261	998	546	(436)
Selling expenses		(43,403)	(51,327)	(44,829)	(16,830)	(14,352)
Administrative expenses		(9,853)	(9,226)	(15,203)	(2,921)	(7,400)
Profit from operations		45,386	58,801	102,444	38,217	26,577
Net loss on disposal of a subsidiary	*27*	–	–	(156)	–	–
Finance costs	*7(a)*	(22,415)	(12,525)	(12,734)	(3,252)	(4,889)
Profit before taxation	*7*	22,971	46,276	89,554	34,965	21,688
Income tax	*8*	(6,429)	(12,296)	(23,411)	(9,069)	(5,612)
Profit for the year/period		16,542	33,980	66,143	25,896	16,076
Attributable to:						
Equity shareholders of the Company		16,523	33,932	66,162	25,912	16,076
Non-controlling interests		19	48	(19)	(16)	–
Profit for the year/period		16,542	33,980	66,143	25,896	16,076
Earnings per share						
Basic and diluted	*11*	N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

		Years ended 31 December			Four months ended 30 April	
		2015	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period		16,542	33,980	66,143	25,896	16,076
Other comprehensive income for the year/period (after tax)						
Item that may be reclassified subsequently to profit or loss:						
– Exchange differences on translation into presentation currency of the Group		–	–	–	–	123
Total comprehensive income for the year/period		16,542	33,980	66,143	25,896	16,199
Attributable to:						
Equity shareholders of the Company		16,523	33,932	66,162	25,912	16,199
Non-controlling interests		19	48	(19)	(16)	–
Total comprehensive income for the year/period		16,542	33,980	66,143	25,896	16,199

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	At 31 December 2015 RMB'000	At 31 December 2016 RMB'000	At 31 December 2017 RMB'000	At 30 April 2018 RMB'000
Non-current assets					
Property, plant and equipment	12	391,455	373,869	339,550	332,989
Lease prepayments	13	40,611	39,211	37,811	37,343
		432,066	413,080	377,361	370,332
Current assets					
Inventories	14	235,301	269,550	266,466	338,955
Trade and bills receivables	15	372,791	443,291	499,134	468,794
Prepayments, deposits and other receivables	16	48,054	44,808	131,491	49,097
Amounts due from the controlling shareholders of the Company	26(d)	–	–	–	13,500
Cash at bank and on hand	17	145,244	39,890	41,302	50,667
		801,390	797,539	938,393	921,013
Current liabilities					
Trade and bills payables	18	218,573	352,456	371,638	344,117
Accrued expenses and other payables	19	69,807	60,746	59,651	37,634
Amounts due to related parties	26(d)	199,263	175,965	52,501	62,569
Bank and other loans	20	351,725	182,530	306,989	298,110
Current taxation	21(a)	9	6,029	30,409	38,502
		839,377	777,726	821,188	780,932
Net current (liabilities) / assets		(37,987)	19,813	117,205	140,081
Total assets less current liabilities		394,079	432,893	494,566	510,413
Non-current liabilities					
Deferred tax liabilities	21(b)	36,492	42,727	41,696	39,112
Other payables	22	39,211	37,810	36,410	36,410
		75,703	80,537	78,106	75,522
NET ASSETS		318,376	352,356	416,460	434,891

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		At 31 December			At 30 April
		2015	**2016**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves	*23*				
Share capital		–	–	–	–
Reserves		316,366	350,298	416,460	434,891
Total equity attributable to equity shareholders of the Company		316,366	350,298	416,460	434,891
Non-controlling interests		2,010	2,058	–	–
TOTAL EQUITY		318,376	352,356	416,460	434,891

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	**At 31 December 2017** *RMB'000*	**At 30 April 2018** *RMB'000*
Non-current asset			
Investment in a subsidiary		–	–
Current assets			
Amounts due from a subsidiary	*26(d)*	–	58,755
Amounts due from the controlling shareholders of the Company	*26(d)*	–	13,500
Cash at bank and on hand		–	–
		–	72,255
NET ASSETS		–	72,255
Capital and reserves			
Share capital	*23*	–	–
Reserves		–	72,255
TOTAL EQUITY		–	72,255

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 Note 23(b)	Share premium RMB'000 Note 23(c)	Other reserve RMB'000 Note 23(d)	Capital reserve RMB'000 Note 23(f)	Statutory reserve RMB'000 Note 23(g)	Exchange reserve RMB'000 Note 23(h)	Accumulated losses / retained profits RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	–	–	250,000	107,021	–	–	(57,178)	299,843	1,991	301,834
Changes in equity for the year ended 31 December 2015:										
Profit and total comprehensive income for the year	–	–	–	–	–	–	16,523	16,523	19	16,542
Balance at 31 December 2015 and 1 January 2016	–	–	250,000	107,021	–	–	(40,655)	316,366	2,010	318,376
Changes in equity for the year ended 31 December 2016:										
Profit and total comprehensive income for the year	–	–	–	–	–	–	33,932	33,932	48	33,980
Balance at 31 December 2016 and 1 January 2017	–	–	250,000	107,021	–	–	(6,723)	350,298	2,058	352,356
Changes in equity for the year ended 31 December 2017:										
Profit and total comprehensive income for the year	–	–	–	–	–	–	66,162	66,162	(19)	66,143
Issuance of shares *(Note 23(b))*	–	–	–	–	–	–	–	–	–	–
Effect on equity in connection with disposal of a subsidiary *(Note 27)*	–	–	–	–	–	–	–	–	(2,039)	(2,039)
Appropriation to reserve	–	–	–	–	5,944	–	(5,944)	–	–	–
Balance at 31 December 2017	–	–	250,000	107,021	5,944	–	53,495	416,460	–	416,460

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Other reserve	Capital reserve	Statutory reserve	Exchange reserve	Accumulated losses / retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 23(b)	*Note 23(c)*	*Note 23(d)*	*Note 23(f)*	*Note 23(g)*	*Note 23(h)*				
Balance at 31 December 2017 *(Note)*	–	–	250,000	107,021	5,944	–	53,495	416,460	–	416,460
Impact on initial application of IFRS 9 *(Note 3)*	–	–	–	–	–	–	(16)	(16)	–	(16)
Adjusted balance at 1 January 2018	–	–	250,000	107,021	5,944	–	53,479	416,444	–	416,444
Changes in equity for the four months ended 30 April 2018:										
Profit for the period	–	–	–	–	–	–	16,076	16,076	–	16,076
Other comprehensive income for the period	–	–	–	–	–	123	–	123	–	123
Total comprehensive income	–	–	–	–	–	123	16,076	16,199	–	16,199
Issuance of shares *(Note 23(b))*	–	72,248	–	–	–	–	–	72,248	–	72,248
Effect on equity arising from the completion of a group reorganisation *(Note 23(d))*	–	–	(70,000)	–	–	–	–	(70,000)	–	(70,000)
	–	72,248	(70,000)	–	–	–	–	2,248	–	2,248
Balance at 30 April 2018	–	72,248	180,000	107,721	5,944	123	69,555	434,891	–	434,891
Balance at 1 January 2017	–	–	250,000	107,021	–	–	(6,723)	350,298	2,058	352,356
Changes in equity for the four months ended 30 April 2017 (unaudited):										
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	–	25,912	25,912	(16)	25,896
Balance at 30 April 2017 (unaudited)	–	–	250,000	107,021	–	–	19,189	376,210	2,042	378,252

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated (see Note 3).

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Years ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	Four months ended 30 April 2017 RMB'000 (unaudited)	2018 RMB'000
Cash flows from operating activities						
Profit before taxation		22,971	46,276	89,554	34,965	21,688
Adjustments for:						
Depreciation and amortisation	7(c)	47,211	47,307	50,032	17,556	17,035
Net loss on disposal of property, plant and equipment	6	–	4	16	–	45
Finance costs	7(a)	22,415	12,525	12,734	3,252	4,889
Interest income	6	(4,887)	(1,397)	(298)	(113)	(98)
Net loss on disposal of a subsidiary	27	–	–	156	–	–
Changes in working capital:						
Decrease / (increase) in inventories		41,741	(34,249)	3,084	7,146	(72,489)
(Increase) / decrease in trade and bills receivables		(118,245)	(70,500)	(55,665)	(35,311)	30,319
Decrease / (increase) in prepayments, deposits and other receivables		61,792	(795)	(86,684)	(22,528)	74,394
(Decrease) / increase in trade and bills payables		(1,745)	130,228	14,677	(4,295)	(27,904)
Net (increase)/decrease in restricted bank deposits		(9,600)	(4,320)	4,400	9,020	246
(Decrease) / increase in accrued expenses and other payables		(3,531)	(9,123)	36	15,751	(21,710)
Cash generated from operations		58,122	115,956	32,042	25,443	26,415
Income tax paid	21(a)	(82)	(41)	(62)	(62)	(98)
Net cash generated from operating activities		58,040	115,915	31,980	25,381	26,317

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)
(Expressed in RMB)

	Note	Years ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	Four months ended 30 April 2017 RMB'000 (unaudited)	2018 RMB'000
Cash flows from investing activities						
Payments for the purchase of property, plant and equipment		(16,837)	(26,077)	(14,466)	(5,967)	(9,706)
Proceeds from sale of property, plant and equipment		–	7	139	–	38
Disposal of a subsidiary, net of cash disposed of	*27(b)*	–	–	(711)	–	8,000
Interest received		846	5,438	298	113	98
Net cash used in investing activities		(15,991)	(20,632)	(14,740)	(5,854)	(1,570)
Cash flows from financing activities						
Proceeds from new bank and other loans	*17(b)*	444,625	287,130	394,589	50,000	225,810
Repayment of bank and other loans	*17(b)*	(304,430)	(456,325)	(270,130)	(20,000)	(234,689)
Proceeds from issuance of shares	*23(b)*	–	–	–	–	58,748
Payments arising from a reorganisation underwent by the Group		–	–	–	–	(56,803)
(Increase)/decrease in time deposits		(100,500)	100,500	–	–	–
Net decrease in amounts due to related parties	*17(b)*	(65,612)	(23,298)	(122,781)	(48,856)	(3,129)
Interest paid	*17(b)*	(22,415)	(12,525)	(12,734)	(3,252)	(4,889)
Net cash used in financing activities		(48,332)	(104,518)	(11,056)	(22,108)	(14,952)
Net (decrease) / increase in cash and cash equivalents		(6,283)	(9,235)	6,184	(2,581)	9,795
Cash and cash equivalents at the beginning of the year/period	*17(a)*	38,415	32,144	22,970	22,970	28,782
Effect of foreign exchange rate changes		12	61	(372)	(8)	(184)
Cash and cash equivalents at the end of the year/period	*17(a)*	32,144	22,970	28,782	20,381	38,393

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

KangLi International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 21 December 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business operation since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the "**Group**") principally engage in the manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products.

