

Wan Cheng Metal Packaging Company Limited

萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8291

SHARE OFFER

Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

Wan Cheng Metal Packaging Company Limited

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LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 100,000,000 Shares
Number of Placing Shares : 90,000,000 Shares (subject to re-allocation)
Number of Public Offer Shares : 10,000,000 Shares (subject to re-allocation)
Offer Price : Not more than HK\$0.70 per Offer Share and
expected to be not less than HK\$0.50 per Offer
Share, plus brokerage of 1%, SFC transaction
levy of 0.0027% and Stock Exchange trading
fee of 0.005% (payable in full on application in
Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 8291

Sponsor



Joint Bookrunners and Joint Lead Managers



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 in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission 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.

The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or before Monday, 10 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. The Offer Price will not be more than HK\$0.70 per Offer Share and is currently expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced. Applicants applying for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.70 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is lower than HK\$0.70 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our Company's consent, reduce the number of Offer Shares offered under the Share Offer and/or reduce 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 a case, notices of such reduction will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.wanchengholdings.com.hk. Further details are set out in "Structure and Conditions of the Share Offer".

If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not become unconditional and will lapse.

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

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement, the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Tuesday, 18 July 2017). Further details of these termination provisions are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, 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 Regulation S of the U.S. Securities Act.

29 June 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies in which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information and dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.wanchengholdings.com.hk.

2017^(Note 1)

Application lists of the Public Offer open ^(Note 2)	11:45 a.m. on Thursday, 6 July
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ^(Note 3)	12:00 noon on Thursday, 6 July
Application lists of the Public Offer close ^(Note 2)	12:00 noon on Thursday, 6 July
Expected Price Determination Date on or before ^(Note 4)	Monday, 10 July
Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.wanchengholdings.com.hk ^(Note 5)	Monday, 17 July
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Public Offer Shares — 10. Publication of results" from	Monday, 17 July
Results of allocations in the Public Offer will be available at www.unioniporesults.com.hk with a "search by ID" function from	Monday, 17 July
Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on ^(Notes 6 and 8)	Monday, 17 July
Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on ^(Notes 7 and 8)	Monday, 17 July
Dealings in the Shares on GEM expected to commence at 9:00 a.m. on	Tuesday, 18 July

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local time and date. If there is any change of the above expected timetable, a separate announcement will be made by our Company on the Stock Exchange's website and our Company's website accordingly.
2. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 2017, the application lists will not open or close on that day. See "How to Apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists". If the application lists do not open and close on Thursday, 6 July 2017, the dates mentioned in this section may be affected.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS".
4. The Offer Price is expected to be fixed on or before Monday, 10 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not proceed and will lapse.
5. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
6. Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 18 July 2017 provided that the Share Offer has become unconditional in all respects and none of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, we will make an announcement as soon as possible.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
8. Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 17 July 2017 or any other date as announced by us. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to the Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC

EXPECTED TIMETABLE

Nominees and deposited into CCASS for credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies — Personal collection — (iii) If you apply via **electronic application instructions** to HKSCC" for details.

Any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant Application Form on Monday, 17 July 2017.

Further information is set out in "How to Apply for Public Offer Shares — 12. Refund of application monies" and "How to Apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies".

The above expected timetable is a summary only. You should refer to "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" for details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer. The contents of our Company's website at www.wanchengholdings.com.hk do not form part of this prospectus.

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto 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 “Risk Factors”. You should read that section carefully before you decide whether to invest in the Offer Shares.

BUSINESS OVERVIEW

We are a manufacturer of tinplate packaging products based in Guangdong Province. We derive our revenue principally from the sale of tinplate packaging products to paint and coatings suppliers and other manufacturers of packaging products in the PRC. Our major products are tin cans and steel pails, which are generally used for storing paint and coatings. We carry out our business through Wancheng Shunde, our operating subsidiary which was established in the PRC in 1997.

The table below sets forth the breakdown of our revenue by product category during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Tin can	67,001	66.7	59,624	52.0	60,300	50.9
Steel pail	23,570	23.5	45,587	39.8	47,986	40.5
Others ^(Note)	9,887	9.8	9,355	8.2	10,224	8.6
Total	100,458	100	114,566	100	118,510	100

Note: Others mainly represented the revenue from the trading of raw materials (including tinplate coil and tinplate sheet) and sales of parts of a can (including can cover, can top and can bottom) and used moulds.

SUMMARY AND HIGHLIGHTS

The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Tin can	7,404	11.1	8,218	13.8	8,792	14.6
Steel pail	5,986	25.4	18,157	39.8	19,324	40.3
Others ^(Note)	6,475	65.5	2,837	30.3	6,529	63.9
Total	19,865	19.8	29,212	25.5	34,645	29.2

Note: Others mainly represented the revenue from the trading of raw materials (including tinplate coil and tinplate sheet) and sales of parts of a can (including can cover, can top and can bottom) and used moulds.

The table below sets forth the breakdown of our sales volume and average selling price per unit of tin can and steel pail for the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>Sales volume (^{'000} units)</i>	<i>Average selling price (RMB)</i>	<i>Sales volume (^{'000} units)</i>	<i>Average selling price (RMB)</i>	<i>Sales volume (^{'000} units)</i>	<i>Average selling price (RMB)</i>
Tin can	25,386	2.64	19,759	3.02	20,353	2.96
Steel pail	1,879	12.54	3,694	12.34	4,075	11.78

For the Track Record Period, our Group recorded (i) an increase in revenue from the sales of steel pails from approximately RMB23.6 million for the year ended 31 December 2014 to approximately RMB45.6 million for the year ended 31 December 2015, and further to approximately RMB48.0 million for the year ended 31 December 2016; and (ii) an increase in the gross profit margin of steel pails from approximately 25.4% for the year ended 31 December 2014 to approximately 39.8% for the year ended 31 December 2015, and further to approximately 40.3% for the year ended 31 December 2016.

The increase in revenue from the sales of steel pails for the year ended 31 December 2015 as compared to the prior year was mainly driven by a significant increase in the sales volume of steel pails from approximately 1.9 million units in the year ended 31 December 2014 to approximately 3.7 million units in the year ended 31 December 2015 notwithstanding a slight decrease in the average selling price per unit of steel pails primarily due to a decrease in the costs of tinplate coil.

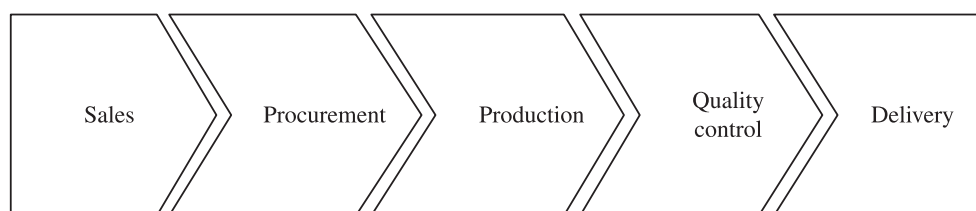
SUMMARY AND HIGHLIGHTS

The increase in revenue from the sales of steel pails for the year ended 31 December 2016 as compared to the prior year was mainly driven by the increase in the sales volume of steel pails from approximately 3.7 million units in the year ended 31 December 2015 to approximately 4.1 million units in the year ended 31 December 2016 notwithstanding a decrease in the average selling price per unit of steel pails primarily due to the downward trend of price of tinplate coils during the year ended 31 December 2015 up to February 2016 which drove down the average selling price of steel pails, while we only increased the selling prices of some products sold to a number of customers since July 2016 in view of the rebound in price of tinplate coils from March 2016 to May 2016. For further details, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Revenue — Steel pail”.

The increase in the gross profit margin of steel pails for the year ended 31 December 2015 was primarily attributable to the comparatively lower average costs of tinplate coil consumed for our production during the same year. Our cost of tinplate coil constituted approximately 76.4%, 74.2% and 75.7% of the cost of sales of steel pails for the three years ended 31 December 2016, respectively. The effect for the year ended 31 December 2015 was mitigated by an increase in the tinplate printing costs and the costs of ancillary and consumables. For further details, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Cost of sales”. The gross profit margin remained relatively stable at approximately 40.3% for the year ended 31 December 2016. In light of the further increase in price of tinplate coils in the fourth quarter of 2016, we have also agreed with certain customers to increase the selling prices of some products with effect from January or February 2017.

BUSINESS MODEL

The following diagram illustrates the key phases of our tinplate packaging business:



We conduct our production mainly in our Foshan Factory and outsource certain production processes which do not fall within our core production competencies to our subcontractors. Our production process normally takes about nine to 18 working days. We procure raw materials, mainly including tinplate coils and laminated and/or printed tinplate sheets, from our suppliers on purchase order basis. We enter into written sales agreements with no purchase obligations with most of our major customers and sales are conducted by purchase orders. Certain of our products are generally required under contract or by law to meet the applicable national standards (the PRC Standard GB/T 17343-1998 (in respect of certain tin cans), the PRC Standard GB/T 15170-2007 (in respect of certain steel pails), the PRC Standard GB 13042-2008 (in respect of certain aerosol cans)

SUMMARY AND HIGHLIGHTS

and the PRC Standard GB 12463-2009 (in respect of certain transport and packaging requirements)). We adopt quality control and risk management procedures covering different aspects of our operations. Our quality management system for design and manufacture of metal packaging can was accredited with GB/T 19001-2008/ISO 9001:2008 certification.

PRODUCTION AND OPERATION FACILITIES

We own and operate a factory located in Foshan, Guangdong Province with a site area of approximately 35,936.2 sq.m.. Our Foshan Factory has 18 production lines, of which 16 and two are utilised for the production of tin cans and steel pails, respectively. Our production lines are equipped with a variety of machinery and equipment including cutting machine, extrusion machine, welding machine, flanging machine and seaming machine, all of which are owned by us.

The table below sets forth the production capacity, actual production volume and utilisation rate of our production lines during the Track Record Period:

	Year ended 31 December								
	2014			2015			2016		
	Production capacity	Actual production volume	Utilisation rate	Production capacity	Actual production volume	Utilisation rate	Production capacity	Actual production volume	Utilisation rate
	<i>(million units)</i>	<i>(million units)</i>		<i>(million units)</i>	<i>(million units)</i>		<i>(million units)</i>	<i>(million units)</i>	
Tin can	47.7	22.9	48.0%	47.7	19.7	41.3%	47.7	20.4	42.8%
Steel pail	4.3	1.8	41.9%	4.3	3.7	86.0%	4.3	3.9	90.7%
Overall	52.0	24.7	47.5%	52.0	23.4	45.0%	52.0	24.3	46.7%

For details, see “Business — Production — Production facilities”.

CUSTOMERS AND SUPPLIERS

For the three years ended 31 December 2016, we sold our products to over 130, over 160 and over 130 customers, respectively. Sales to our five largest customers for the three years ended 31 December 2016 amounted to approximately RMB61.3 million, RMB58.3 million and RMB63.9 million, respectively, representing approximately 61.0%, 51.0% and 54.0% of our total revenue for the corresponding years, respectively. Our business relationship with our five largest customers ranged from over one year to over 19 years and we had maintained over 19 years of relationship with our largest customer. We enter into written sales agreements with no purchase obligations with most of our major customers and conduct sales with them on purchase order basis. For details, see “Business — Customers”.