Prior to the incorporation of the Company, the principal business of the Group has been carried out by Jiangsu Jiangnan Precision Metal Material Co., Limited ("**Jiangnan Precision**") and its subsidiary, Qingdao Jiangnan Gangcai Jiagong Limited ("**Jiangnan Gangcai**"), which was disposed of to a third party on 21 September 2017. Jiangnan Precision was established as a limited liability company in the People's Republic of China (the "**PRC**") and controlled by Mr Mei Zefeng.

To rationalise the corporate structure in preparation of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Group underwent a reorganisation (the "**Reorganisation**"), as detailed in the section headed "History, Reorganisation and Development" in the Prospectus. The Company, through its wholly owned subsidiary, acquired the equity interests of Jiangnan Precision from its then equity owners at a total consideration of RMB70,000,000. The considerations paid in connection with the acquisition of Jiangnan Precision were recorded within equity as deemed distributions arising from the Reorganisation in 2018.

Upon completion of the Reorganisation on 5 February 2018, the Company became the holding company of the companies now comprising the Group. The Reorganisation only involved inserting of the Company, East Pacific Limited ("**East Pacific**") and KangLi HK Limited ("**KangLi HK**") which are newly formed entities with no substantive operations, as holding companies of Jiangnan Precision. Jiangnan Precision was controlled by Mr Mei Zefeng before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Jiangnan Precision treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Jiangnan Precision with the assets and liabilities of Jiangnan Precision recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no statutory financial statements have been prepared for the Company and East Pacific since their respective incorporation as they are investment holding companies and not subject to the statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation.

During the Track Record Period and/or as at the date of this report, the Company has direct or indirect interests in the following subsidiaries.

			Proportion of ownership interest				
Company name	**Place and date of establishment/ incorporation**	**Particulars of registered/issued and paid-up capital**	**The Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**	**Name of statutory auditor**
Jiangnan Precision *(Notes (i) and (ii))* 江蘇江南精密金屬材料有限公司	The PRC 8 August 2003	RMB250,000,000	100%	–	100%	Manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products	Changzhou Zhongzheng[(iv)]
East Pacific *(Note (v))*	The British Virgin Islands 3 July 2017	United States Dollar ("**US$**") 1, 1 share of US$1 each	100%	100%	–	Investment holding	N/A
KangLi HK *(Note (v))*	Hong Kong 17 July 2017	10,000 shares	100%	–	100%	Investment holding	N/A[(vi)]
Jiangnan Gangcai *(Notes (i) and (ii))* 青島江南鋼材加工有限公司	The PRC 12 January 2011	RMB10,000,000	Note (iii)	–	Note (iii)	Sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products	Changzhou Zhongzheng[(iv)]

Notes:

(i) The English translation of the names are for identification only. The official names of these entities are in Chinese.

(ii) These entities were registered as limited liability companies under the laws and regulations in the PRC.

(iii) Jiangnan Precision disposed of its 80% equity interests in Jiangnan Gangcai on 21 September 2017 and Jiangnan Gangcai ceased to be a subsidiary of the Group since that date.

(iv) The statutory financial statements of Jiangnan Precision for the years ended 31 December 2015, 2016 and 2017 were prepared in accordance with the PRC generally accepted accounting principles (the "**PRC GAAP**") and audited by Changzhou Zhongzheng Certified Public Accountants Limited ("**Changzhou Zhongzheng**") (常州中正會計師事務所有限公司), certified public accountants in the PRC.

The statutory financial statements of Jiangnan Gangcai for the years ended 31 December 2015 and 2016 were prepared in accordance with the PRC GAAP and audited by Changzhou ZhongZheng, certified public accountants in the PRC.

(v) These companies are limited liability companies incorporated outside of the PRC.

(vi) No statutory financial statements have been prepared for this entity since it is newly set up.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs throughout the Track Record Period except for IFRS 9, *Financial instruments,* which has been adopted since 1 January 2018. The Group has early adopted IFRS 15, *Revenue from contracts with customers*, on a fully retrospective basis, and applied IFRS 15 consistently throughout the Track Record Period. The Group has not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2018, except for the amendments to IFRS 9, *Prepayment features with negative compensation,* which have been adopted at the same time as IFRS 9. The new and revised accounting standards and interpretations issued but neither effective for the accounting period beginning on 1 January 2018 nor adopted by the Group are set out in Note 28. The Group has been impacted by IFRS 9 in relation to measurement of credit losses. Details of the changes in accounting policies are discussed in Note 3.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, except for IFRS 9, *Financial Instruments,* which has been adopted since 1 January 2018 and the amendments to IFRS 9, *Prepayment features with negative compensation,* which have been adopted at the same time as IFRS 9.

The Stub Period Corresponding Financial Information has been prepared in accordance with the basis of preparation and presentation as above mentioned.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 4.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)).

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	35 years
Machinery and equipment	3 - 15 years
Motor vehicles and other equipment	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(q) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as fair value through profit or loss ("**FVPL**") (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) ***Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– prepaid interests in leasehold land classified as being held under an operating lease; and

– investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the periods in which the reversals are recognised.

(h) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(h)(i)) or property, plant and equipment (see Note 2(d)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventories or property, plant and equipment are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(q).

(i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(g) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(j)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(q)).

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(g)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised costs using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(g)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(r) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB, the Group's reporting currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation*, to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, the Historical Financial Information for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 or at 31 December 2015, 2016 and 2017 continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on financial assets measured at amortised cost *(Note 24(a))*	21
Related tax *(Note 21(b))*	(5)
Net decrease in retained earnings at 1 January 2018	16

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at FVPL. These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

For further details on the Group's accounting policy for accounting for credit losses, see Note 2(g).

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	–
Additional credit loss recognised at 1 January 2018 on trade and bills receivables	21
Loss allowance at 1 January 2018 under IFRS 9	21

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied except as described below:

– Information relating to Historical Financial Information for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 or at 31 December 2015, 2016 and 2017 has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 or at 31 December 2015, 2016 and 2017 continues to be reported under IAS 39 and thus may not be comparable with the Historical Financial Information for the four months period ended 30 April 2018 or at 30 April 2018.

– The assessments on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

4 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Impairment losses for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(g). When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the asset and could result in additional impairment charge or reversal of impairment in future periods.

(b) Expected credit loss for receivables

The impairment provisions for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 24(a). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management of the Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally engages in the manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products. All of the revenue of the Group is recognised at a point in time. The customers obtain control of the products when they are delivered to and have been accepted at premises determined by customers. Acceptance notes are generated and revenue is recognised at that point in time.

The amounts of each significant category of revenue are recognised during the Track Record Period as follows:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of cold-rolled hard steel coil	49,418	48,798	65,628	18,822	26,528
Sales of hot-dipped unpainted galvanised steel products	893,206	948,931	1,184,024	400,617	385,940
Sales of hot-dipped painted galvanised steel products	198,092	266,380	247,885	79,732	92,381
	1,140,716	1,264,109	1,497,537	499,171	504,849

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years or periods are set out below:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	260,359	237,281	204,001	72,988	60,621
Customer B	141,138	*	*	*	*
Customer C	*	*	*	66,708	*

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective years or periods.

Details of concentration of credit risk arising from the Group's customers are set out in Note 24(a).

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Hard steel coil: this segment includes primarily the manufacture and sale of cold-rolled hard steel coil.

- Unpainted galvanised steel products: this segment includes primarily the manufacture and sale of hot-dipped galvanised/zinc coated steel coil and sheet.

- Painted galvanised steel products: this segment includes primarily the manufacture and sale of hot-dipped colour coated galvanised steel coil and sheet.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the cost incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred during the Track Record Period. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income/(loss) and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Track Record Period is set out below:

	Year ended 31 December 2015			
	Hard steel coil	**Unpainted galvanised steel products**	**Painted galvanised steel products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	49,418	893,206	198,092	1,140,716
Reportable segment gross profit	5,388	67,572	21,000	93,960

	Year ended 31 December 2016			
	Hard steel coil	**Unpainted galvanised steel products**	**Painted galvanised steel products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	48,798	948,931	266,380	1,264,109
Reportable segment gross profit	3,908	75,106	37,079	116,093

	Year ended 31 December 2017			
	Hard steel coil	Unpainted galvanised steel products	Painted galvanised steel products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	65,628	1,184,024	247,885	1,497,537
Reportable segment gross profit	5,408	114,435	41,635	161,478

	Four months ended 30 April 2017 (unaudited)			
	Hard steel coil	Unpainted galvanised steel products	Painted galvanised steel products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	18,822	400,617	79,732	499,171
Reportable segment gross profit	1,609	41,085	14,728	57,422

	Four months ended 30 April 2018			
	Hard steel coil	Unpainted galvanised steel products	Painted galvanised steel products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	26,528	385,940	92,381	504,849
Reportable segment gross profit	2,161	32,604	14,000	48,765

(c) Geographic information

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods were delivered.

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
The PRC	1,108,107	1,208,737	1,403,072	477,711	464,195
South Korea	26,974	52,157	87,996	19,543	38,500
Other countries	5,635	3,215	6,469	1,917	2,154
	1,140,716	1,264,109	1,497,537	499,171	504,849

All of the Group's non-current assets are located in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is provided.

6 OTHER INCOME/(LOSS)

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income	4,887	1,397	298	113	98
Net foreign exchange (loss)/gain	(384)	1,365	(276)	174	(796)
Government grants	150	302	305	95	151
Net loss on disposal of property, plant and equipment	–	(4)	(16)	–	(45)
Others	29	201	687	164	156
	4,682	3,261	998	546	(436)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank and other loans	22,415	12,525	12,734	3,252	4,889

No borrowing costs have been capitalised during the Track Record Period.

(b) Staff costs #

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, wages and other benefits	19,115	23,430	32,570	9,205	11,627
Contributions to defined contribution retirement plans	1,947	2,198	2,405	754	875
	21,062	25,628	34,975	9,959	12,502

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit plans managed by the local government authorities. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plans at their normal retirement age.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation and amortisation *(Notes 12 and 13)* #	47,211	47,307	50,032	17,556	17,035
Operating lease charges in respect of office premises and warehouses	502	907	980	282	236
Auditors' remuneration					
– services in connection with the initial listing of the Company's shares	–	–	750	–	588
Cost of inventories *(Note 14(b))* #	1,046,756	1,148,016	1,336,059	441,749	456,084

\# Cost of inventories includes RMB60,282,000, RMB64,852,000, RMB73,401,000, RMB24,259,000 (unaudited) and RMB25,682,000 relating to staff costs and depreciation and amortisation expenses for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 (unaudited) and 2018 respectively, which amounts are also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax *(Note 21(a))*					
Provision for the year/period	48	6,061	24,442	9,188	8,191
Deferred tax *(Note 21(b))*					
Origination and reversal of temporary differences	6,381	6,235	(1,031)	(119)	(2,579)
	6,429	12,296	23,411	9,069	5,612

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	22,971	46,276	89,554	34,965	21,688
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	5,743	11,570	22,388	8,741	5,423
Tax effect of non-deductible expenses	686	726	1,023	328	189
Actual tax expense	6,429	12,296	23,411	9,069	5,612

Notes:

(i) The Company and a subsidiary of the Group incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective jurisdictions of incorporation.