Valspar Group (Valspar Group refers to Huarun and/or Valspar, see “Business — Customers”) was our largest customer throughout the Track Record Period. For the three years ended 31 December 2016, revenue derived from our sales to Valspar Group was approximately

SUMMARY AND HIGHLIGHTS

RMB46.7 million, RMB40.0 million and RMB42.3 million, respectively, representing approximately 46.5%, 34.9% and 35.7% of our total revenue, respectively. For the three years ended 31 December 2016, gross profit derived from our sales to Valspar Group was approximately RMB10.2 million, RMB8.8 million and RMB9.4 million, respectively, representing approximately 51.2%, 30.1% and 27.2% of our total gross profit, respectively.

For the three years ended 31 December 2016, we purchased from (or engaged the services of, in respect of subcontractors) over 40, over 50 and over 80 suppliers, respectively, comprising our suppliers of raw materials, subcontractors and suppliers of other ancillary materials and supplies, out of which six, four and four were our suppliers of tinplate coil, our major raw material, respectively. Purchases from our five largest suppliers for the three years ended 31 December 2016 amounted to approximately RMB43.1 million, RMB59.1 million and RMB65.0 million, respectively, representing approximately 82.7%, 81.4% and 84.8% of our total purchases, respectively. Our business relationship with our five largest suppliers ranged from over two years to over 13 years and we had over four years of relationship with our largest supplier. We generally make purchases of raw materials on purchase order basis. For details, see “Business — Suppliers”.

During the Track Record Period, we engaged 11 subcontractors for tinplate printing, including Supplier B, Supplier C, Supplier G and Supplier H (for details, see “Business — Suppliers — Five largest suppliers”), two subcontractors for tinplate scroll-cutting and three subcontractors for tinplate laminating, including Supplier Group A and Supplier Group F (for details, see “Business — Suppliers — Five largest suppliers”), both being our tinplate coil suppliers who also provided us with both tinplate laminating and scroll-cutting services. Our business relationship with our subcontractors who were our five largest suppliers ranged from over two years to over 13 years. We engage our suppliers as our subcontractors in some circumstances mainly due to their service reliability and possession of the manufacturing capabilities we require, which in turn allow us to focus on our core production competencies. Our Directors do not consider these subcontractors/suppliers as our competitors as, to the best knowledge and information of our Directors, the main business of these subcontractors/suppliers is not manufacturing and sale of tinplate packaging products and they are not equipped with the production capability to manufacture the final tinplate packaging products.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

According to the CIC Report, in 2016, there were (i) over 450 manufacturers of tinplate packaging products for paint and coatings in the PRC; and (ii) approximately 140 to 190 manufacturers of tinplate packaging products for paint and coatings in Guangdong Province. The industry of tinplate packaging products for paint and coatings in the PRC was slightly concentrated with the top 10 participants accounting for approximately 24.1% of the total market share in terms of sales revenue in 2016, and we ranked sixth with a market share of approximately 1.2% in terms of sales revenue in 2016. On the other hand, the industry of tinplate packaging products for paint and coatings in Guangdong Province was relatively concentrated with the top five participants accounting for approximately 39.8% of the total market share in terms of sales revenue in 2016, and we ranked fifth with a market share of approximately 4.7% in terms of sales revenue in 2016.

SUMMARY AND HIGHLIGHTS

We believe that our competitive strengths include:

- Strong and solid customer base
- Emphasis on the quality of our products
- Experienced management team with extensive industry experience
- Established business relationships with major tinplate coil suppliers and subcontractors
- Strategically located production facilities in a major transportation hub and in close proximity to our largest customer

BUSINESS STRATEGIES

We intend to pursue the following key business strategies:

- Purchase of one new production line for production of steel pails
- Upgrade of our existing production lines
- Expansion of our customer base

RISK FACTORS

Potential investors are advised to carefully read “Risk Factors” before making any investment decision in the Share Offer. Some of the more particular risk factors include:

- Any material decline in the level of economic activities and slowdown in the growth of our downstream industries, especially the paint and coatings industry in Guangdong Province, and their demands for our products, may materially and adversely affect our business, financial position and results of operations.
- Over 50% of our revenue was derived from our five largest customers for the Track Record Period. If our relationship with them deteriorates or terminates, our business and results of operations would be adversely affected.
- Over 50% and 80% of our total purchases were made from our largest supplier and our five largest suppliers for the Track Record Period, respectively. If our arrangements with these major suppliers, in particular, our largest supplier, are terminated, interrupted, or adversely modified, our business, financial condition and results of operations could be adversely affected.
- If we encounter unsteady supply or price fluctuation of tinplate coil, our revenue and profitability may be adversely affected.

SUMMARY AND HIGHLIGHTS

- We experienced delays in receiving our trade receivables during the Track Record Period. Failure to secure adequate payments in time or to manage bad debt effectively could have a material and adverse effect on our business, financial position, results of operations and prospects.
- We recorded negative operating cash flows for the year ended 31 December 2015.
- Our customers make purchases from us on an order by order basis, which exposes us to potential volatility in our revenue.
- Any significant disruption in our production facilities will adversely affect our business, financial conditions and results of operations.

SHAREHOLDERS INFORMATION

Immediately following completion of the Share Offer (without taking into 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), our Company will be owned as to approximately 69.375% by Fortune Time, which is in turn owned as to 50% by each of Mr. JH Liang and Mr. JX Liang who will act in concert to exercise their voting rights in our Company through their interests in Fortune Time pursuant to the Acting in Concert Confirmation. Hence, Fortune Time, Mr. JH Liang and Mr. JX Liang will be our Controlling Shareholders upon the Listing, within the meaning of the GEM Listing Rules. Our Directors do not expect any significant transactions to be entered into between our Group, our Controlling Shareholders and their respective close associates upon or shortly after the Listing. For details, see “Relationship with our Controlling Shareholders”.

Our Pre-IPO Investor, Mr. Law, subscribed for a total of 750 shares in Able Hope on 1 August 2014 and 28 November 2014, representing approximately 7.50% of the total issued shares of Able Hope at an aggregate consideration of approximately HK\$6.0 million. Immediately following the completion of the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), Mr. Law, through Century Great, will be interested in approximately 5.625% of the issued share capital of our Company. For details, see “History, Reorganisation and Corporate Structure — Pre-IPO Investment”.

SUMMARY AND HIGHLIGHTS

KEY FINANCIAL INFORMATION AND OPERATING DATA

The following is a summary of our consolidated results for the periods indicated, which has been extracted from the Accountant's Report.

Key income statement information

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	100,458	114,566	118,510
Gross profit	19,865	29,212	34,645
Profit before income tax	10,741	10,503	13,383
Profit for the year	7,973	5,925	7,344

Key balance sheet information

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	20,132	19,432	18,207
Current assets	68,219	93,734	125,591
Current liabilities	54,810	73,495	95,727
Net current assets	13,409	20,239	29,864
Total equity	33,541	39,671	48,071

Selected cash flow items

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit before working capital changes	14,094	13,975	17,163
Net cash generated from/(used in) operating activities	33,460	(11,875) ^(Note)	33,022
Net cash generated from/(used in) investing activities	285	(178)	(902)
Net cash (used in)/generated from financing activities	(29,440)	19,686	3,209
Net increase in cash and cash equivalents	4,305	7,633	35,329

Note: Despite we generated stable profit before income tax of approximately RMB10.7 million and RMB10.5 million for the years ended 31 December 2014 and 2015, respectively, we recorded net cash used in operating activities of approximately RMB11.9 million for the year ended 31 December 2015 as compared to net cash generated from operating activities of approximately RMB33.5 million for the prior year, primarily due to (i) the decrease in cash receipts from our customers mainly attributable to the delays by certain customers in settling our trade receivables during the year ended 31 December 2015 as a result of the

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relatively loose management of our trade receivables, which was remediated by the subsequent implementation of our enhanced internal control measure in January 2016; (ii) payment of Listing expenses of approximately RMB5.7 million during the year ended 31 December 2015; and (iii) the release of cash flows from our inventories by deploying the aged raw materials in our inventory during the year ended 31 December 2014 as a result of the strengthening of our inventory control policy in the same year. For further details, see “Financial Information — Liquidity and capital resources — Cash flows — Operating activities”.

Key financial ratios

	As at/Year ended 31 December		
	2014	2015	2016
Net profit margin before			
interest and tax (%) <i>(Note 1)</i>	12.3	10.8	13.3
Net profit margin (%) <i>(Note 1)</i>	7.9	5.2	6.2
Return on equity (%)	23.8	14.9	15.3
Return on total assets (%)	9.0	5.2	5.1
Interest coverage (times)	7.6	6.7	6.7
Current ratio	1.2	1.3	1.3
Quick ratio	1.0	1.1	1.1
Gearing ratio (%) <i>(Note 2)</i>	51.5	85.7	81.1
Debt-to-equity ratio (%)	33.9	51.1	N/A

Notes:

- For the three years ended 31 December 2016, our gross profit margin was approximately 19.8%, 25.5% and 29.2%, respectively.

Our net profit margin before interest and tax decreased from approximately 12.3% for the year ended 31 December 2014 to approximately 10.8% for the year ended 31 December 2015, mainly due to the Listing expenses of approximately RMB7.2 million having been recognised for the year ended 31 December 2015, the effect of which was mitigated by the increase in revenue and gross profit margin. Our net profit margin before interest and tax for the year ended 31 December 2016 increased to approximately 13.3% mainly due to the increase in gross profit margin for the year as compared to the year ended 31 December 2015.

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Our net profit margin decreased from approximately 7.9% for the year ended 31 December 2014 to approximately 5.2% for the year ended 31 December 2015. The relatively larger decrease in net profit margin as compared to the net profit margin before interest and tax was mainly due to (i) the increase in effective tax rate for the year ended 31 December 2015 as a result of the non-deductible Listing expenses; and (ii) the slight increase in finance cost for bank borrowings. Our net profit margin for the year ended 31 December 2016 remained relatively stable at approximately 6.2% as compared to that of approximately 5.2% for the year ended 31 December 2015.

For further details, see “Financial Information — Analysis of key financial ratios — Net profit margin before interest and tax” and “Financial Information — Analysis of key financial ratios — Net profit margin”.

2. Gearing ratio increased from approximately 51.5% as at 31 December 2014 to approximately 85.7% as at 31 December 2015 due to the increase in bank borrowings, mitigated by the decrease in amount due to a Director and the increase in equity base mainly attributable to the profit generated for the year ended 31 December 2015.

Gearing ratio slightly decreased to approximately 81.1% as at 31 December 2016 mainly due to the increase in equity base as a result of the profit recognised for the year ended 31 December 2016, mitigated by the additional bank borrowing of RMB5.0 million drawn down by our Group in March 2016.

LISTING EXPENSES

The financial results of our Group for the years ended 31 December 2015 and 2016 were adversely affected by, among others, the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB28.2 million (or approximately HK\$31.5 million, based on HK\$0.60, being the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share to HK\$0.70 per Offer Share and 100,000,000 Offer Shares). Among the estimated total Listing expenses, (i) approximately RMB7.2 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB21.0 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB7.2 million and RMB8.8 million have been recognised for the years ended 31 December 2015 and 2016, respectively. It is expected that Listing expenses of approximately RMB5.0 million will be further recognised for the year ending 31 December 2017.

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USE OF PROCEEDS AND REASONS FOR LISTING

We estimate that the net proceeds from the Share Offer, after deducting the underwriting commission and other estimated expenses payable by our Company will be approximately HK\$28.5 million. For details, see “Future Plans and Use of Proceeds”. We intend to apply the net proceeds from the Share Offer as follows:

	<u>Approximate amount or % of net proceeds</u>
Purchase of one new production line for production of steel pails	HK\$16.0 million or 56.1%
Upgrade of our existing production lines	HK\$2.9 million or 10.2%
Partial repayment of bank loan	HK\$7.8 million or 27.4%
General working capital	HK\$1.8 million or 6.3%

Our Directors are of the view that the Listing is beneficial to our future growth and will drive long-term company value for the following reasons: (i) the Listing will facilitate the implementation of our business strategies in the following ways: (a) the net proceeds of the Share Offer will provide us with the necessary financial resources to implement our business strategies as disclosed in “Future Plans and Use of Proceeds — Our business strategies”; (b) we will be able to gain access to raising funds in the capital market upon successful Listing; and (c) the listing status will strengthen our market position and competitiveness, enhance our reputation and corporate profile and raise our brand publicity, which we believe would enable us to maintain and expand our customer base; (ii) our corporate governance practices including internal control, risk management and audit practices will be further enhanced; (iii) the Listing will diversify the risk of ownership among a larger group of shareholders; (iv) the Listing will improve our ability to recruit, motivate and retain key management personnel; and (v) we will be able to offer an equity-based incentive programme to our employees. For details, see “Future Plans and Use of Proceeds — Reasons for the Share Offer and the Listing”.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to Directors’ decision and will depend on, among other things:

- our earnings;
- our financial condition;
- our cash and capital requirements and availability;
- our Shareholders’ interests;
- our general business conditions and strategies;

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- contractual and legal restrictions on the payment of dividends by us to our Shareholders or to receive dividends from our subsidiaries;
- taxation considerations;
- possible effects on our creditworthiness; and
- statutory and regulatory restrictions.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Subject to the Companies Law and the Articles of Association, our Directors may under certain circumstances, recommend at its own discretion a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends we will receive from Wancheng Shunde, our operating subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from Wancheng Shunde may also be subject to any restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Currently, we do not have any predetermined dividend distribution ratio.

During the Track Record Period and up to the Latest Practicable Date, no dividend was paid or declared by any of our group entities.

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RECENT DEVELOPMENTS

Business and financial updates

Based on the unaudited financial information of our Group, we recorded growth in revenue for the four months ended 30 April 2017 as compared to the corresponding period in the prior year, which was mainly due to the increase in sales volume of tin cans of lower capacities (i.e. below 10 L). On the other hand, we continued to maintain our business relationship with our major customers. In particular, we recorded an increase in sales to Valspar Group for the four months ended 30 April 2017 as compared to the corresponding period in the prior year. According to the CIC Report, in Guangdong Province, (i) the market size of the tinsplate packaging industry for paint and coatings in Guangdong Province is expected to increase from approximately RMB2.6 billion in 2016 to approximately RMB2.8 billion in 2017 in terms of sales revenue; and (ii) the production volume of the paint and coatings industry is expected to increase from approximately 3.5 million tonnes in 2016 to approximately 3.7 million tonnes in 2017. As such, our Directors believe that our overall growth in sales was attributable to the expected increase in the production volume of paint and coatings in Guangdong Province. Nonetheless, due to the increase in sales of tin cans of lower capacities, which have a relatively lower gross margin, our gross profit margin for the four months ended 30 April 2017 decreased as compared to the corresponding period in the prior year.

In March 2016, a paint and coatings manufacturing company listed on the New York Stock Exchange (the “**Purchaser**”) announced (the “**2016 Announcement**”) that a definitive agreement has been entered into for its acquisition of the then New York Stock Exchange listed holding company of Valspar Group. In June 2017, the Purchaser announced that (the “**2017 Announcement**”) the acquisition was completed. Our relationship with Valspar Group may change after completion of the acquisition. For the associated risks, see “Risk Factors — Risks relating to our business — Over 50% of our revenue was derived from our five largest customers for the Track Record Period. If our relationship with them deteriorates or terminates, our business and results of operations would be adversely affected”. According to the 2016 Announcement, the Purchaser indicated that the acquisition would extend their capabilities into new geographies and applications, including a scale platform to grow in Asia-Pacific, Europe, the Middle East and Africa. According to the 2017 Announcement, the Purchaser indicated that the acquisition creates a world class brand portfolio, expanded product range, premier technology and innovation platforms and an extensive global footprint. With the larger platform, the aim to grow in Asia-Pacific and the creation of a larger brand portfolio and product range, we do not expect the Purchaser to replace the suppliers of its products under the brand of Valspar Group or change the business operations in relation to its business to a large extent. Our business relationship with Valspar Group commenced in 1997. We believe that our performance has been and would continue to be recognised and we will not be replaced easily. We have continued to receive confirmed orders from Valspar Group after each of the aforesaid announcements was made. Our Directors confirm that, up to the Latest Practicable Date, we had not received any indication from Valspar Group (i) that it will cease placing orders or terminate business relationship with us; and (ii) relating to any change of existing business relationship with us. Given the abovementioned and the increased amount of sales to Valspar Group

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for the year ended 31 December 2016 as compared to the prior year, our Directors are of the view that the business relationship between our Group and Valspar Group would continue under the existing arrangements before and after completion of the acquisition.

According to the CIC Report, during the two years ended 31 December 2015 up to February 2016, there was a generally decreasing trend in the average price of tinplate coil, which is the major raw material in the production of our tinplate packaging products. The average price of 0.25 mm and 0.35 mm tinplate coils in Guangdong Province decreased from approximately RMB7,300.0 per tonne and RMB6,000.0 per tonne in January 2014, respectively, to approximately RMB6,184.9 per tonne and RMB4,163.8 per tonne in February 2016, respectively. According to the CIC Report, in 2016, the average price of tinplate coils in the PRC and Guangdong Province decreased slightly between January and February, recovered dramatically from March to May, generally stabilised thereafter up to November 2016 and increased from December 2016 to January 2017, stabilised again up to March 2017 and has been slightly decreasing since April 2017 up to May 2017. The average price of 0.25 mm and 0.35 mm tinplate coils in Guangdong Province increased from approximately RMB6,184.9 per tonne and RMB4,163.8 per tonne in February 2016, respectively, up to approximately RMB7,889.1 per tonne and RMB5,289.3 per tonne in May 2017, respectively.

In view of the increase in the average price of tinplate coils from March 2016 to May 2016 and the further increase in the fourth quarter of 2016 up to the beginning of 2017, we increased the selling prices of some products sold to a number of our customers, including our five largest customers for the year ended 31 December 2016, during the period from July 2016 to September 2016, and/or increased the selling prices of some products with effect from January or February 2017.

Having considered that we have adjusted the selling prices of some products and will continue to adjust the selling prices of our products with reference to the price trend of tinplate coils, we do not expect the change in the price of tinplate coils during the five months ended 31 May 2017 to have a material adverse impact on our financial results for the year ending 31 December 2017.

No material adverse change

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospect since 31 December 2016, being the date to which our latest audited financial information was prepared and there had been no event since 31 December 2016 which would materially affect the information shown in the Accountant's Report.

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OFFER STATISTICS

	Based on an Offer Price of	
	HK\$0.50 per Offer Share	HK\$0.70 per Offer Share
Market capitalisation ^(Note 1)	HK\$200 million	HK\$280 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share ^(Note 2)	HK\$0.22	HK\$0.28

Notes:

1. The calculation of the market capitalisation of the Shares is based on 400,000,000 Shares in issue immediately after completion of the Share Offer.
2. See Appendix II to this prospectus for the bases and assumptions in calculating these figures. In particular, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2016.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“Able Hope”	Able Hope Limited, a company incorporated in the BVI with limited liability on 1 August 2014, which is a direct wholly-owned subsidiary of our Company
“Accountant’s Report”	the accountant’s report set out in Appendix I to this prospectus
“Acting in Concert Confirmation”	the deed of confirmation dated 14 November 2016 executed by Mr. JH Liang and Mr. JX Liang, in relation to their confirmation of the existence of certain acting in concert arrangements. For details, see “Relationship with our Controlling Shareholders — Overview — Our Controlling Shareholders”
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or where the context so requires, any of them, in connection with the Public Offer
“AQSIQ”	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局)
“AQTS (Guangdong Province)”	the Administration of Quality and Technology Supervision of Guangdong Province (廣東省質量技術監督局)
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted by our Shareholders on 14 February 2017 to take effect upon commencement of trading of the Shares on GEM, a summary of which is set out in Appendix IV to this prospectus
“Board” or “Board of Directors”	the board of Directors
“business day(s)”	any day(s) (other than a Saturday, a Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Century Great”	Century Great Investments Limited, a company incorporated in the BVI with limited liability on 15 November 2012 and wholly-owned by Mr. Law, which was interested as to 7.50% of the issued share capital of our Company as at the Latest Practicable Date
“CIC”	China Insights Consultancy Limited, an industry research consultant and an Independent Third Party
“CIC Report”	the industry report prepared by CIC, details of which are set out in “Industry Overview”
“cm”	centimetre(s)
“Companies Law” or “Cayman Companies Law”	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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Wan Cheng Metal Packaging Company Limited (萬成金屬包裝有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 April 2016
“Controlling Shareholder(s)”	Mr. JH Liang, Mr. JX Liang and/or Fortune Time
“Deed of Indemnity”	the deed of indemnity dated 23 June 2017 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of each of its subsidiaries), particulars of which are set out in “E. Other Information — 1. Estate duty, tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 23 June 2017 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies from time to time), a summary of the principal terms of which is set out in “Relationship with our Controlling Shareholders — Deed of Non-competition”
“Deed of Reorganisation”	the deed of reorganisation dated 4 May 2016 entered into among Mr. JH Liang, Mr. JX Liang, Mr. Law, Fortune Time, Century Great, Able Hope and our Company pursuant to which Mr. JH Liang, Mr. JX Liang and Mr. Law respectively agreed to sell 4,625, 4,625 and 750 shares in Able Hope, being its entire issued shares, to our Company in consideration of our Company allotting and issuing 277,499,999 Shares and 22,500,000 Shares credited as fully paid to Fortune Time and Century Great, respectively
“Director(s)”	the director(s) of our Company
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) as adopted by the National People’s Congress on 16 March 2007 and became effective on 1 January 2008
“EIT Rules”	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例)

DEFINITIONS

“Fortune Time”	Fortune Time Enterprises Limited, a company incorporated in the BVI with limited liability on 2 January 2015, which is owned as to 50% by Mr. JH Liang and 50% by Mr. JX Liang and is a Controlling Shareholder
“Foshan Factory”	our factory located at No. 3 Huada Road, Bianjiao Juweihui, Ronggui Jiedao Banshichu, Shunde District, Foshan City, Guangdong Province, the PRC
“Gaoli Factory”	our previous factory located at Gaoli Industrial Zone, Guizhou Town, Shunde City, Guangdong Province, the PRC, before moving to Foshan Factory
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
“HK\$”, “HKD” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