(ii) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

9 DIRECTORS' EMOLUMENTS

Details of emoluments of the directors of the Company during the Track Record Period are as follows:

Year ended 31 December 2015

	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Mei Zefeng	–	–	–	–	–
Ms Liu Ping	–	98	–	7	105
Mr Zhang Zhihong	–	88	–	7	95
Ms Lu Xiaoyu	–	78	17	–	95
Mr Xu Chao	–	46	18	7	71
	–	310	35	21	366

Year ended 31 December 2016

	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Mei Zefeng	–	–	–	–	–
Ms Liu Ping	–	87	12	7	106
Mr Zhang Zhihong	–	78	15	7	100
Ms Lu Xiaoyu	–	79	54	–	133
Mr Xu Chao	–	47	25	7	79
	–	291	106	21	418

Year ended 31 December 2017

	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Mei Zefeng	–	–	–	–	–
Ms Liu Ping	–	440	368	7	815
Mr Zhang Zhihong	–	192	420	7	619
Ms Lu Xiaoyu	–	155	108	–	263
Mr Xu Chao	–	170	16	7	193
	–	957	912	21	1,890

	Four months ended 30 April 2017 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Mei Zefeng	–	–	–	–	–
Ms Liu Ping	–	126	–	2	128
Mr Zhang Zhihong	–	49	–	2	51
Ms Lu Xiaoyu	–	41	–	–	41
Mr Xu Chao	–	43	–	2	45
	–	259	–	6	265

	Four months ended 30 April 2018				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Mei Zefeng	–	–	–	–	–
Ms Liu Ping	–	155	–	2	157
Mr Zhang Zhihong	–	159	–	2	161
Ms Lu Xiaoyu	–	82	–	–	82
Mr Xu Chao	–	55	–	2	57
	–	451	–	6	457

On 21 December 2017, Mr Mei Zefeng and Ms Liu Ping were appointed as executive directors of the Company. On 18 May 2018, Mr Zhang Zhihong, Ms Lu Xiaoyu and Mr Xu Chao were appointed as executive directors of the Company. On 25 October 2018, Mr Li Yuen Fai Roger, Mr Cao Baozhong and Mr Yang Guang were appointed as independent non-executive directors of the Company.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No remuneration was paid to the independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed subsequent to the Track Record Period.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, two, one, two, two (unaudited) and three are directors for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 (unaudited) and 2018, respectively, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining individuals during the Track Record Period are as follows:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	363	505	1,931	151	152
Retirement scheme contributions	20	23	20	7	4
	383	528	1,951	158	156

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group during the Track Record Period are within the following bands:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Hong Kong dollar ("**HK$**") Nil to HK$1,000,000	3	4	3	3	2

11 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in Note 1 above.

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2015	93,475	677,086	11,098	243	781,902
Additions	699	3,028	1,570	10,542	15,839
At 31 December 2015	94,174	680,114	12,668	10,785	797,741
Additions	119	2,105	1,854	24,254	28,332
Transfer in/(out)	9,726	20,893	–	(30,619)	–
Disposals	–	(12)	–	–	(12)
At 31 December 2016	104,019	703,100	14,522	4,420	826,061
Additions	5,769	4,421	4,278	–	14,468
Transfer in/(out)	300	3,823	–	(4,123)	–
Disposals	–	(162)	(434)	–	(596)
Decrease through disposal of a subsidiary *(Note 27)*	–	–	(10)	–	(10)
At 31 December 2017	110,088	711,182	18,356	297	839,923
Additions	2,366	4,379	3,087	257	10,089
Transfer in/(out)	–	248	–	(248)	–
Disposals	–	(730)	(915)	–	(1,645)
At 30 April 2018	112,454	715,079	20,528	306	848,367
Accumulated depreciation:					
At 1 January 2015	(19,111)	(334,210)	(7,154)	–	(360,475)
Charge for the year	(2,554)	(41,740)	(1,517)	–	(45,811)
At 31 December 2015	(21,665)	(375,950)	(8,671)	–	(406,286)
Charge for the year	(2,557)	(42,065)	(1,285)	–	(45,907)
Written back on disposals	–	1	–	–	1
At 31 December 2016	(24,222)	(418,014)	(9,956)	–	(452,192)
Charge for the year	(2,974)	(43,642)	(2,016)	–	(48,632)
Written back on disposals	–	28	413	–	441
Decrease through disposal of a subsidiary *(Note 27)*	–	–	10	–	10
At 31 December 2017	(27,196)	(461,628)	(11,549)	–	(500,373)
Charge for the period	(1,010)	(14,822)	(735)	–	(16,567)
Written back on disposals	–	693	869	–	1,562
At 30 April 2018	(28,206)	(475,757)	(11,415)	–	(515,378)
Carrying amount:					
At 31 December 2015	72,509	304,164	3,997	10,785	391,455
At 31 December 2016	79,797	285,086	4,566	4,420	373,869
At 31 December 2017	82,892	249,554	6,807	297	339,550
At 30 April 2018	84,248	239,322	9,113	306	332,989

At 31 December 2015, 2016 and 2017 and 30 April 2018, certain of the Group's property, plant and equipment are pledged as collaterals for the Group's short-term bank and other loans. Further details are set out in Note 20.

13 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2015, 31 December 2015, 2016 and 2017 and 30 April 2018	42,011
Accumulated amortisation:	
At 1 January 2015	–
Charge for the year	(1,400)
At 31 December 2015	(1,400)
Charge for the year	(1,400)
At 31 December 2016	(2,800)
Charge for the year	(1,400)
At 31 December 2017	(4,200)
Charge for the period	(468)
At 30 April 2018	(4,668)
Carrying amount:	
At 31 December 2015	40,611
At 31 December 2016	39,211
At 31 December 2017	37,811
At 30 April 2018	37,343

Lease prepayments represent the cost of the Group's land use right in the PRC. The lease period of the land use right is 30 years, where rent is payable annually. Further details of the related payables are set out in Note 22. The land use right was pledged as collateral for the Group's short-term bank loans (see Note 20).

14 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	83,228	136,800	109,601	155,023
Finished goods	152,073	132,750	156,865	183,932
	235,301	269,550	266,466	338,955

(b) The analyses of the amounts of inventories recognised as expenses and included in the consolidated statements of profit or loss are as follows:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amounts of inventories sold	1,046,756	1,148,016	1,336,059	441,749	456,084

15 TRADE AND BILLS RECEIVABLES

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	116,521	115,748	113,378	158,153
Less: allowance for doubtful debts *(Note 24(a))*	–	–	–	(26)
	116,521	115,748	113,378	158,127
Bills receivables *(Note 15(c))*	256,270	327,543	385,756	310,667
	372,791	443,291	499,134	468,794

All of the trade and bills receivables, net of allowance for doubtful debts (if any), are expected to be recovered within one year.

The balance of bills receivables represent bank acceptance notes received from customers with maturity dates of less than six months.

(a) Ageing analyses

The ageing analyses of trade receivables, based on the dates of revenue recognition and net of allowance for doubtful debts (if any), are as follows:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	111,913	113,396	89,617	142,533
1 to 3 months	989	–	23,723	14,628
3 to 6 months	2,890	13	8	936
Over 6 months	729	2,339	30	30
	116,521	115,748	113,378	158,127

Further details on the Group's credit policy are set out in Note 24(a).

(b) At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group has discounted certain of the bank acceptance notes at banks, and endorsed certain of the bank acceptance notes to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has derecognised the bills receivables in entirety. These derecognised bank acceptance notes have maturity dates of less than six months from each of the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group considered the issuing banks of these notes are of good credit quality and non-settlement of these notes by the issuing banks on maturity is highly unlikely. At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the bills on maturity dates amounted to RMB330,471,000, RMB529,534,000, RMB534,440,000 and RMB417,406,000, respectively.

(c) Trade and bills receivables include bank acceptance notes discounted at banks or endorsed to suppliers with recourse totalling RMB190,410,000, RMB308,990,000, RMB317,790,000 and RMB276,691,000 at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively. These bills receivables were not derecognised as the Group remains exposes to the credit risk of these receivables. The carrying amounts of the associated bank loans and trade payables amounted to RMB190,410,000, RMB308,990,000, RMB317,790,000 and RMB276,691,000 at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively.

At 31 December 2015, 2016 and 2017 and 30 April 2018, bills receivables of the Group with carrying amounts of RMB30,980,000, RMB4,000,000, RMBNil and RMBNil, respectively, were pledged as collaterals for bills issued by the Group (see Note 18).

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for purchase of raw materials	34,863	25,961	112,606	37,214
Consideration receivable for disposal of a subsidiary *(Note (i))*	–	–	8,000	–
Prepayments for utilities expenses	8,496	10,722	6,964	7,177
Prepayments in connection with the initial listing of the Company's shares *(Note (ii))*	–	–	1,183	3,450
Others	4,695	8,125	2,738	1,256
	48,054	44,808	131,491	49,097

All of the prepayments and other receivables are expected to be recovered or recognised as expenses or transferred to equity within one year.

Notes:

(i) Further details on the disposal of a subsidiary are set out in Note 27.

(ii) The balance at 30 April 2018 will be charged to profit or loss or transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange.

17 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December 2015	At 31 December 2016	At 31 December 2017	At 30 April 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	144,456	39,319	41,026	50,170
Cash on hand	788	571	276	497
Cash at bank and on hand included in the consolidated statements of financial position	145,244	39,890	41,302	50,667
Less:				
Time deposits with original maturity over three months	100,500	–	–	–
Restricted deposits *(Note (i))*	12,600	16,920	12,520	12,274
Cash and cash equivalents included in the consolidated cash flow statements	32,144	22,970	28,782	38,393

The Group's operation in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

Note:

(i) Restricted deposits represent deposits placed at banks as collaterals for bills issued by the Group (see Note 18).