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“HKSCC Nominees”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Branch Share Registrar”	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any individual(s) or company(ies) who or which is/are not our connected person(s)
“Internal Control Consultant”	Moore Stephens Advisory Services Limited, the internal control consultant of our Company
“km”	kilometre(s)
“Joint Bookrunners” or “Joint Lead Managers”	Lego Securities Limited and Sorrento Securities Limited, being the joint bookrunners and joint lead managers of the Share Offer
“Latest Practicable Date”	21 June 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on Tuesday, 18 July 2017
“Listing Division”	the listing department of the Stock Exchange
“L”	litre(s)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted by our Shareholder on 14 February 2017, as amended from time to time
“ml”	millilitre(s)
“mm”	millimetre(s)

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“Mr. JC Liang”	Mr. Liang Juncheng (梁俊誠), our chief executive officer, an executive Director, an uncle of Mr. JH Liang and Mr. JX Liang, and a brother of Mr. JQ Liang
“Mr. JH Liang”	Mr. Liang Jianheng (梁建恒), our chairman, an executive Director, one of our Controlling Shareholders, the brother of Mr. JX Liang, a nephew of Mr. JC Liang and a son of Mr. JQ Liang
“Mr. JQ Liang”	Mr. Liang Junqian (梁俊謙), our executive Director, the father of Mr. JH Liang and Mr. JX Liang, and a brother of Mr. JC Liang
“Mr. JX Liang”	Mr. Liang Jianxun (梁建勛), one of our Controlling Shareholders, the brother of Mr. JH Liang, a nephew of Mr. JC Liang and a son of Mr. JQ Liang
“Mr. Law” or “Pre-IPO Investor”	Mr. Law Sai Hung (羅世鴻), the shareholder holding the entire interest in Century Great and our significant Shareholder. For details of Mr. Law and his relationship with our Company, see “History, Reorganisation and Corporate Structure — Pre-IPO Investment”
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for pursuant to the Share Offer, as further described in “Structure and Conditions of the Share Offer — Pricing — Determining the Offer Price”
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriter on behalf of our Company for cash at the Offer Price, as described in “Structure and Conditions of the Share Offer”
“Placing Share(s)”	the 90,000,000 new Shares initially offered by our Company for subscription under the Placing, subject to re-allocation as described in “Structure and Conditions of the Share Offer”
“Placing Underwriter”	the underwriter for the Placing who is expected to enter into the Placing Underwriting Agreement

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“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or about 10 July 2017 by our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter relating to the Placing
“PRC”, “China” or “People’s Republic of China”	the People’s Republic of China which, in this prospectus, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) on 27 October 2005 and amended on 28 December 2013 and became effective on 1 March 2014
“PRC government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“PRC Legal Advisers”	Jia Yuan Law Offices, the legal advisers of our Company as to PRC law
“Pre-IPO Investment”	the investment made by the Pre-IPO Investor in our Company, details of which are set out in “History, Reorganisation and Corporate Structure — Pre-IPO Investment”
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement expected to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or before Monday, 10 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree, on which the Offer Price will be fixed for the purposes of the Share Offer

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“Public Offer”	the offer of Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in “Structure and Conditions of the Share Offer — The Public Offer”
“Public Offer Shares”	the 10,000,000 new Shares initially offered by our Company for subscription pursuant to the Public Offer at the Offer Price, subject to re-allocation as described in “Structure and Conditions of the Share Offer”
“Public Offer Underwriters”	the underwriters for the Public Offer as listed out in “Underwriting — Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the underwriting agreement dated 28 June 2017 relating to the Public Offer entered into among our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in “Underwriting — Underwriting arrangements, commissions and expenses — Public Offer — Public Offer Underwriting Agreement”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure — Reorganisation”
“Reporting Accountant”	BDO Limited, our reporting accountant
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAC”	the Standardization Administration of the PRC (中國國家標準化管理委員會)
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 23 June 2017, the principal terms of which are summarised in “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	the holder(s) of our Shares
“Sponsor”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 December 2016
“tonne”	metric tonne(s)
“Underwriters”	the Public Offer Underwriters and the Placing Underwriter
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “USA”	the United States of America
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the U.S.
“Wancheng Hong Kong”	Wangchen Metal Works Company Limited (萬成金屬有限公司) (formerly known as Huarun Wangchen Metal Works Company Limited (華潤萬成金屬有限公司)), a company incorporated in Hong Kong with limited liability on 18 June 2003, which is an indirect wholly-owned subsidiary of our Company
“Wancheng Shunde”	Foshan City Shunde Wancheng Metal Packaging Company Limited* (佛山市順德區萬成金屬包裝有限公司) (formerly known as Shunde City Guizhou Wancheng Metal Packaging Company Limited* (順德市桂洲萬成金屬包裝有限公司), Shunde City Ronggui Town Wancheng Metal Packaging Company Limited* (順德市容桂鎮萬成金屬包裝有限公司), Shunde City Ronggui District Wancheng Metal Packaging Company Limited* (順德市容桂區萬成金屬包裝有限公司) and Foshan City Shunde District Ronggui Wancheng Metal Packaging Company Limited* (佛山市順德區容桂萬成金屬包裝有限公司)), a company established under the laws of the PRC with limited liability on 27 June 1997, which is an indirect wholly-owned subsidiary of our Company. Wancheng Shunde is our operating subsidiary for the manufacturing and sale of tinplate packaging products
“ WHITE Application Form(s)”	the application form(s) to be completed by the public who require the Public Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) to be completed by the public who require the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

HK\$7.80: US\$1.00; and

HK\$1.00: RMB0.896

No representation is made that any amounts in HK\$, US\$ or RMB were or could have been converted at the above rate or at any other rates or at all.

DEFINITIONS

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “substantial shareholder” and “significant shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

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

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translations of company names in Chinese or another language which are marked with “” and the Chinese translations of company names in English which are marked with “*” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and other terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry definitions.

“aerosol cans”	a type of packaging can used to contain aerosol products being liquid substance sealed in a metal container under pressure with an inert gas or other activating agent and released as a spray on foam through a push-button valve or nozzle. Examples of aerosols are hair spray, body deodorant and air freshener
“COD”	cash on delivery, which is a kind of settlement term
“cold-reduced electrolytic tinplate”	a low-carbon mild steel sheet or coil, reduced to the desired thickness in a cold-reduction mill and temper rolled, coated on both surfaces with tin that is applied in continuous electrolytic operation
“GB” or “GB/T”	national standards of SAC which are either mandatory (which are prefixed GB) or recommended (which are prefixed GB/T) and may be identical to or modified from or not equivalent to international standards of the ISO
“IEC”	the International Electrotechnical Commission, an independent global organisation that prepares and publishes international standards for all electrical, electronic and related technologies
“ISO”	the International Organisation for Standardisation, an independent non-governmental international organisation based in Geneva, Switzerland that develops and publishes international standards required by business, government and society around the world. ISO collaborates with its partners, including IEC, in international standardisation
“ISO 9001:2008”	a set of international quality management standards published by ISO that are primarily concerned with an organisation’s efforts to ensure that its products conform to customer and applicable regulatory requirements and that set requirements for an organisation’s management of product quality procedures
“latex paints”	a type of water-based paint that consists of dispersion of fine particles of synthetic resin and pigment in water that are quick-drying, low in odor and thinned with water and is generally used for painting interiors such as walls and ceilings

GLOSSARY OF TECHNICAL TERMS

“paint and coatings”	a substance composed of solid coloring matter suspended in a liquid medium and applied as a protective or decorative coating to various surfaces, or to canvas or other materials in producing a work of art
“PRC Standard GB 12463-2009”	General Specifications for Transport Packages of Dangerous Goods GB 12463-2009 危險貨物運輸包裝通用技術條件, a PRC mandatory national standard of SAC
“PRC Standard GB 13042-2008”	Packaging Containers — Tinsplate Aerosol Can GB 13042-2008 包裝容器—鐵質氣霧罐, a PRC mandatory national standard of SAC
“PRC Standard GB/T 13252-2008”	Packing Containers — Steel Pails 包裝容器—鋼提桶 GB/T 13252-2008, a PRC recommended national standard of SAC
“PRC Standard GB/T 15170-2007”	Packing Containers — Industrial Steel Sheet Round Can 包裝容器—工業用薄鋼板圓罐 GB/T 15170-2007, a PRC recommended national standard of SAC
“PRC Standard GB/T 17343-1998”	Packing Containers — Square Pail 包裝容器—方桶 GB/T 17343-1998, a PRC recommended national standard of SAC
“PRC Standard GB/T 2520-2008”	Cold-reduced Electrolytic Tinsplate 冷軋電鍍錫鋼板及鋼帶 GB/T 2520-2008, a PRC recommended national standard of SAC
“PRC Standard QB/T 1877-1993”	Tinsplate Prints for the Packing and Decoration 包裝裝潢鍍錫(鎘)薄鋼板印刷品 QB/T 1877-1993, a PRC recommended industrial standard of SAC
“GB/T 19001-2008/ISO 9001:2008”	a set of GB/T entitled “Quality management systems — Requirements” and a PRC recommended national standard of SAC, which is identical to ISO 9001: 2008
“PVC”	polyvinyl chloride, which is a kind of plastic
“QB/T”	recommended technical requirements developed for the sector of light industry in China issued by the National Development and Reform Commission of China
“steel pail”	a watertight cylindrical vessel made of steel, open at the top and fitted with a handle
“tin can”	a type of can for the distribution or storage of goods composed of thin metal

GLOSSARY OF TECHNICAL TERMS

“tinplate”	a thin sheet of iron or steel coated with tin to prevent rusting and is used especially to produce metal cans and pots
“tinplate laminating”	the process of affixing pre-printed polyester film to tinplate sheets using a gravure roll
“tinplate printing”	the process of painting coatings onto the pre-processed tinplate sheets using a sheet printing machine
“tinplate scroll-cutting”	the process required for cutting tinplate sheets using a specially designed saw

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in “Financial Information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information 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 the legal and regulatory environment in which our Group operates may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks and uncertainties. The trading price of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Any material decline in the level of economic activities and slowdown in the growth of our downstream industries, especially the paint and coatings industry in Guangdong Province, and their demands for our products, may materially and adversely affect our business, financial position and results of operations.

Our customer base for the Track Record Period mainly comprised paint and coatings suppliers and other manufacturers of packaging products. All of our five largest customers are located in Guangdong Province. As such, our business performance is affected by the general economic environment of our downstream industries, especially the paint and coatings industry in Guangdong Province, which may be affected by various factors beyond our control, including but not limited to GDP growth rate, consumer confidence, levels of inflation, unemployment levels and interest rates. A slowdown in our downstream industries may in turn result in decreased demand for our products and ultimately a material adverse effect on our business, financial position and results of operations.

Any change in market demand levels for tinplate packaging products in the PRC, especially in Guangdong Province, may have a significant effect on our business, financial condition and results of operations. According to the CIC Report, some of the end-use industries of paint and coatings had experienced declination of growth from 2012 to 2016, which has in turn lowered the growth of demand for tinplate packaging products in the PRC. We cannot accurately predict the changes in the supply and demand for our products, if any, due to such slowdown in growth. Our customers may generate less business from their own customers, which may affect our customers' performance and lead to changes in their procurement or business strategies, and our business may in turn be affected. Our customers may downsize their business or suspend or cease any expansion plans, which may lead to a reduction in the volume of orders placed with us. They may seek to introduce changes to our current sales arrangement with them, such as imposing terms which are commercially less favourable to us in the contracts, which, if accepted by us, will affect our profitability and cash flow position. They may also turn to other suppliers with more competitive prices and cause us to lose business to competitors. If such events occur, our business, results of operations, financial condition and prospects may be materially and adversely affected.

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Over 50% of our revenue was derived from our five largest customers for the Track Record Period. If our relationship with them deteriorates or terminates, our business and results of operations would be adversely affected.

Sales to our five largest customers for the three years ended 31 December 2016 accounted for approximately 61.0%, 51.0% and 54.0% of our total revenue, respectively. For details of our five largest customers, see “Business — Customers — Five largest customers”. We do not enter into any long-term contract with purchase obligations with our customers. We cannot assure you that our five largest customers will continue to do business with us at the same or increased levels or at all.

Sales to our largest customer, Valspar Group (Valspar Group refers to Huarun and/or Valspar, see “Business — Customers”), amounted to approximately RMB46.7 million, RMB40.0 million and RMB42.3 million, representing approximately 46.5%, 34.9% and 35.7% of our total revenue for the three years ended 31 December 2016, respectively. For details, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Revenue”. According to public information, the acquisition of the entire shareholding interest in the holding company of Valspar Group by a paint and coatings manufacturing company listed on the New York Stock Exchange was completed in June 2017. For details, see “Summary and Highlights — Recent developments — Business and financial updates” and “Business — Customers”. We cannot predict whether the operations or business strategies of Valspar Group will change after completion of the aforesaid acquisition, and if any such changes will affect our relationship with Valspar Group. There is no guarantee that we will not be replaced as a supplier to Valspar Group or Valspar Group may reduce its purchase orders placed with us or terminate its business relationship with us in the future due to any change of its business strategies and needs, which could materially affect our volume of business and performance. We cannot assure that we will be able to obtain replacement orders or adequately diversify our revenue sources in a timely manner or on commercially reasonable terms to mitigate any loss of revenue from Valspar Group. As such, if there is any adverse development related to Valspar Group’s operations after completion of the aforesaid acquisition, or any other reasons resulting in the deterioration in, or termination of, our business relationship with Valspar Group, it may cause a significant adverse effect to our business, financial condition and results of operation. Termination of business relationship with Valspar Group may also hurt our reputation in the industry. Even if we manage to secure other reputable customers, we would need to invest time and resources to develop the relationship with the new customers, including the reallocation of the human resources (such as relocating and training staff to cope with the requirements of new customers or be familiar with them) and adapting the systems and procedures to meet the requirements of the new customers. If we cannot secure other reputable customers, our business performance and financial results will be adversely affected. If any of our major customers were to substantially reduce the volume and/or the value of their businesses with us or to cease to conduct business with us and we were unable to expand our business with existing customers or attract new customers at desired levels, we may experience slower or no growth at all or decrease in our revenue, and our business, financial

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condition and results of operations would be materially and adversely affected. In light of the aforesaid, the mix and identity of our largest customers may vary from year to year. If we fail to adjust our business strategies accordingly if needed, our performance will be adversely affected.

Over 50% and 80% of our total purchases were made from our largest supplier and our five largest suppliers for the Track Record Period, respectively. If our arrangements with these major suppliers, in particular, our largest supplier, are terminated, interrupted, or adversely modified, our business, financial condition and results of operations could be adversely affected.

Purchases from our five largest suppliers for the three years ended 31 December 2016 accounted for approximately 82.7%, 81.4% and 84.8% of our total purchases, respectively. Purchases from our largest supplier for the three years ended 31 December 2016 accounted for approximately 62.5%, 55.8% and 52.3% of our total purchases, respectively. For details of our five largest suppliers, see “Business — Suppliers”.

We do not enter into long-term contract with purchase obligations with our suppliers. There is no guarantee that we will not suffer from any shortage of suppliers in the future. Should our largest supplier and/or any of other major suppliers reduce the volume supplied to us or cease to supply to us, we may need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, our production may have to be interrupted, our production costs may increase and our business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

Our largest supplier throughout the Track Record Period mainly supplied tinplate coils to our Group. The stability of operations and business strategy of our largest supplier, which is beyond our control, will also affect us. Any material disruption to its operations due to natural or other causes, such as bad weather, riots, natural disaster, fire or other technical and mechanical problems could adversely affect our procurement process. If that occurs, our business results of operations could be adversely affected. If our largest supplier changes its business strategy substantially, it could reduce its volume of supply to or cease business relationship with us, which could in turn materially affect our volume of business and performance.

If we encounter unsteady supply or price fluctuation of tinplate coil, our revenue and profitability may be adversely affected.

During the Track Record Period, our costs of raw materials mainly represented tinplate coil consumed. Our aggregate cost of tinplate coil accounted for approximately 62.2%, 61.1% and 59.2% of our total cost of sales, respectively, for the three years ended 31 December 2016. Our ability to pass on such cost increases is, to a large extent, subject to the intensity of market competition and the general economic conditions. There is no assurance that we can continue to secure adequate supplies of tinplate coil at a competitive cost level to meet our production requirements, particularly in periods of high demand. We cannot always accurately predict customer demand, thus we could be subject to shortage or excess of raw material inventory and in turn disruption to our production plans. In the event of any material increase in the price of tinplate coil,

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there is no assurance that we can pass on the effects of the price fluctuations to our customers without affecting the demand for our products. Therefore, our revenue and profitability may be adversely affected in the event of unsteady supply or price fluctuation of tinplate coil for our production.

Our gross profit margin increased from approximately 19.8% for the year ended 31 December 2014 to approximately 25.5% for the year ended 31 December 2015, and further to approximately 29.2% for the year ended 31 December 2016, which was mainly due to the overall increase in our gross profit margin which was primarily attributable to the comparatively lower average costs of tinplate coils consumed for our production during the year ended 31 December 2015 and the first half of 2016 and the increase in revenue and sales volume of steel pails which generally have higher gross profit margin than tin cans. According to the CIC Report, the average price of 0.25 mm tinplate coil and 0.35 mm tinplate coil in Guangdong Province showed a general downward trend from 2012 to 2015. Such price continued to decrease between January 2016 and February 2016, recovered dramatically from March 2016 to May 2016, generally stabilised thereafter up to November 2016 and increased from December 2016 to January 2017, stabilised again up to March 2017 and has been slightly decreasing since April 2017 up to May 2017. However, our historical increase of gross profit margin and the limited history of price trend of tinplate coil could make it difficult for potential investors to evaluate our prospects. There can be no assurance or accurate prediction on the fluctuation of the price of tinplate coils in the future. We may not be able to sustain our stable growth in gross profit margin or may not even be able to grow our business at all.

We experienced delays in receiving our trade receivables during the Track Record Period. Failure to secure adequate payments in time or to manage bad debt effectively could have a material and adverse effect on our business, financial position, results of operations and prospects.

As at 31 December 2014, 31 December 2015 and 31 December 2016, our total trade and bills receivables amounted to approximately RMB41.0 million, RMB58.8 million and RMB46.2 million, respectively, out of which approximately RMB25.5 million, RMB37.1 million and RMB22.1 million were past due, respectively. For the three years ended 31 December 2016, our total trade and bills receivable turnover days were approximately 130.2 days, 159.0 days and 162.2 days, respectively.

Any delay or difficulty in collecting our trade receivables could adversely affect our cash flow and working capital. Regardless of whether the past due trade receivables could eventually be collected, the process of such recovery may be time-consuming and requires financial and other resources to settle any disputes. We may also need to extend our payment terms or restructure the trade receivables owed to us, which could materially and adversely impact on our financial conditions. Moreover, any significant timing difference between the payment and credit terms given by us to our customers and the payment and credit terms given to us by our suppliers may result in significant cash flow mismatch, which may adversely affect our cash flow position and our ability

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to meet our working capital requirements in the future. Any failure by our customers to eventually settle the past due trade receivables to us may have a material adverse effect on our operating results.

We recorded negative operating cash flows for the year ended 31 December 2015.

We recorded negative operating cash flows of approximately RMB11.9 million for the year ended 31 December 2015. For more details, see “Financial Information — Liquidity and capital resources — Cash flows — Operating activities”. We cannot guarantee that we will be able to record positive operating cash flow in future as we continue to grow our business. If we continue to record negative operating cash flow in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our customers make purchases from us on an order by order basis, which exposes us to potential volatility in our revenue.

Our sales are made based on actual purchase orders received and we do not enter into long-term contract with purchase obligations with our customers. Our customers may cancel or defer purchase orders. Our customers’ purchase orders may vary from period to period, and it is difficult to accurately forecast future order quantities. There is no assurance that any of our customers will continue to place purchase orders with us in the future at the same volume, or at the same margin, as compared to prior periods, or at all. We may not be able to locate alternative customers to place new purchase orders. There is also no assurance that the volume or margin of our customers’ purchase orders will be consistent with our expectations. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

Any significant disruption in our production facilities will adversely affect our business, financial conditions and results of operations.

We rely on our current production facilities in our Foshan Factory for production. Our production facilities face the risk of breakdowns or failures of our major machinery and equipment, power supply or maintenance, industrial accidents, whether or not caused by reasons including but not limited to faulty construction and operator error, as well as natural disasters. Any interruption in, or prolonged suspension of any part of production at, or any damage to or destruction of, any of our production facilities arising from unexpected or catastrophic events or otherwise may prevent us from supplying products to our customers, which in turn may result in a material adverse effect on our business and operations. There is also a risk of injury or damage to persons, the property of others or the environment, which in turn could lead to considerable financial costs and may also have legal consequences. In particular, if we were to incur a significant liability for which we have not maintained sufficient insurance coverage, we might not be able to finance the amount of the uninsured liability, and might be obligated to divert a significant portion of cash flow from normal business operations. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

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Any breakdown or suspension of production or failure to supply our products and services to our customers in a timely manner may result in breach of contract and loss of sales, as well as expose us to liability and the requirement to pay compensation under the relevant agreements, lawsuits and damages to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.

We are subject to risks of failure of our quality control system, which would adversely affect our reputation, as well as our operations and financial condition.

The quality of our products is critical to the success of our business. Our product quality depends significantly on the effectiveness of our quality control systems, which, in turn, depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs as well as our ability to ensure that our quality control policy and guidelines are adhered to. For the three years ended 31 December 2016, we incurred additional costs of approximately RMB41,000, RMB33,000 and RMB80,000, respectively, regarding product return incidents. Any failure of our quality control system would result in defects in our products, which in turn may jeopardize our reputation and reduce demands for our products and we may lose some of our customers and the market share. As a result, our profitability and financial condition could be adversely affected.

If our operation licences, permits or approvals are cancelled, suspended or fail to be renewed, it may materially and adversely affect our business, financial position, results of operations and prospects.

There can be no assurance that the relevant governmental authorities will not amend or revise existing laws, regulations or rules to require additional licences, permits or approvals, or to impose stricter requirements or conditions for the licences, permits or approvals required for our business and operations. The grant or renewal of such licences, permits or approvals may be subject to fulfilment of conditions and we may encounter problems or delays in fulfilling such conditions. Any loss of or failure to obtain or renew our licences, permits or approvals in a timely manner or at all could disrupt our operations and subject us to fines or penalties imposed by the relevant governmental authorities. There is no assurance that we will be able to expeditiously adapt to new laws, regulations or policies that may come into effect from time to time.

Our tinplate raw material trading business may decline due to changes in the business strategies of our Group and our relationship with our suppliers.