(b) Reconciliation of liabilities arising from financing activities

The tables below detail changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank and other loans	**Interest payable**	**Amounts due to related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 20		*Note 26(d)*	
At 1 January 2015	211,530	–	264,875	476,405
Changes from financing cash flows:				
Proceeds from new bank and other loans	444,625	–	–	444,625
Repayment of bank and other loans	(304,430)	–	–	(304,430)
Net decrease in amounts due to related parties	–	–	(65,612)	(65,612)
Interest paid	–	(22,415)	–	(22,415)
Total changes from financing cash flows	140,195	(22,415)	(65,612)	52,168
Other changes:				
Finance costs *(Note 7(a))*	–	22,415	–	22,415
Total other changes	–	22,415	–	22,415
At 31 December 2015	351,725	–	199,263	550,988

	Bank and other loans	Interest payable	Amounts due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 20		*Note 26(d)*	
At 1 January 2016	351,725	–	199,263	550,988
Changes from financing cash flows:				
Proceeds from new bank and other loans	287,130	–	–	287,130
Repayment of bank and other loans	(456,325)	–	–	(456,325)
Net decrease in amounts due to related parties	–	–	(23,298)	(23,298)
Interest paid	–	(12,525)	–	(12,525)
Total changes from financing cash flows	(169,195)	(12,525)	(23,298)	(205,018)
Other changes:				
Finance costs *(Note 7(a))*	–	12,525	–	12,525
Total other changes	–	12,525	–	12,525
At 31 December 2016	182,530	–	175,965	358,495

	Bank and other loans	Interest payable	Amounts due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 20		*Note 26(d)*	
At 1 January 2017	182,530	–	175,965	358,495
Changes from financing cash flows:				
Proceeds from new bank and other loans	394,589	–	–	394,589
Repayment of bank and other loans	(270,130)	–	–	(270,130)
Net decrease in amounts due to related parties	–	–	(122,781)	(122,781)
Interest paid	–	(12,734)	–	(12,734)
Total changes from financing cash flows	124,459	(12,734)	(122,781)	(11,056)
Other changes:				
Finance costs *(Note 7(a))*	-	12,734	–	12,734
Disposal of a subsidiary	–	–	(683)	(683)
Total other changes	–	12,734	(683)	12,051
At 31 December 2017	306,989	–	52,501	359,490

	Bank and other loans *RMB'000* *Note 20*	Interest payable *RMB'000*	Amounts due to related parties *RMB'000* *Note 26(d)*	Total *RMB'000*
At 1 January 2018	306,989	–	52,501	359,490
Changes from financing cash flows:				
Proceeds from new bank and other loans	225,810	–	–	225,810
Repayment of bank and other loans	(234,689)	–	–	(234,689)
Net decrease in amounts due to related parties	–	–	(3,129)	(3,129)
Interest paid	–	(4,889)	–	(4,889)
Total changes from financing cash flows	(8,879)	(4,889)	(3,129)	(16,897)
Other changes:				
Consideration payable for acquisition of a subsidiary under the reorganisation	–	–	13,197	13,197
Finance costs *(Note 7(a))*	–	4,889	–	4,889
Total other changes	–	4,889	13,197	18,086
At 30 April 2018	298,110	-	62,569	360,679

	Bank and other loans *RMB'000* *Note 20*	Interest payable *RMB'000*	Amounts due to related parties *RMB'000* *Note 26(d)*	Total *RMB'000*
At 1 January 2017	182,530	–	175,965	358,495
Changes from financing cash flows: (unaudited)				
Proceeds from new bank and other loans (unaudited)	50,000	–	–	50,000
Repayment of bank and other loans (unaudited)	(20,000)	–	–	(20,000)
Net decrease in amounts due to related parties (unaudited)	–	–	(48,856)	(48,856)
Interest paid (unaudited)	–	(3,252)	–	(3,252)
Total changes from financing cash flows (unaudited)	30,000	(3,252)	(48,856)	(22,108)
Other changes: (unaudited)				
Finance costs *(Note 7(a))* (unaudited)	–	3,252	–	3,252
Total other changes (unaudited)	–	3,252	–	3,252
At 30 April 2017 (unaudited)	212,530	–	127,109	339,639

18 TRADE AND BILLS PAYABLES

	At 31 December			At 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables				
– Trade payables	180,764	325,946	335,406	318,305
– Bills payables	37,809	26,510	36,232	25,812
	218,573	352,456	371,638	344,117

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

At the end of the reporting period, the ageing analyses of trade and bills payables, based on the invoice dates, are as follows:

	At 31 December			At 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	140,014	177,929	189,193	142,354
Between 3 to 6 months	70,921	158,761	170,951	190,186
Over 6 months	7,638	15,766	11,494	11,577
	218,573	352,456	371,638	344,117

19 ACCRUED EXPENSES AND OTHER PAYABLES

	At 31 December			At 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for other taxes	14,313	14,557	13,641	12,904
Deposits from third parties	11,000	7,200	1,236	200
Payables for staff related costs	5,694	4,242	6,469	3,854
Payables for costs incurred in connection with the initial listing of the Company's shares	–	–	339	2,279
Payables for land use right premiums *(Note 22)*	1,400	1,400	1,400	1,400
Others	253	293	3	6
Financial liabilities measured at amortised cost	32,660	27,692	23,088	20,643
Receipts in advance from customers	37,147	33,054	36,563	16,991
	69,807	60,746	59,651	37,634

All of the accrued expenses and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

20 BANK AND OTHER LOANS

The Group's short-term bank and other loans comprise:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:				
– Secured by the Group's property, plant and equipment and land use right, and guaranteed by related parties of the Group and an equity shareholder of the Company *(Notes (i) and (ii))*	96,125	38,930	–	–
– Secured by the Group's property, plant and equipment and land use right, and guaranteed by related parties *(Notes (i) and (ii))*	–	–	49,489	–
– Secured by the Group's property, plant and equipment and land use right *(Note (i))*	–	–	–	27,300
– Guaranteed by equity shareholders of the Company and/or a related party of the Group *(Notes (ii))*	13,000	23,000	50,000	–
– Guaranteed by a third party and a related party of the Group and an equity shareholder of the Company *(Note (ii))*	60,600	60,600	50,000	–
– Guaranteed by third parties	–	–	–	110,810
– Unsecured and unguaranteed	182,000	60,000	110,000	160,000
	351,725	182,530	259,489	298,110
Loan from other financial institution:				
– Secured by property, plant and equipment of the Group *(Note (i))*	–	–	47,500	–
	351,725	182,530	306,989	298,110

Notes:

(i) At 31 December 2015, 2016 and 2017 and 30 April 2018, the aggregate carrying amounts of property, plant and equipment and land use right pledged as collaterals for the Group's short-term bank and other loans are RMB80,794,000, RMB77,951,000, RMB107,284,000 and RMB74,160,000, respectively.

(ii) The related parties of the Group and equity shareholders of the Company have terminated such guarantees as at 30 April 2018.

21 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represent:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	43	9	6,029	30,409
Provision for the year/period *(Note 8(a))*	48	6,061	24,442	8,191
Income tax paid during the year/period	(82)	(41)	(62)	(98)
At the end of the year/period	9	6,029	30,409	38,502

(b) Deferred tax assets and liabilities recognised:

(i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets and liabilities recognised in the consolidated statements of financial position and the movements throughout the Track Record Period are as follows:

	Assets		Liabilities	
Deferred tax arising from:	**Credit loss allowances**	**Unused tax losses**	**Accelerated tax allowance for depreciation expenses**	**Net**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	–	5,455	(35,566)	(30,111)
Charged to the consolidated statement of profit or loss *(Note 8(a))*	–	(221)	(6,160)	(6,381)
At 31 December 2015	–	5,234	(41,726)	(36,492)
Charged to the consolidated statement of profit or loss *(Note 8(a))*	–	(5,234)	(1,001)	(6,235)
At 31 December 2016	–	–	(42,727)	(42,727)
Credited to the consolidated statement of profit or loss *(Note 8(a))*	–	–	1,031	1,031
At 31 December 2017	–	–	(41,696)	(41,696)
Impact on initial application of IFRS 9 *(Note 3)*	5	–	–	5
At 1 January 2018	5	–	(41,696)	(41,691)
Credited to the consolidated statement of profit or loss *(Note 8(a))*	1	–	2,578	2,579
At 30 April 2018	6	–	(39,118)	(39,112)

(c) Deferred tax liabilities not recognised

At 31 December 2015, 2016 and 2017 and 30 April 2018, taxable temporary differences relating to the retained profits of the Group's subsidiaries established in the PRC (excluding Hong Kong) amounted to RMBNil, RMBNil, RMB53,495,000 and RMB69,558,000, respectively, where no deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits were recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

22 OTHER PAYABLES

As mentioned in Note 13, the Group obtained its land use right where land use right premiums are payable annually. At 31 December 2015, 2016 and 2017 and 30 April 2018, the land use right premiums are payable as follows:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,400	1,400	1,400	1,400
After 1 year but within 2 years	1,400	1,400	1,400	1,400
After 2 years but within 5 years	4,200	4,200	4,200	4,200
After 5 years	33,611	32,210	30,810	30,810
	40,611	39,210	37,810	37,810
Less: payable within 1 year *(Note 19)*	(1,400)	(1,400)	(1,400)	(1,400)
	39,211	37,810	36,410	36,410

23 CAPITAL, RESERVES AND DISTRIBUTIONS

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity.

Details of the changes of the Company's individual components of equity are set out below:

	Share capital	Share premium	Exchange reserve	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 23(b)	*Note 23(c)*	*Note 23(h)*	
Balance at 21 December 2017 (date of incorporation)	–	–	–	–
Changes in equity:				
Issuance of shares *(Note 23(b))*	–	–	–	–
Balance at 31 December 2017 and 1 January 2018	–	–	–	–
Changes in equity:				
Other comprehensive income for the period	–	–	7	7
Issuance of shares *(Note 23(b))*	–	72,248	–	72,248
Balance at 30 April 2018	–	72,248	7	72,255

(b) Share capital

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 December 2017. Its initial authorised share capital was HK$380,000 divided into 380,000,000 shares with a par value of HK$0.001 per share. On the date of its incorporation, the Company issued and allotted 100 shares at par value for cash.

On 16 March 2018, 10 shares of HK$0.001 per share were allotted and issued to West Capital Limited, a third party, for HK$20,000,000 (equivalent to approximately RMB16,160,000).

On 16 March 2018, 72 and 18 shares of HK$0.001 per share were allotted and issued to Newrich Limited and Star Century Corporate Limited, which are wholly owned by Mr Mei Zefeng and Ms Liu Ping, for HK$54,785,000 and HK$14,735,000, respectively. The proceeds totalled HK$52,900,000 (equivalent to approximately RMB42,588,000) have been received as at 30 April 2018, and the remaining proceeds of HK$16,620,000 (equivalent to approximately RMB13,500,000) have been received in May 2018.

For the purpose of the Historical Financial Information, the share capital of the Group represented the issued capital of the Company, comprising 100 shares of HK$0.001 per share as at 31 December 2017 and 200 shares of HK$0.001 per share as at 30 April 2018.