Revenue from the trading of raw materials (including tinplate coil and tinplate sheet) and sales of parts of a can (including can cover, can top and can bottom) and used moulds accounted for approximately 9.8%, 8.2% and 8.6% of our total revenue for the three years ended 31 December 2016. Gross profit margin for the trading of raw materials (including tinplate coil and tinplate sheet) and sales of parts of a can (including can cover, can top and can bottom) and used moulds were approximately 65.5%, 30.3% and 63.9% for the three years ended 31 December 2016, respectively. We do not enter into long-term contract with purchase obligations with our suppliers or customers for purchase or sales of tinplate raw materials. We may not always source large

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quantities of tinplate raw materials from the same supplier and we may require different payment terms, depending on our business needs and procurement strategy, and the competitive pricing of raw material we purchased is subject to change. Our suppliers may not always be able to supply tinplate raw materials in bulk at competitive prices to us due to changes in our relationship, their business strategy or other reason beyond our control. If we are no longer able to source raw materials (including tinplate coil and tinplate sheet) at competitive price for sales to third party customers, our revenue could decline and we may have to devote resources to devise other strategies to manage our overall procurement costs for our raw materials and mitigate the impact of tinplate price fluctuations.

Our Group may incur increasing costs or investments should the PRC government adopt any new or stricter national standards on our products

Our products need to satisfy various national standards. According to the applicable laws in the PRC, products that fail to meet mandatory standards are prohibited from being manufactured, sold or imported. For details, see “Regulatory Overview” and “Business — Quality control”. As these standards could change from time to time and those changes are out of our control, we cannot assure you that our products can successfully satisfy these requirements in the future. Should the PRC government impose any standards on our products, and such new standards require higher and stringent technical requirements beyond our existing technical capacity, additional costs and investments in upgrading our product design and development capabilities, enhancing our production facilities and recruiting more experienced technical expertises may be required in order to comply with the new product standards. Our production cost may also increase in order to meet such new standards. Our failing to upgrade our production capacity and technical level to meet the national standards of our products may adversely affect our operation and financial position.

We are exposed to disruptions to the delivery of our raw materials and products, which could lead to delayed, damaged or lost deliveries and affect our reputation.

The transportation logistics with our suppliers, our subcontractors and our customers are premised on road transport. We deliver our finished products to our customers through our own logistics team. There is no guarantee that our raw materials and products will be delivered smoothly without any obstacles or delay. Delivery disruptions of our raw materials and products may occur for various reasons beyond our control, including but not limited to transportation bottlenecks, natural disasters, unfavourable weather conditions, labour strikes, vehicle failure, political turmoil and social unrest. Such risks could lead to delayed, damaged or lost deliveries. If our products are not delivered to our customers on time, or are damaged in the course of delivery, our reputation could be adversely affected. We may also need to make compensation payments to our customers, which in certain circumstances could be of a substantial amount.

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If we fail to increase our production capacity and/or upgrade our existing production lines in a timely manner, our business prospects could be materially and adversely affected.

According to the CIC Report, it is necessary for manufacturers of tinplate packaging products to upgrade production lines to enhance automated production, otherwise the gross margin is estimated to be weakened by growing labour cost. For the two years ended 31 December 2016, the utilisation rate of our production lines of steel pails reached approximately 86.0% and 90.7%, respectively. We plan to purchase one new production line for steel pails to meet the anticipated increasing market demand and upgrade our existing production lines with an aim to enhance our production efficiency and lower our operating cost. For further details, see “Future Plans and Use of Proceeds”. In the event we fail to increase our production capacity and/or upgrade our existing production lines in a timely manner, we may not be able to capture the expected growth in demand for our products and may be exposed to increase in operating costs, respectively, which could materially and adversely affect our business prospects.

Our future capital expenditure on the purchase of new production line and upgrading of our existing production lines may result in increased depreciation expenses.

For the three years ended 31 December 2016, we recorded depreciation on property, plant and equipment of approximately RMB1.6 million, RMB1.5 million and RMB1.6 million, respectively. We intend to purchase one new production line for steel pails and upgrade our existing production lines. As such, it is anticipated that our depreciation expenses will increase after the Listing and may ultimately result in a material adverse effect on our business, financial position and results of operations in the future.

Our business activities are concentrated in Guangdong Province and are exposed to risks related to the deterioration of economic, social and/or political conditions in this region.

Currently, our business activities are based in Guangdong Province as our Foshan Factory and five largest customers and suppliers for the Track Record Period are concentrated in this region. We are therefore exposed to any deterioration in the economic, social and/or political conditions as well as the outbreak of natural disasters, wars, terrorist attacks, political or social unrests, strike, riot, civil disturbance or disobedience, epidemics, any unfavourable state or provincial policies applicable to Guangdong Province or other events beyond our control in this region, as any such event could result in decreased customer demand, a shortage in the supply of labour force as well as raw materials for our production, which would have a material adverse impact on our business.

We may be subject to liability in connection with industrial accidents happened during our production process at our Foshan Factory.

As our production process at our Foshan Factory inevitably involves the operation of tools, equipment and machinery, industrial accidents resulting in employee injuries or even deaths may occur. There is no assurance that these industrial accidents, whether due to malfunctions of such tools, equipment or machinery or other reasons, will not occur in the future. In such event, we may be liable for personal injury or death and monetary losses suffered by our employees, fines or

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penalties or other legal liability arisen from violation of applicable PRC laws and regulations. We may also be subject to business interruptions caused by equipment shutdowns for government investigation or implementation or imposition of safety measures as a result of the accident. Further, any enhanced safety measure imposed by the PRC government authorities from time to time in the future could have a material adverse effect on the manner in which we conduct our operations, thereby adversely impacting our operations.

Our insurance may not be sufficient to cover the risks connected with our operations and potential losses.

We maintain insurance coverage against risks of loss or damage in respect of, among other things, our Foshan Factory and equipment therein and our motor vehicles. For details of our insurance policies, see “Business — Insurance”. We do not have insurance coverage for product liability, business interruptions and environmental liability. As a result, unforeseen situations or events which are not covered under our insurance policies may arise. Even where our losses are within the coverage of our insurance, there is no assurance that we will be successful in making claims, or that the proceeds from a successful claim will be adequate to compensate the actual losses suffered by us or at all. If we suffer significant losses not covered by our insurance policies or the amount of proceeds from a successful claim are significantly less than the actual losses suffered by us, our financial position will be materially and adversely effected. Furthermore, if the premium on our insurance coverage increases significantly in the future, we will either consequently incur more costs in relation to insurance or be unable to obtain insurance coverage at current levels.

We are subject to financial and reputational risks due to product quality and liability issues.

Our business is inherent to the risk of product liability claims. We cannot guarantee that all products produced by us are defect-free. If our products failed to perform their specifications or caused or alleged to have caused property damage and bodily injury, we would be subject to product liability claims. Any product liability claim against us and any legal proceedings, arbitration or administrative sanctions or penalties arising therefrom, irrespective of the outcome or the merits of such claims, would adversely affect our business, financial condition, results of operations as well as our corporate image and reputation. Even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products as a result of such claim, which may in turn adversely affect our future business.

Our failure to accurately anticipate the demand of our existing and potential customers as well as changes in packaging trends and to adjust our production capacity accordingly could adversely affect our financial condition and results of operations.

We may fail to correctly anticipate the demands of our existing and potential customers and, consequently, be unable to maintain satisfactory capacity utilisation rates. In addition, if our customers’ requirements change due to changes in packaging trends, such as any change of

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preference for raw materials and for size and capacity of packaging products required, we may not be able to timely adjust our production capacity. As a result, our financial condition and results of operations may be adversely affected.

Our business is susceptible to seasonal fluctuations.

Our business may be impacted by seasonality. During the Track Record Period, we generally experienced lower sales demand and recorded lower sales in January and February. For further details, see “Business — Products — Seasonality and product life cycle”. As a result of these fluctuations, comparisons of our sales and results of operations between different periods within a single fiscal year or in different fiscal years are not necessarily meaningful and should not be relied upon as indicators of our performance for any future fiscal period. If we cannot secure some purchase orders for our low season, our results of operations may be adversely affected.

We outsourced certain production processes of our tinplate packaging products to our subcontractors during the Track Record Period. Any changes to our relationship with them, disruptions with their manufacturing operations or deterioration of the quality of their services could adversely affect our business.

During the Track Record Period, we outsourced certain production processes of our tinplate packaging products to independent subcontractors. For further details, see “Business — Suppliers — Subcontractors”. In the event our relationship with our subcontractors deteriorates or terminates, we cannot assure that we will be able to locate comparable alternative subcontractors that could provide the services we require in a timely manner and/or on commercially acceptable terms. This could cause delay to our product schedule and in turn affect our business operations and financial results. Furthermore, if there is any significant disruption to the operations of our subcontractors or damage to their facilities due to natural or other causes such as technical and mechanical failures, the subcontractors may be late in completing the production and/or producing products with unsatisfactory quality. Problems with any of the subcontractors’ production facilities or production such as any non-compliance with applicable laws, requirements or industry standards, which may or may not come to our attention in time or at all, could result in deteriorating quality of our products or eventually our termination of relationship with them. We may also face claims arising from latent defects, that are existing but not yet discovered or visible, which are not properly handled by our subcontractors. In such event, our operations and profitability would be adversely affected.

We rely on our key management and a stable supply of labour at reasonable cost and any discontinuance of their present positions or any shortage of labour would adversely affect our operations and financial condition.

We believe that our future success depends heavily on our experienced senior management team. There is no assurance that any individual will continue in his or her present capacity with our Group for any particular period of time, and the loss of services of any member of our senior management team without appropriate replacement could have an adverse effect on our ability to implement our business strategy.

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As at the Latest Practicable Date, we had 284 employees. There is no guarantee that our supply of labour and labour cost will continue to be stable. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate sudden increase in demand for our products or smoothly implement our expansion plans. If we are not able to manufacture and deliver our products to our customers as scheduled or if we are unable to implement our expansion plans, our business, financial condition, operations and prospects would be materially and adversely affected. Furthermore, if there is a significant increase in labour cost, the cost of our business operation would increase and our profitability would be adversely affected.

There are no assurance that we will declare dividends in the future

There is no assurance that we will declare dividends in the future. The declaration of future dividends will be subject to our Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant. For details of our dividend policy, see "Financial Information — Dividend". We cannot assure you when or whether we will declare dividends in the future.

The interests of our Controlling Shareholders may conflict with the interests of the public shareholders.

Immediately after the completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 69.375% by Fortune Time, which is in turn owned as to 50% by each of Mr. JH Liang and Mr. JX Liang. Subject to our Memorandum and Article of Association and applicable law and regulations, our Controlling Shareholders will continue to have the ability to exercise a controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions including mergers and acquisitions, and approving our annual budgets. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that will conflict with the best interest of public shareholders.

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive market that could result in lower profit margins.

According to the CIC Report, (i) in 2016, there were over 450 manufacturers of tinplate packaging products for paint and coatings in the PRC, of which approximately 140 to 190 were located in Guangdong Province; (ii) compared with other metal packaging products, tinplate packaging products for paint and coatings have lower requirement for production efficiency and entrants with limited production capacity and technical knowledge can easily participate in the market competition; and (iii) with the development of economies of scale, competition in tinplate packaging industry in the PRC has become more intense. In the event that our competitors offer less expensive alternatives to our products or services, or engage in aggressive pricing in order to increase their market share, or are capable of supplying products with superior performance,

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functions or efficiency, we could lose customers to our competitors and our business, financial condition and results of operations could be adversely affected. Competition could also lead to, among other things, stricter terms in agreements with manufacturers of tinplate packaging products, which could have an adverse impact on our business, financial condition and results of operations and lower our profit margins.

Changes to PRC laws, regulations and government policies in relation to environmental protection could adversely impact our business, financial condition and results of operations.

According to the CIC Report, the PRC government has implemented strong regulations on environmental protection and sustainable development of packaging production. We are and will continue to be subject to PRC laws, rules and regulations concerning environmental, including in relation to the discharge of gaseous waste, liquid waste and solid waste, the disposal of hazardous substances during our manufacturing processes and noise pollution. Any breach of the PRC environmental protection regulations could subject us to a substantial fine, damage our reputation, cause delays in production or result in some or all of our production facilities being temporarily suspended or permanently shut down. There is no assurance that the national or local authorities will not enact additional laws or regulations or amend or enforce new regulations in a more rigorous manner or establish local practice to enforce the laws or regulations in any manner which is unfavourable to our business. In case the PRC government amends such laws, rules and regulations to impose a more stringent standard, we may need to incur additional costs and expenses (including additional capital expenditure) in order to comply with the amended standard, which could result in increased operating costs and thus adversely affecting our financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

Our business and operations are conducted in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is based on written statutes and the legal interpretation by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會). Prior court decisions could be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations when dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. As these laws, regulations and legal requirements are not fully developed and are subject to change, making interpretation and enforcement of such laws and regulations uncertain. These uncertainties could limit the reliability of legal protections available to us and could negatively affect our business results, operations and financial conditions. In addition, any litigation in the PRC could be protracted and result in substantial costs and diversion of resources and management attention.

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The economic and political policies of the PRC government could adversely affect the overall economic growth of China, our business, financial conditions and results of operations.

All of our revenue is generated from products manufactured and sold in the PRC, and our Company expects this situation to continue in the near future. As a result, our Company's business, financial condition, results of operations and future prospects are and will continue to be subject to the economic and political policies of the PRC to a significant degree. Although the PRC economy has been transforming from a planned economy to a more market oriented economy, the PRC government can still exercise significant control over China's economic growth through the allocation of resources, controlling of foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented various measures to encourage economic development and the PRC economy has experienced significant growth. We cannot assure that future actions and policies of the PRC government will continue to boost the economic growth. If PRC economy encounters serious downturns, our business results, operations and financial conditions could be adversely affected.

Government control on currency conversion may limit our ability to utilise our cash effectively.

Our Group's operations are based in the PRC and therefore we receive all of our payments from customers in RMB, which is not a freely convertible currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, normally can be made in foreign currencies without prior approval from SAFE or its local counterpart provided that certain procedural requirements are satisfied.

However, approval from or registration with SAFE or its local counterpart or banks designated by SAFE or its local counterpart is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses under certain circumstances such as offshore investment denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since a significant amount of our future cash flow from operations will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside the PRC or fund our business activities that are conducted in foreign currencies. This could also affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

The exchange rate of the RMB against the USD, HKD and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC and international political and economic conditions. Any future exchange rate volatility relating to RMB may give rise to uncertainties in the value of our net assets, earnings and dividends.

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An appreciation of RMB may result in increased competition from foreign competitors; a devaluation of RMB may adversely affect the value of our net assets, earnings and dividends in foreign currency terms. Moreover, to the extent that we need to convert the net proceeds from the Share Offer and future financing into RMB for our operations, appreciation of RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in HKD, any devaluation of the RMB against the HKD could adversely affect the amount of any cash dividends on our Shares in HKD terms.

Our Company is a holding company and therefore, our Company's ability to pay dividends or make any other distributions depends entirely on distributions on equity received from our subsidiary in the PRC, and if there is any restriction against our subsidiary in the PRC to make distributions, we may not be able to pay any dividend.

Our Company is a holding company and our results of operations and financial position are entirely dependent on the performance of our subsidiary in the PRC. We rely on dividends and other distributions on equity paid by our subsidiary in the PRC for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and pay certain operating expenses. Under the applicable PRC laws, rules and regulations, dividends may be paid only out of distributable profits. We cannot assure you that our subsidiary in the PRC will generate sufficient earnings and cash flow to pay dividends or otherwise distribute sufficient funds to enable us to meet our financial obligations or declare dividends. In particular, our subsidiary in the PRC is required under the applicable laws and regulations to set aside a portion of its after tax profits of each year to fund statutory reserves. These statutory reserves are not distributable as cash dividends and must be made before distribution of dividend to equity owners. As a result, our subsidiary in the PRC is restricted in its ability to transfer a portion of its net assets to its shareholder as dividends. Limitations on the ability of our subsidiary in the PRC to pay dividends or make distributions to us could have a material adverse effect on our liquidity and limit our ability to pay dividends to our Shareholders.

It may be difficult to effect service of process or to enforce foreign judgements in the PRC.

Almost all of our assets are located in the PRC. In addition, most of our Directors and officers reside in the PRC. As a result, investors could encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgements in the PRC is subject to uncertainties. A judgement of a court from a foreign jurisdiction could be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements.

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China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in the PRC of judgements of a court in any of this non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision could be difficult or impossible.

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

Under the EIT Law and the EIT Rules, enterprises established under the laws of a foreign country or region whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to a uniform 25% EIT on their worldwide income. Under the EIT Rules, “de facto management body” is defined as the managing body that has the material and overall management control over the production, business, personnel, accounts and assets of an enterprise.

However, it remains unclear how the tax authorities will treat an overseas company controlled by natural persons such as ours. It cannot be assured that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In such a case, our profitability and cash flow may be materially and adversely affected as a result of our global income being taxed under EIT Law. In addition, if we are considered a PRC resident enterprise, any dividend received by our non-resident enterprise may be subject to a withholding tax at a rate of up to 10%, as further explained in “— Risks relating to conducting business in the PRC — Dividends payable by us to our foreign investors and gain on the sales of our Shares may become subject to withholding taxes under the PRC tax laws”.

Dividends payable by us to our foreign investors and gain on the sales of our Shares may become subject to withholding taxes under the PRC tax laws

Under the EIT Law and the relevant regulations, to the extent such dividends for earnings derived since 1 January 2008 are sourced within the PRC and if we are considered a “resident enterprise” for PRC tax law purposes, PRC income tax at the rate of 10% is applicable to dividends payable by us to our investors that are “non-resident enterprises” so long as such “non-resident enterprise” investor does not have an establishment or place of business in the PRC or, despite the existence of such establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC. A lower withholding tax rate may apply if such “non-resident enterprise” is incorporated in a jurisdiction that has entered into an income tax treaty or agreement with China which allows a lower withholding tax rate.

Similarly, any gain realised on the transfer of our Shares by such “non-resident enterprise” investors are also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC and we are considered a “resident enterprise” in the PRC. If we are required under the relevant tax law to withhold PRC income tax on our dividends payable to our

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foreign Shareholders who are “non-resident enterprises”, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

There is no assurance that, if we are considered a PRC “resident enterprise”, holders of our Shares might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments and the value of your investment in our Company.

On 3 February 2015, the SAT issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知) (“**Circular 698**”) and certain rules clarifying Circular 698. Circular 698 was issued by the SAT on 10 December 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, our ability to expand our business or seek financing through these transactions and the value of your investment in our Shares may be adversely affected.

We may face PRC regulatory risks relating to the Share Option Scheme.

On 15 February 2012, SAFE issued 《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》(Notice of SAFE on Issues relating to Foreign Exchange Administration for Domestic Individuals Participation on Equity Incentive Plans of Overseas- Listed Companies*) (“**Equity Incentive Plan Notice**”). The Equity Incentive Plan Notice applies to domestic individuals as defined in article 52 of 《中華人民共和國外匯管理條例》(Foreign

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Exchange Administration Regulations of the PRC*), including directors, supervisors, senior management or other employees of a domestic company, either Chinese citizens (including citizens of Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan) or foreign individuals. Such individuals are required to file foreign exchange registrations with the relevant SAFE branches for participation in a company's share option scheme if the domestic company is listed abroad or for participation in the share option scheme of an overseas-listed company, which either invests in or is invested in by a domestic company or controls or is controlled by a domestic company. If we fail to arrange relevant registration procedures for individuals participating in the Share Option Scheme, we may be subject to the relevant regulatory measures or administrative sanctions. We may therefore face regulatory risks relating to the Share Option Scheme if we grant options to domestic individuals provided in the Equity Incentive Plan Notice in the future.

RISKS RELATING TO THE SHARE OFFER

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

Prior to the Share Offer, there was no public market for the Shares. The Offer Price for the Shares was the result of negotiations between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, and the Offer Price can differ significantly from the market price for the Shares following the Share Offer. In addition, there can be no assurance that there will be an active trading market for our Shares following the Share Offer or in the future.

The market price of the Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The Offer Price is expected to be fixed on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

The trading volume and market price of our Shares following the Share Offer could be volatile.

The price and trading volume of the Shares could be volatile. Factors such as variations in our Group's revenues, earnings and cash flows and announcements of new investments and strategic alliances or acquisitions could result in large and sudden changes in the volume and price at which the Shares will trade. Volatility in the trading price of the Shares could also be caused by factors outside our Group's control and could be unrelated to our Group's operating results. These factors

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include: (i) concentration of shareholding of our Company; (ii) investors' perception of our Group's business plans; (iii) changes in our Group's senior management personnel; and (iv) macroeconomic factors.

Future sales or perceived sales of a substantial number of the Shares in the public market by our Controlling Shareholders could materially and adversely affect the prevailing market price of the Shares.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in "Underwriting". There is also no assurance that our Controlling Shareholders will not dispose of any of their Shares following the expiration of their respective lock-up periods after the Share Offer. We cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if we issue additional Shares or other securities in the future.

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value of approximately HK\$0.22 per Share and approximately HK\$0.28 per Share based on the Offer Price of HK\$0.50 per Offer Share and HK\$0.70 per Offer Share, respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders of our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Any options granted under the Share Option Scheme may dilute the Shareholders' equity interests.

We have conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following any issue of new Shares upon exercise of any options which may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the consolidated income statements of our Group over the vesting periods, if any, of the options. The fair value of the options shall be determined on the date of granting of the options. Accordingly, our financial results and profitability may be adversely affected.

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Shareholders and investors could face difficulties in protecting their interests because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by the Memorandum and Articles of Association and the laws of the Cayman Islands and in particular, the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Statistics and facts in this prospectus have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate sources for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by us, our Controlling Shareholders, the Sponsor, the Underwriters, the Joint Lead Managers, the Joint Bookrunners, any of their respective directors or any other party involved in the Share Offer and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

Forward-looking statements in this prospectus could prove inaccurate.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautious against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

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You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Share Offer.

There could be press articles, media coverage and/or research analyst reports regarding us and the Share Offer, which could include certain financial information, financial projections, industry comparisons, and/or other information about us and the Share Offer that do not appear in this prospectus. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We have not authorised the disclosure of any such information in the press, media or research analyst report. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it and accordingly, you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes 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;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer”, and the procedures for applying for the Public Offer Shares are set out in “How to Apply for Public Offer Shares” and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or about 10 July 2017. The Placing will be fully underwritten by the Placing Underwriter under the terms of the Placing Underwriting Agreement to be entered into.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on the Price Determination Date, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, see “Underwriting”.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or by his/her acquisition of the Offer Shares be deemed to, confirm that he/she is aware of the restrictions on the offers of the Offer Shares described in this prospectus and the relevant Application Forms and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit the offering 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 and/or the Application Forms 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/or the Application Forms 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 laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued (including the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) as mentioned in this prospectus on GEM. No part of the share or loan capital of our Company is listed, traded or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times after the Listing, our Company must maintain the minimum prescribed percentage of at least 25% in the hands of the public.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Listing Division.