(c) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(d) Other reserve

The balance of other reserve of the Group as at 1 January 2015, 31 December 2015 and 31 December 2016 represented the paid-in capital of Jiangnan Precision.

The balance of other reserve of the Group as at 31 December 2017 represented the paid-in capital of Jiangnan Precision and the issued capital of East Pacific, comprising 1 share of US$1 per share.

As part of the Reorganisation, the Company, through its wholly owned subsidiary KangLi HK, acquired the 100% equity interests in Jiangnan Precision from each of Jiangnan Precision's then equity holders at a total consideration of RMB70,000,000. Immediately following the acquisition, Jiangnan Precision became an indirectly wholly-owned subsidiary of the Company. The balance of other reserve at 30 April 2018 represented the difference of the paid-in capital of Jiangnan Precision and the consideration paid by KangLi HK.

(e) Distributions

During the Track Record Period, no distributions were paid by the Group. The directors of the Company consider that this is not indicative of the future dividend policy of the Company and the Group.

(f) Capital reserve

The balance of capital reserve at 1 January 2015, 31 December 2015, 2016 and 2017 and 30 April 2018 represented contributions from equity holders into Jiangnan Precision in the form of debt exemption prior to 1 January 2015.

(g) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established in Mainland China are required to transfer 10% of their respective net profit to the statutory reserve until the reserve balance reaches 50% of the respective subsidiaries' registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the respective subsidiaries and is non-distributable other than in liquidation.

(h) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(r).

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions with a high credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2015, 2016 and 2017 and 30 April 2018, 13.2%, 3.7%, 6.1% and 6.9% of the total trade and bills receivables, respectively, were due from the Group's largest trade debtor, and 22.7%, 15.0%, 15.4% and 17.5% of the trade and bills receivables, respectively, were due from the Group's five largest trade debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 30 April 2018:

	Expected loss rate	Gross carrying amount	Loss allowances
	%	*RMB'000*	*RMB'000*
Within 1 month	0.01%	142,547	14
1 to 3 months	0.05%	14,635	7
3 to 6 months	0.5%	941	5
Over 6 months	1%	30	–
Total		158,153	26

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(g) — policy applicable prior to 1 January 2018). At 31 December 2015, 2016 and 2017, trade receivables of RMBNil, RMBNil and RMBNil, respectively, were determined to be impaired.

Upon adoption of IFRS 9, an opening adjustment at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 3).

Movements in the loss allowance account in respect of trade receivables are a follows:

	Trade receivables *RMB'000*
Balance at 31 December 2017 under IAS 39	–
Impact on initial application of IFRS 9 *(Note 3)*	21
Adjusted balance at 1 January 2018	21
Provision for loss allowances recognised in profit or loss	5
At 30 April 2018	26

An increase in the gross carrying amounts of origination of new trade receivables contributed to the increase in the loss allowances during the four months ended 30 April 2018.

Bills receivables and other receivables

The Group has assessed that the expected credit losses for bills receivables and other receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised for the four months ended 30 April 2018.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the respective reporting periods) and the earliest dates the Group can be required to pay:

	At 31 December 2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	354,509	–	–	–	354,509	351,725
Trade and bills payables	218,573	–	–	–	218,573	218,573
Amounts due to related parties	199,263	–	–	–	199,263	199,263
Accrued expenses and other payables measured at amortised cost	32,660	–	–	–	32,660	32,660
Other payables	–	1,400	4,200	33,611	39,211	39,211
	805,005	1,400	4,200	33,611	844,216	841,432

	At 31 December 2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	184,530	–	–	–	184,530	182,530
Trade and bills payables	352,456	–	–	–	352,456	352,456
Amounts due to related parties	175,965	–	–	–	175,965	175,965
Accrued expenses and other payables measured at amortised cost	27,692	–	–	–	27,692	27,692
Other payables	–	1,400	4,200	32,210	37,810	37,810
	740,643	1,400	4,200	32,210	778,453	776,453

	At 31 December 2017					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	309,804	–	–	–	309,804	306,989
Trade and bills payables	371,638	–	–	–	371,638	371,638
Amounts due to related parties	52,501	–	–	–	52,501	52,501
Accrued expenses and other payables measured at amortised cost	23,088	–	–	–	23,088	23,088
Other payables	–	1,400	4,200	30,810	36,410	36,410
	757,031	1,400	4,200	30,810	793,441	790,626

	At 30 April 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	305,310	–	–	–	305,310	298,110
Trade and bills payables	344,117	–	–	–	344,117	344,117
Amounts due to related parties	62,569	–	–	–	62,569	62,569
Accrued expenses and other payables measured at amortised cost	20,643	–	–	–	20,643	20,643
Other payables	–	1,400	4,200	30,810	36,410	36,410
	732,639	1,400	4,200	30,810	769,049	761,849

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following tables detail the interest rate profile of the Group's total borrowings at the end of each reporting period:

	At 31 December 2015		At 31 December 2016	
	Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:				
– Bank loans	4.785%~6.90%	351,725	4.35%~6.90%	182,530
Fixed rate borrowings as a percentage of total borrowings		100%		100%

	At 31 December 2017		At 30 April 2018	
	Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:				
– Bank loans	4.35%~5.76%	259,489	4.35%~5.76%	298,110
– Loan from other financial institution	4.9050%	47,500	N/A	–
		306,989		298,110
Fixed rate borrowings as a percentage of total borrowings		100%		100%

The Group is not exposed to cash flow interest rate risk during the Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily US$.

The following tables detail the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the respective year end dates.

	At 31 December			At 30
	2015	2016	2017	April 2018
	US$	US$	US$	US$
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	–	1,917	10,266	1,770
Trade and bills receivables	1,242	1,528	5,633	6,864
	1,242	3,445	15,899	8,634

At 31 December 2015, 2016 and 2017 and 30 April 2018, an increase/decrease of 5% in US$ with all other variables held constant would increase/decrease the Group's profit after tax and retained profits by approximately RMB47,000 RMB129,000, RMB596,000 and RMB324,000, respectively.

(e) Fair value measurement

Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2015, 2016 and 2017 and 30 April 2018.

25 COMMITMENTS

(a) Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respects of property, plant and equipment				
– Contracted for	1,606	302	907	751

(b) At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	600	342	111	126
After 1 year but within 5 years	–	–	192	165
	600	342	303	291

The Group leases certain office premises and warehouses under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

26 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10 during the Track Record Period, is as follows:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	598	633	3,118	372	645
Contributions to defined contribution retirement plans	39	40	40	13	13
	637	673	3,158	385	658

Total remuneration is included in "staff costs" (see Note 7(b)).

(b) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period

Name of related party	Relationship
Jiangsu Jiangnan Tiehejin Co., Limited (江蘇江南鐵合金有限公司)*	A company controlled by Mr Mei Zefeng
Jiangsu Jiangnan Industrial Group Co., Limited (江蘇江南實業集團有限公司)*	A company controlled by Mr Mei Zefeng
Changzhou Nankai Metal Products Co., Limited (常州南凱金屬製品有限公司)*	A company controlled by Mr Mei Zefeng
Changzhou Nankai Trading Co., Limited (常州南凱物貿有限公司)*	A company controlled by a relative of Mr Mei Zefeng
Newrich Limited	One of the controlling shareholders
Star Century Corporate Limited	One of the controlling shareholders
Mr Mei Zefeng (梅澤鋒先生)	One of the controlling shareholders

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(c) Transactions with related parties during the Track Record Period:

	Years ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Purchases of raw materials *(Note (iii))*	4,620	6,009	1,158	–	–
Sales of scrap materials *(Notes (i) and (ii))*	15,573	21,777	18,953	6,185	6,441
Operating lease expenses *(Note (ii))*	–	–	–	–	32
Payments arising from the Reorganisation	–	–	–	–	56,803
Net decrease in amounts due to related parties *(Note (iii))*	(65,612)	(23,298)	(122,781)	(48,856)	(3,129)
Guarantees provided to related parties at the end of the reporting period *(Note (iv))*	–	–	475,000	–	–
Guarantees provided by the equity shareholders of the company and/or a related party at the end of the reporting period *(Note (v))*	228,000	325,000	247,000	325,000	–

Notes:

(i) These scrap materials were sold to related parties at cost, and accordingly, no gains or losses were recognised on these transactions by the Group during the Track Record Period.

(ii) These transactions will continue after the listing of the Company's shares on the Stock Exchange.

(iii) These transactions will not be continued after the listing of the Company's shares on the Stock Exchange.

(iv) The Group has terminated such guarantees in 2018.

(v) The equity shareholders of the Company and related parties have terminated such guarantees in 2018.

(d) Balances with related parties at the end of the each reporting period

The Group

The Group's balances with related parties at the end of each reporting period are as follows:

	At 31 December			At 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Amounts due from the controlling shareholders of the Company *(Note)*	–	–	–	13,500
Amounts due to related parties	199,263	175,965	52,501	49,372
Consideration payable for acquisition of a subsidiary under the Reorganisation *(Note)*	–	–	–	13,197

All of the amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The Group has undertaken to settle the amounts due to related parties that are non-trade in nature prior to the listing of the Company's shares on the Stock Exchange.

The Company

	At 31 December 2017	At 30 April 2018
	RMB'000	*RMB'000*
Non-trade in nature:		
Amounts due from a subsidiary	–	58,755
Amounts due from the controlling shareholders of the Company *(Note)*	–	13,500

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Note: The amounts had been settled in May 2018.

27 Disposal of a subsidiary

On 21 September 2017, Jiangnan Precision disposed of its 80% equity interest in a subsidiary, Jiangnan Gangcai, at a consideration of RMB8,000,000.

(a) Net assets disposed of

	RMB'000
Cash at bank and on hand	711
Trade and bills receivables	2,923
Prepayments, deposits and other receivables	7,319
Accrued expenses and other payables	(758)
Non-controlling interests	(2,039)
Net assets disposed of	8,156
Less: consideration receivable	(8,000)
Net loss on disposal of a subsidiary	(156)

(b) Analysis of net cash outflow of cash and cash equivalents in respect of the disposal of a subsidiary

	RMB'000
Consideration received during the year ended 31 December 2017	–
Cash disposed of	(711)
Net cash outflow for the year ended 31 December 2017	(711)

The Group received the consideration of RMB8,000,000 in March 2018.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2018

Up to the date of this Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting period beginning on 1 January 2018 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IAS 19, *Plan amendment, curtailment or settlement*	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below.

IFRS 16, Leases

As disclosed in Note 2(f), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

As disclosed in Note 25(b), the Group's future minimum lease payments under non-cancellable operating leases amount to RMB291,000 at 30 April 2018, of which RMB165,000 are payable more than 1 year after the reporting date. Accordingly, the Group currently assessed that the adoption of IFRS 16 will not have a significant impact on the Group's consolidated financial statements. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

29 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

(a) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 25 October 2018 as detailed in the section headed "Statutory and General Information" set out in the Prospectus, the directors of the Company were authorised to allot and issue a total of 449,999,800 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 25 October 2018 by way of capitalisation of the sum of HK$449,999.80 standing to the credit of the share premium account of the Company, and these shares to be allotted and issued rank pari passu in all respects with the shares in issue.

30 ULTIMATE HOLDING COMPANY

The directors of the Company consider the ultimate holding company of the Company at 30 April 2018 to be Newrich Limited.

31 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2018 and up to the date of this report.

The information set forth below does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 April 2018 as if the Global Offering had taken place on 30 April 2018.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 April 2018 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 April 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$1.00 per Share	434,891	107,130	542,021	0.90	1.02
Based on an Offer Price of HK$1.30 per Share	434,891	145,653	580,544	0.97	1.10

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 April 2018 is compiled based on the consolidated total equity attributable to equity shareholders of the Company as at 30 April 2018 of RMB434,891,000, extracted from the historical financial information as set out in "Appendix I – Accountants' Report" to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$1.00 (being the minimum offer price) and HK$1.30 (being the maximum offer price) per Share, after deduction of the estimated underwriting fees and other related expenses payable by the Group (excluding listing expenses of approximately RMB7,176,000 that were charged to profit or loss during the Track Record Period), and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme. The estimated net proceeds of the Global Offering have been converted to Renminbi at the exchange rate of HK$1.0000 to RMB0.8826 prevailing on 22 October 2018. No representation is made that the Hong Kong dollar amount have been, could have been or may be converted to Renminbi, or vice versa, at the rate or any other rates.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 600,000,000 Shares, being the number of shares expected to be in issue following the completion of the Capitalisation Issue and Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.

(4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar at the exchange rate of RMB0.8826 to HK$1.0000 prevailing on 22 October 2018. No representation is made that the Hong Kong dollar amount have been, could have been or may be converted to Renminbi, or vice versa, at the rate or any other rates.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 April 2018 except for the Reorganisation in note 2 above.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF KANGLI INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of KangLi International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 April 2018 and related notes as set out in Part A of Appendix II to the prospectus dated 31 October 2018 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "**Global Offering**") on the Group's financial position as at 30 April 2018 as if the Global Offering had taken place at 30 April 2018. As part of this process, information about the Group's financial position as at 30 April 2018 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

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 ("**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.

The 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 ("**HKSAE**") 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 purpose 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 April 2018 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' judgement, 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.

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.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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.

KPMG

Certified Public Accountants
Hong Kong

31 October 2018

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 21 December 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

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 conditionally adopted on 25 October 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, 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.

Any 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.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) 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 Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

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. 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 of that share.

The board may, in its absolute discretion, at any 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it 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 any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of 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 the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement 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.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power 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.

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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) 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 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 must, 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.

(ii) 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 (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is 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 determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 to their nominal value.

Neither the Company nor the board is 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

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.

(iv) 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 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.

(v) Remuneration

The ordinary remuneration of the Directors is to 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 are also 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 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 and such other benefits 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.

(vi) 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.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) 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 upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the 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. 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.

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 must 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 is materially interested, but this prohibition does 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.

(c) 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.

(d) Alterations to constitutional documents and the Company's name

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.

(e) Meetings of members

(i) Special and ordinary resolutions

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.

Under the Companies Law, 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 of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, 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.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year 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 the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

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 must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must 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, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) 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.

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.

(vi) 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 is 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 is 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.

(f) 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 must 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 must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

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 Stock Exchange, 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.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. 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 which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

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.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

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.

(h) Inspection of corporate records

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 office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of 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 Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 is 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 is 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 is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) 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 Islands 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) Company 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 of 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.

(c) Financial assistance to purchase shares of a company or its holding company

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

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 is to 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 is not be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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.

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

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. With the exception of the foregoing, there are 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.

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.

(f) Protection of minorities and shareholders' suits

The 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) Disposal of assets

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 must 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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 January 2018.

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 for 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 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.

(n) Register of members

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 must 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 of the Cayman Islands.

(o) Register of Directors and Officers

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 sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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 therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act 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.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) 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.

(s) Take-overs

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.

(t) 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 section headed "Documents Delivered To The Registrar Of Companies And Available For Inspection — 2. 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 ABOUT OUR GROUP

1.1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 December 2017 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 February 2018, and our principal place of business in Hong Kong is at Suite 812, 8/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Chung Yau Tong (鍾有棠先生) (our company secretary) of Flat A, 14/F, Ko Fung Court, Harbour Heights, 5 Fook Yum Road, North Point, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution comprises the Memorandum of Association and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

1.2. Changes in the share capital in our Company

(a) *Changes in the authorised and issued share capital*

As at the date of incorporation of our Company, our Company had an authorised share capital of HK$380,000 divided into 380,000,000 Shares of HK$0.001 each. On 21 December 2017 (i.e. the date of its incorporation), one subscriber Share was allotted and issued, credited as fully paid up, to an officer of the registered agent of our Company, and such share was transferred to Newrich BVI on the same date. On 21 December 2017, our Company further allotted and issued 79 Shares and 20 Shares, as credited as fully paid, to Newrich BVI and Star Century, respectively. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

(i) on 16 March 2018, our Company allotted and issued, 72 Shares, 18 Shares and 10 Shares, to Newrich BVI, Star Century and West Capital, respectively, details of which are set out in the section head "History, Reorganisation And Development — Reorganisation" in this prospectus;

(ii) pursuant to the written resolutions passed by all our Shareholders on 25 October 2018, among others, the authorised share capital of our Company was increased from HK$380,000 divided into 380,000,000 Shares of HK$0.001 each to HK$5,000,000 divided into 5,000,000,000 Shares of HK$0.001 each by the creation of an additional of 4,620,000,000 Shares of HK$0.001 each, each ranking pari passu with the Shares then in issue in all respects;

(iii) on 25 October 2018, our Shareholders resolved that conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors were authorised to capitalise an amount of HK$449,999.8 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 341,999,848 Shares, 85,499,962 Shares and 22,499,990 Shares for allotment and issue to Newrich BVI, Star Century and West Capital, respectively, whose names appeared in the register of members of our Company at close of business on 25 October 2018; and

(iv) immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of options under the Share Option Scheme or the Over-allotment Option), 600,000,000 Shares will be issued fully paid or credited as fully paid, and 4,400,000,000 Shares will remain unissued.

See section headed "History, Reorganisation And Development — Corporate development — Our Company" in this prospectus for the details of changes in the share capital of our Company.

(b) Information as at the Latest Practicable Date and immediately after the Global Offering

The following is a description of the authorised share capital and the share capital of our Company in issue and to be issued as fully paid immediately prior to and following the completion of the Global Offering:

Number		*HK$*
Authorised share capital:		
5,000,000,000	Shares	5,000,000
Issued and to be issued and fully paid or credited as fully paid:		
200	Shares in issue as at the date of this prospectus	0.2
449,999,800	Shares to be issued pursuant to the Capitalisation Issue	449,999.8
150,000,000	Shares to be issued pursuant to the Global Offering	150,000
600,000,000	Total	600,000

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued upon the exercise of options under the Share Option Scheme or the Over-allotment Option or of any Shares which may be issued or purchased by us pursuant to the Issuing Mandate and Repurchase Mandate granted to our Directors to issue or purchase Shares as described below.

Immediately following completion of the Global Offering and upon the exercise of the Over-allotment Option in full but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, it is expected that the share capital of our Company will be comprised of 622,500,000 Shares.

(c) Founder shares

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any shares of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since our incorporation up to the date of this prospectus.

1.3. Resolutions in writing of our Shareholders passed on 25 October 2018

Pursuant to the written resolutions passed by all of our Shareholders on 25 October 2018, among others:

(a) our Company approved and adopted the Memorandum in substitution for and to the exclusion of the then existing memorandum of association of our Company with immediate effect;

(b) our Company approved and adopted the Articles in substitution for and to the exclusion of the then existing articles of association of our Company with effect from the Listing Date;

(c) the authorised share capital of our Company was increased from HK$380,000 divided into 380,000,000 Shares of HK$0.001 each to HK$5,000,000 divided into 5,000,000,000 Shares of HK$0.001 each by the creation of an additional of 4,620,000,000 Shares of HK$0.001 each, each ranking pari passu with the Shares then in issue in all respects;

(d) conditional on all the conditions set out in the section headed "Structure And Conditions Of The Global Offering — Conditions of the Global Offering" in this prospectus being fulfilled:

(i) the Global Offering and the grant of the Over-allotment Option (which shall be exercisable by the Sole Global Coordinator on behalf of the International Underwriters) were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors were authorised to capitalise HK$449,999.8, standing to the credit of the share premium account of our Company by applying that sum in paying up in full 449,999,800 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 25 October 2018 (or as they may direct) in proportion (as nearly as possible without involving factions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with unissued Shares in the capital of our Company and to make or grant offers, agreements and options which may require the exercise of such powers, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules, or under the Global Offering or the Capitalisation Issue, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, with an aggregate number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme) and (bb) the number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules, with an aggregate number of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

1.4. Reorganisation

See section headed "History, Reorganisation And Development — Reorganisation" in this prospectus for details of the Reorganisation in preparation for the Listing of our Shares on the Stock Exchange.

1.5. Information about our subsidiary in PRC

Our Group has the following subsidiary in PRC, a summary of the corporate information of Jiangnan Precision as at the Latest Practicable Date is set out as follows:

(i)	Full name of company	Jiangsu Jiangnan Precision Metal Material Co., Limited
(ii)	Date of establishment	8 August 2003
(iii)	Economic nature	Wholly foreign-owned enterprise
(iv)	Registered holder	KangLi (HK) Limited
(v)	Registered capital fully paid up	RMB250 million
(vi)	Term of operation (or, where applicable, its expiry date)	Long term
(vii)	Equity interest attributable to our Group	100%

The scope of permitted business as recorded in the business licences of Jiangnan Precision as at the Latest Practicable Date is set out below:

(1)	Jiangnan Precision	manufacture, process and sale of precision steel material for appliance industry; manufacture, process and sale of cold-rolled steel coil, galvanized steel coil and sheet, colour coated coil and sheet, automatic coating coil and sheet for metal material; sale of metal material and ferrous chloride; self-agent import and export of various types of merchandise and technologies (excluding items limited or prohibited by the State Council; for the above items which are subject to approval, approval from relevant authorities must be obtained prior to operation)

1.6. Changes in the share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Apart from the alterations disclosed in paragraph 1.4 under this appendix and the section headed "History, Reorganisation And Development — Corporate development" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

1.7. Repurchases by our Company of our own securities

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own shares 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.

Any repurchases by our Company may be made out of profits or our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased. Subject to satisfactory of the solvency test prescribed by the Companies Law, a repurchase of Shares may also be paid out of the Company.

(iii) Trading Restrictions

The total number of shares which our Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. Our Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, our Company is prohibited from repurchasing our 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 our Shares were traded on the Stock Exchange. The Listing Rules also prohibit our Company from repurchasing our securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

Our Company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, we may not repurchase our Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person" (which includes a Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate of any of them) and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases and impact on working capital or gearing position

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, could accordingly result in up to approximately 60,000,000 Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law to be held; or

(iii) the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the equity transfer agreement (股權轉讓協議) (in Chinese) dated 21 September 2017 between Jiangnan Precision and Liu Jinyuan (劉金元), pursuant to which Jiangnan Precision transferred to Liu Jinyuan (劉金元) its 80% equity interests in Qingdao Jiangnan Gangcai Jiagong Limited (青島江南鋼材加工有限公司) at a consideration of RMB8 million;

(b) the instrument of transfer dated 24 October 2017 between Ms. Liu and East Pacific, pursuant to which Ms. Liu transferred to East Pacific 10,000 shares of KangLi HK at a consideration of HK$10,000;

(c) the equity transfer agreement (股權轉讓協議) (in Chinese) dated 30 October 2017 between KangLi HK and Jiangnan Tiehejin, pursuant to which Jiangnan Tiehejin transferred to KangLi HK its 10% equity interests in Jiangnan Precision at a consideration of RMB7 million;

(d) the sale and purchase agreement dated 16 January 2018 between our Company and Ms. Liu, pursuant to which our Company agreed to acquire the entire issued share capital in East Pacific from Ms. Liu at a consideration of US$1;

(e) the equity transfer agreement (股權轉讓協議) (in Chinese) dated 19 January 2018 amongst KangLi HK, Jiangnan Tiehejin, Mr. Mei and Jiangnan Industrial Group, pursuant to which each of Jiangnan Tiehejin, Mr. Mei and Jiangnan Industrial Group transferred to KangLi HK their respective equity interests in Jiangnan Precision at a consideration of RMB35 million, RMB25.2 million and RMB2.8 million, respectively;

(f) the subscription agreement dated 6 March 2018 between West Capital and our Company, pursuant to which West Capital agreed to subscribe for 10 Shares of our Company at a consideration of HK$20,000,000;

(g) the Deed of Non-competition, brief details of which are set out in the section headed "Relationship With Our Controlling Shareholders — Deed of Non-competition" in this prospectus;

(h) the Deed of Indemnity, brief details of which are set out in paragraph 4.1 under this appendix;

(i) a cornerstone investment agreement (基石投資協議) (in Chinese) dated 29 October 2018 entered into amongst our Company, GF Securities and DONGFANG (HONGKONG) LIMITED 香港東方控股實業有限公司, pursuant to which DONGFANG (HONGKONG) LIMITED 香港東方控股實業有限公司 agreed to subscribe at the Offer Price for an aggregate of 59,000,000 Offer Shares, brief details of which are set out in the section headed "Cornerstone Investor — Cornerstone Placing" in this prospectus; and

(j) the Public Offer Underwriting Agreement.

2.2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered owner of the following trademarks:

	Trademark	Place of registration	Registration number	Class	Validity period	Registered Owner
1.	江 南	The PRC	20221128	6	28 July 2017 to 27 July 2027	Jiangnan Precision
2.	JIANGNAN	The PRC	4945223	6	21 September 2008 to 20 September 2028	Jiangnan Precision
3.	江 南	The PRC	3889576	6	21 December 2015 to 20 December 2025	Jiangnan Precision
4.	KANGLI KANGLI	Hong Kong	304401404	6	17 January 2018 to 16 January 2028	Our Company
5.	KANGLI 康利国际控股有限公司 Kangli International Holdings Limited KANGLI 康利国际控股有限公司 Kangli International Holdings Limited	Hong Kong	304401413	6	17 January 2018 to 16 January 2028	Our Company

(b) Patents

As at the Latest Practicable Date, our Group is registered proprietors of the following patents (whose places of registration are all in the PRC) which are material to our business:

	Patent	Registered Owner	Type	Registration number	Duration of Validity Period
1.	Zinc pot and its machining process	Jiangnan Precision	Invention	ZL 2008 1 0023583.4	8 April 2008 to 7 April 2028
2.	A kind of continuous galvanizing, polishing and embossing process	Jiangnan Precision	Invention	ZL 2014 1 0560462.9	18 October 2014 to 17 October 2034
3.	A kind of centrifugal device for deslagging of zinc (一種離心式抽鋅液除渣裝置)	Jiangnan Precision	Utility Model	ZL 2010 2 0229744.8	18 June 2010 to 17 June 2020
4.	A kind of reciprocating liquid zinc pumping and deslagging device (一種往復式抽鋅液除渣裝置)	Jiangnan Precision	Utility Model	ZL 2010 2 0229778.7	18 June 2010 to 17 June 2020
5.	Hot-dip galvanizing process gas knife device (熱鍍鋅生產工藝用氣刀裝置)	Jiangnan Precision	Utility Model	ZL201720903977.3	25 July 2017 to 24 July 2027
6.	Oil removal device in the emulsion of rolling mill (軋機乳化液內雜油去除裝置)	Jiangnan Precision	Utility Model	ZL201720820781.8	7 July 2017 to 6 July 2027
7.	Import jacket for Hot dip galvanizing production line (熱鍍鋅生產線用入口活套)	Jiangnan Precision	Utility Model	ZL201720903979.2	25 July 2017 to 24 July 2027
8.	Clean air purge device for rolling and roll gap (輥輪輥縫清潔用空氣吹掃裝置)	Jiangnan Precision	Utility Model	ZL201720818950.4	7 July 2017 to 6 July 2027
9.	Draw roller cleaning device (拉矯輥用清潔裝置)	Jiangnan Precision	Utility Model	ZL201720819568.5	7 July 2017 to 6 July 2027

	Patent	Registered Owner	Type	Registration number	Duration of Validity Period
10.	Galvanized furnace nose with adoption of multiple zinc pumps (採用多鋅泵均布處理的鍍鋅爐爐鼻)	Jiangnan Precision	Utility Model	ZL201720818947.2	7 July 2017 to 6 July 2027
11.	Protective device for hot-dip galvanized top roller (熱鍍鋅頂輥防護裝置)	Jiangnan Precision	Utility Model	ZL201720820075.3	7 July 2017 to 6 July 2027
12.	Zinc dust in Galvanized furnace nose treatment device based on humidification treatment (基於加濕處理的鍍鋅爐爐鼻內鋅灰處理裝置)	Jiangnan Precision	Utility Model	ZL201720820065.X	7 July 2017 to 6 July 2027
13.	Bracket automatic connection device for galvanized treatment (鍍鋅處理用托架自動連接裝置)	Jiangnan Precision	Utility Model	ZL201720819569.X	7 July 2017 to 6 July 2027
14.	Draw roll cleaning device based on helical structure (基於螺旋結構的拉矯輥清潔裝置)	Jiangnan Precision	Utility Model	ZL201720820775.2	7 July 2017 to 6 July 2027
15.	Zinc pot sinking roller groove cleaning device (鋅鍋沉沒輥溝槽清潔裝置)	Jiangnan Precision	Utility Model	ZL201720820081.9	7 July 2017 to 6 July 2027
16.	Cleaning device for polishing machine based on multi-angle processing 基於多角度處理的平整機清潔裝置	Jiangnan Precision	Utility Model	ZL201720818948.7	7 July 2017 to 6 July 2027
17.	High pressure cleaning device for polishing machine (平整機用高壓清潔裝置)	Jiangnan Precision	Utility Model	ZL201720818949.1	7 July 2017 to 6 July 2027
18.	Pickling cleaning nozzle changing device (酸洗清潔噴嘴更換裝置)	Jiangnan Precision	Utility Model	ZL201720819567.0	7 July 2017 to 6 July 2027

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1. Disclosure of Interests

(a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

As at the date of this prospectus and immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register kept by our Company referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Long Positions in Shares of our Company

			As at the date of this prospectus		Immediately after the Capitalisation Issue and the Global Offering	
Name of Director	Nature of interest/ Capacity	Relevant company (including associated corporations)	Number of shares (or, as the case may be, amount of registered capital) in the relevant company	Approximate percentage of shareholding	Number of shares (or, as the case may be, amount of registered capital) in the relevant company	Approximate percentage of shareholding
Mr. Mei *(Note 1)*	Interested in controlled corporation	Our Company	152	76.0%	342,000,000	57.0%
Ms. Liu *(Note 2)*	Interested in controlled corporation	Our Company	38	19.0%	85,500,000	14.25%

Notes:

(1) The said Shares were held in the name of Newich BVI. Newrich BVI is wholly owned by Mr. Mei, our executive Director. By virtue of the SFO, Mr. Mei is deemed to be interested in the same parcel of Shares in which Newrich BVI is interested.

(2) The said Shares were held in the name of Star Century. Star Century is wholly owned by Ms. Liu, our executive Director. By virtue of the SFO, Ms. Liu is deemed to be interested in the same parcel of Shares in which Star Century is interested.

(3) Mr. Mei is the spouse of Ms. Liu and, together with Newrich BVI and Star Century, form a group of Controlling Shareholders. Under the SFO, Mr. Mei is taken to be interested in the same number of Shares in which Ms. Liu is interested, and vice versa.

(b) Interests of our Substantial Shareholders

So far as is known to any Director or chief executive of our Company as at the date of this prospectus, and immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Long Positions in Shares of our Company

		As at the date of this prospectus		Immediately after the Capitalisation Issue and the Global Offering	
Name of Shareholder	**Nature of interest/ Capacity**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Newrich BVI *(Note 1)*	Beneficial owner	152	76.0%	342,000,000	57.0%
Star Century *(Note 2)*	Beneficial owner	38	19.0%	85,500,000	14.25%

Notes:

(1) Newrich BVI is wholly owned by Mr. Mei, our executive Director.

(2) Star Century is wholly owned by Ms. Liu, our executive Director.

(3) Mr. Mei is the spouse of Ms. Liu and, together with Newrich BVI and Star Century, form a group of Controlling Shareholders. Under the SFO, Mr. Mei is taken to be interested in the same number of Shares in which Ms. Liu is interested, and vice versa.

3.2. Directors' service contracts and letters of appointment

Executive Directors

Each of our executive Directors (namely, Mr. Mei, Ms. Liu, Mr. Zhang, Ms. Lu and Mr. Xu) has entered into a service contract with our Company pursuant to which he agreed to act as an executive Director for an initial term of three years with effect from 25 October 2018.

Each of our executive Directors is entitled to a basic salary set out below. In addition, our executive Directors are also entitled to a discretionary management bonus taking into consideration the financial performance of our Group and the relevant Director 's individual contribution to our Group for the financial year concerned, provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited consolidated net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors is as follows:

Name	**Annual salary** *(HK$)*
Mr. Mei	750,000
Ms. Liu	994,000
Mr. Zhang	750,000
Mr. Xu	223,000
Ms. Lu	322,000

INEDs

Each of the INEDs has entered into a letter of appointment with our Company pursuant to which he/she has been appointed for an initial term of three years commencing from 25 October 2018. Mr. Li Yuen Fai Roger is entitled to a director's fee of HK$300,000 per annum and each of Mr. Cao Baozhong and Mr. Yang Guang is entitled to a director's fee of HK$120,000 per annum. Save for Directors' fees, none of our INEDs is expected to receive any other remuneration for holding their office as an INED.

3.3. Directors' remuneration

(a) The aggregate emoluments paid to our Directors by our Group in respect of the Track Record Period were RMB0.4 million, RMB0.4 million, RMB1.9 million and RMB0.5 million respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the INEDs in their respective capacity as Directors) for the year ending 31 December 2018 will be approximately RMB2.9 million.

(c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the Track Record Period.

3.4. Disclaimers

(a) Save as disclosed in paragraph 3.1(a) under this appendix, none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register kept by our Company referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, as at the date of this prospectus and once the Shares are listed on the Stock Exchange;

(b) save as disclosed in paragraph 3.1(b) under this appendix, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group as at the date of this prospectus and once the Shares are listed on the Stock Exchange;

(c) save as disclosed in the sections headed "History, Reorganisation And Development" and "Connected Transactions" in this prospectus, none of our Directors nor any of the persons listed in paragraph 4.7 below of this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) save as disclosed in the sections headed "History, Reorganisation And Development — Reorganisation", "Connected Transactions" and "Relationship With Our Controlling Shareholders" in this prospectus, none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the persons listed in paragraph 4.7 under of this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) save for the Underwriting Agreements, none of the persons listed in the paragraph 4.7 below of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(g) save as disclosed in paragraph 3.2 under this appendix, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(h) save as disclosed in the sections headed "Business — Our customers" and "Business — Raw materials, procurement and suppliers" in this prospectus, so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of the number of issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group during the Track Record Period; and

(i) saved as disclosed in the section headed "Relationship With Our Controlling Shareholders" in this prospectus, none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

3.5. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing of our Shareholders passed on 25 October 2018:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors may at any time within a period of ten years commencing from the date of adoption of the Share Option Scheme, at its absolute discretion, in accordance with the provisions of the Share Option Scheme and the Listing Rules make an offer to any person belonging to any of the following classes of participants ("**Eligible Participant**"), to take up options to subscribe for Shares:

(aa) any employee ("**Eligible Employee**") (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of our Group holds an equity interest;

(bb) any non-executive directors (including INEDs) of our Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more Eligible Participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to an offer for the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of the Shares available for subscription

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.

(bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date ("**General Scheme Limit**") (such 10% being 60,000,000 Shares, assuming that the Over-allotment Option is not exercised).

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders, containing the information required under the Listing Rules. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to our Directors, chief executive or Substantial Shareholders of our Company or their respective associates

(aa) Any offer for the grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by INEDs (excluding INED who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a Substantial Shareholder or an INED or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders, containing such information are required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

Any change in the terms of options granted to a Substantial Shareholder or an INED or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period ("**Option Period**") may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant of the option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant of the option; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the then fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in the context of the Share Option Scheme include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reconstruction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement (covering any period of delay in publishing the results announcement), no offer for the grant of options may be made.

Our Directors may not make any offer for the grant of options to a participant who is a Director during the periods or times in which

Directors are prohibited from dealing in Shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years ("**Termination Date**") commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of the Share Option Scheme within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of the Share Option Scheme within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If in respect of a grantee other than an Eligible Employee, our Directors shall at their absolute discretion determine that (aa) (1) the grantee or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(xvi) Rights on a general offer or a scheme of arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders of our Company, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

(aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares comprised in an option or which remains comprised in an Option or to which the Share Option Scheme or any option(s) relates (so far as unexercised) and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital of our Company to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iv) notwithstanding (i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures and any such adjustment shall comply with the supplementary guidance on Rule 17.03(13) of the Listing Rules as set out in the letter issued by the Stock Exchange dated 5 September 2005; and (v) any adjustment must be made in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Subject to the provisions of the Share Options Scheme and Chapter 17 of the Listing Rules, any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant subparagraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

(xxiii) Lapse of option

The Option Period in respect of any option shall terminate automatically and that an option (to the extent not already exercised) shall lapse automatically on the earliest of:

(aa) the expiry of the Option Period in respect of such option;

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

(cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

(aa) The Share Option Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing the General Scheme Limit to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(bb) Provisions of the Share Option Scheme as to the definitions of "Eligible Participants", "grantee", "Option Period" and "Termination Date" and the terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the prior approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The terms of the Share Option Scheme and any amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) Grant of options

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iii) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(iv) Compliance with Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

4. OTHER INFORMATION

4.1. Estate duty, tax and other indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (h) referred to in paragraph 2.1 under this appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any relevant transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing; and

(b) tax liabilities (including all actual fines, penalties, liabilities, costs, charges, expenses and interests relating to taxation) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date of Listing, or any transactions, events, matters or things entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 April 2018 ("**Accounts Date**"); or

(b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of their accounting periods commencing on the calendar day immediately after the Accounts Date and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before the Accounts Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or the extent such a claim or liability arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the Accounts Date which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to jointly and severally indemnify and at all times keep the members of our Group and each of them fully indemnified or demand against any depletion in or reduction in value of their assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which such member of our Group may incur or suffer arising form or in connection with the implementation of the Reorganisation.

Pursuant to the Deed of Indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify and at all times keep the members of our Group and each of them fully indemnified on demand against:

(a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of our Group may incur, suffer, accrue, directly or indirectly, from any act of any member of our Group arising from or in connection with any non-compliance of any member of our Group on or before the date of Listing, including but not limited to the non-compliances as disclosed in this prospectus or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgments and/or legal proceedings by or against any of the members of our Group which was issued, accrued and/or arising from any act of any of any member of our Group at any time on or before the date of Listing;

(b) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such member of our Group may suffer in connection with such penalty, due to such member 's failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant PRC governmental authority, or to observe any laws, regulations or rules in the PRC in this regard;

(c) any loss, liability, damages, claims, fines, penalties, orders, expenses and costs or loss of profits, benefits or other commercial advantages suffered by any member of our Group as a result of or in connection with:

(i) the title of any of the properties owned by, leased to or otherwise occupied by the members of our Group in the PRC ("**PRC Properties**") not being good and/or marketable or being subject to encumbrances (including without limitation the absence of building ownership certificate(s) of any of the PRC Properties as at the Listing Date);

(ii) the relocation of any office and/or production plants on the PRC Properties by such member of our Group arising from or in connection with the lack of relevant title certificates or documents by any member of our Group or the lessor or, if applicable the lessors' registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member;

(iii) such member 's failure to obtain the relevant building ownership certificates and/or other title certificates of any of the PRC Properties (including but not limited to relocation costs, operating losses, penalties and rental difference between new lease and the existing ones incurred or suffered by any member of our Group as a result of any disputes as to the member 's rights to lease and/or use any of the properties for its business operations);

(iv) (aa) any actual or potential litigation, claim, action, prosecution, arbitration, mediation, alternative dispute resolution or other similar proceedings and/or (bb) any dispute with any person(s) (including, without limitation, any governmental authority) relating to any of the events referred to in paragraphs (i) to (iii) above.

The indemnity given in connection with paragraphs (a) and (b) above and other non-compliance incidents provided in the Deed of Indemnity shall not apply to any costs and expenses associated with any of the claims for such non-compliances to the extent of any provision being made in the financial statements of the relevant member of our Group up to the Accounts Date.

The provisions contained in the Deed of Indemnity are conditional on the conditions stated in the section headed "Structure And Conditions Of The Global Offering — Conditions of the Global Offering" in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties under the Deed of Indemnity may agree, the Deed of Indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or BVI is likely to fall on our Group.

4.2. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and any Shares which may be issued upon the exercise of options under the Share Option Scheme and the Over-allotment Option.

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 a fee of approximately HK$5.8 million to act as the sole sponsor to our Company in relation to the Global Offering.

4.3. Litigation

As at the Latest Practicable Date, no member of our Group engages in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

4.4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$43,000 and are payable by our Company.

4.5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

4.6. Agency fees or commissions received

Except as disclosed in the section headed "Underwriting — Underwriting arrangements and expenses — Commission and expenses" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital and/or debenture of any member of our Group within the two years immediately preceding the date of this prospectus.

4.7. Qualification of experts

The qualifications of the experts who have given opinion and/or whose names are included in this prospectus are as follows:

Name	Qualifications
GF Capital (Hong Kong) Limited	A corporation licenced under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activity
KPMG	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Qualified PRC lawyers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultants

4.8. Consents of experts

Each of the experts referred to in paragraph 4.7 under this appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view(s) and/or report(s) and/or letter(s) and/or legal opinion(s) (as the case may be) and reference to its name included in the form and context in which it is respectively appears.

4.9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the COWUMPO insofar as applicable.

4.10. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

4.11. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash, save as disclosed in the section headed "History, Reorganisation And Development" in this prospectus;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option other than pursuant to the Share Option Scheme;

(iii) neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures;

(iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(v) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(vi) our Company has no outstanding convertible debt securities.

(b) Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(c) Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(d) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(e) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name by our Company in conjunction with our Company's English name does not contravene the Companies Law.

(f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

4.12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in paragraph 4.8 under "Appendix IV — Statutory And General Information" to this prospectus, and certified copies of the material contracts referred to in paragraph 2.1 under "Appendix IV — Statutory And General Information" to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. at 12/F, Prince's Building, 10 Chater Road, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum of Association and Articles of Association;

(b) the Accountants' Report received from KPMG, on the historical financial information of our Group for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group received from KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018;

(e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

(f) the Companies Law;

(g) the legal opinion prepared by Commerce & Finance Law Offices in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;

(h) the industry research report prepared by Frost & Sullivan;

(i) the material contracts referred to in paragraph 2.1 under "Appendix IV — Statutory And General Information" to this prospectus;

(j) the written consents referred to in paragraph 4.8 under "Appendix IV — Statutory And General Information" to this prospectus;

(k) the rules of the Share Option Scheme; and

(l) the service contracts and appointment letters referred to in paragraph 3.2 under "Appendix IV — Statutory And General Information" to this prospectus.

KANGLI INTERNATIONAL HOLDINGS LIMITED
康利國際控股有限公司