Only Shares registered on the Hong Kong branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for 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.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 18 July 2017. Shares will be traded in board lots of 5,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8291.

Our Company will not issue any temporary documents of title.

HONG KONG SHARE REGISTRAR AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Eterra Trust (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Union Registrars Limited, in Hong Kong.

All Offer Shares issued by our Company pursuant to the Share Offer will be registered on our Company's Hong Kong branch register of members to be maintained in Hong Kong. Only Shares registered on our Company's Hong Kong branch register of members maintained in Hong Kong

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

may be traded on GEM unless the Stock Exchange otherwise agrees. Dealings in the Shares registered on the Hong Kong branch register of members of our Company will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or, in the case of joint holders, to the first-named holder therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares, they should consult an expert. None of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents, affiliates and/or representatives (where applicable) or any other persons or parties involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in "How to Apply for Public Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in "Structure and Conditions of the Share Offer".

LANGUAGE

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains translations for the convenience of the reader the following rates: HK dollars into US dollars at the rate of HK\$7.80 = US\$1.00 and HK dollars into RMB at the rate of HK\$1.00 = RMB0.896 as at the Latest Practicable Date. These

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Liang Juncheng (梁俊誠)	No. 3 Dongli Huayuan 8th Street Fenghua Road, Ronggui Street Shunde District, Foshan City Guangdong Province PRC	Chinese
Mr. Liang Jianheng (梁建恒)	Hurlington Lodge Winkfield Road Ascot, SL5 7LP United Kingdom	British
Mr. Liang Junqian (梁俊謙)	No. 1 Xiangping Street Ronggui Street Shunde District, Foshan City Guangdong Province PRC	Chinese
Mr. Chan Kit Lung Andy (陳杰隆)	G/F Aegean Villa House 1 5 Silver Cape Road Silverstrand Clear Water Bay Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wong Sui Chi (黃瑞熾)	Flat E, 18/F Block 5 Ocean Shores Tseung Kwan O New Territories, Hong Kong	Chinese
Ms. Hua Min (華敏)	Room 1905, Block 5 (Zhuoyuanjingfengtai No. 5) No. 35 Jihua 3rd Road Chancheng District, Foshan City Guangdong Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
Ms. Xiao Ping (肖平)	No. 30 Jiangwan 2nd Road Chancheng District, Foshan City Guangdong Province PRC	Chinese

See “Directors, Senior Management and Staff” for further details of our Directors.

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Lego Corporate Finance Limited <i>A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16/F China Building 29 Queen’s Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Lego Securities Limited <i>A corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO</i> Room 804 8/F Jubilee Centre 46 Gloucester Road Wanchai Hong Kong
	Sorrento Securities Limited <i>A corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO</i> 11/F The Wellington 198 Wellington Street Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law:

Tung & Co.

Office 1601
16/F, LHT Tower
31 Queen's Road Central
Hong Kong

As to Cayman Islands law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

Jia Yuan Law Offices

Suite 2511
Landmark 4028
Jintian Road
Futian District
Shenzhen 518035
PRC

Legal advisers to the Sponsor and the Underwriters

As to Hong Kong law:

Pinsent Masons

50th Floor
Central Plaza
18 Harbour Road
Hong Kong

As to PRC law:

Dentons

3/F & 4/F, Block A,
Shenzhen International Innovation Center
No.1006, Shennan Boulevard
Futian District
Shenzhen 518026
PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditor and reporting accountant	BDO Limited <i>Certified Public Accountants</i> 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Internal Control Consultant	Moore Stephens Advisory Services Limited 905 Silvercord, Tower 2 30 Canton Road Tsimshatsui, Kowloon Hong Kong
Property valuer	International Valuation Limited Room 1203A 12/F Kai Tak Commercial Building 317–319 Des Voeux Road Central Hong Kong
Industry consultant	China Insights Consultancy Limited Room 1603B Shanghai International Group Building 511 Weihai Road Jing'an District Shanghai PRC
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong
Compliance adviser	Lego Corporate Finance Limited <i>A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16/F China Building 29 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in the PRC	No. 3 Huada Road Hi-tech Industrial Development Zone Ronggui Street, Shunde District Foshan City, Guangdong Province PRC
Principal place of business in Hong Kong	Suite 1203, 12th Floor Shanghai Industrial Investment Building 60 Hennessy Road, Wanchai Hong Kong
Company's website	<u>www.wanchengholdings.com.hk</u> <i>(Information contained in this website does not form part of this prospectus)</i>
Compliance officer	Mr. Chan Kit Lung Andy (陳杰隆) G/F Aegean Villa House 1 5 Silver Cape Road Silverstrand Clear Water Bay Kowloon Hong Kong
Company secretary	Mr. Wong Chi Wai (黃志威) (HKICPA) Flat 604 Lei Yi House Lei On Court Lam Tin, Kowloon Hong Kong

CORPORATE INFORMATION

Authorised representatives	Mr. Chan Kit Lung Andy (陳杰隆) G/F Aegean Villa House 1 5 Silver Cape Road Silverstrand Clear Water Bay Kowloon Hong Kong
	Mr. Wong Chi Wai (黃志威) Flat 604 Lei Yi House Lei On Court Lam Tin, Kowloon Hong Kong
Audit committee	Mr. Wong Sui Chi (黃瑞熾) (<i>Chairman</i>) Ms. Hua Min (華敏) Ms. Xiao Ping (肖平)
Remuneration committee	Ms. Hua Min (華敏) (<i>Chairman</i>) Mr. Wong Sui Chi (黃瑞熾) Ms. Xiao Ping (肖平)
Nomination committee	Ms. Xiao Ping (肖平) (<i>Chairman</i>) Mr. Wong Sui Chi (黃瑞熾) Ms. Hua Min (華敏)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point Hong Kong

CORPORATE INFORMATION

Principal bankers

Bank of China

Bank of China Tower

1 Garden Road

Hong Kong

Guangdong Shunde Rural Commercial Bank Company Limited,

Ronggui Branch

No. 208 Guizhou Avenue

Ronggui, Shunde District

Foshan City

Guangdong Province

PRC

INDUSTRY OVERVIEW

This section contains certain information which is derived from a commissioned report, the CIC Report, prepared by CIC which is an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Share Offer and no representation is given as to its accuracy. Please refer to “Risk Factors — Risks relating to the statements made in this prospectus and from other sources — Statistics and facts in this prospectus have not been independently verified.” for details. We confirm, after taking reasonable care, that there have been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information in this section.

INTRODUCTION

We commissioned CIC, an independent market research company, to conduct research and analysis of, and to produce a report on, the tinplate packaging industry and paint and coatings industry in the PRC, and other economic data, at a fee of RMB630,000. The CIC Report commissioned has been prepared by CIC independent of our influence.

CIC’s services include industry consulting, commercial due diligence, strategic consulting, etc. It conducts research on latest market trends in the following industries: industrial, energy, chemical, healthcare, consumer goods, transportation, agriculture, internet, finance, etc.

The information contained in the CIC Report is derived by means of both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as the National Bureau of Statistic of China and industry associations. Industry information and data of public companies, such as the production capacity of the tinplate industry and average price of raw materials, are sourced from interviews with experts, industry associations and annual reports. This is the basis upon which we consider the data and statistics to be reliable.

Some of the historical market information from 1 January 2017 to 31 May 2017 was not available as a quarterly or monthly basis.

INDUSTRY OVERVIEW

PARAMETERS AND ASSUMPTIONS USED IN THE CIC REPORT

Analyses in the CIC Report are based on the following assumptions:

- the overall social, economic and political environment in the PRC is assumed to remain stable from 2017 to 2021;
- related key industry drivers are assumed to drive the tinplate packaging industry in the PRC from 2017 to 2021, such as increasing demand for paint and coatings due to development of downstream industries; and
- there is no force majeure or extreme industry regulation affecting the market dramatically or fundamentally.

Analyses in the CIC Report have taken into account the following parameters:

- nominal GDP value and GDP growth rate in the PRC and Guangdong Province from 2012 to 2016;
- income per capita disposable income in the PRC from 2012 to 2016;
- total fixed asset investment and fixed asset investment of secondary industry in the PRC from 2012 to 2016;
- sales revenue of packaging industry by material in the PRC from 2012 to 2016;
- sales revenue of chemical cans and other metal packaging products from 2012 to 2016;
- production volume of paint and coatings industry in the PRC and Guangdong Province from 2012 to 2016;
- production value of paint and coatings industry in the PRC from 2012 to 2016; and
- price trend of cold-rolled steel sheet and tinplate coil in the PRC and Guangdong Province from January 2012 to May 2017 (where applicable).

INTRODUCTION TO TINPLATE PACKAGING PRODUCTS

The packaging industry in the PRC is constituted by four major segments, among which metal packaging is an essential segment since its products are widely used in industries of food and beverage, grease and oil, cosmetics, chemicals, etc. A majority of chemical metal containers for paint and coatings are made of tinplate. Chemical cans made of tinplate can be used to package various industrial and chemical liquid, such as paint and coatings, grease and oil, and liquid chemicals. Normally, tinplate packaging products are eventually recycled and forged into steel.

INDUSTRY OVERVIEW

OVERVIEW OF THE TINPLATE PACKAGING INDUSTRY OF PAINT AND COATINGS IN THE PRC AND GUANGDONG PROVINCE

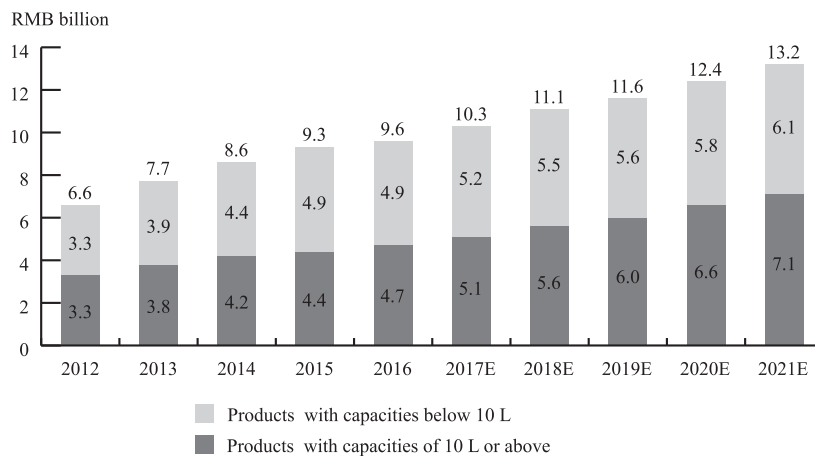
Market characteristics of tinplate packaging industry of paint and coatings in the PRC

Generally, manufacturers of tinplate packaging products tend to focus on customers which are located within 100 km-radius zone of their production base, in order to lower the transportation cost and collaborate with key customers. Due to the advantages of economies of scale, leading manufacturers of tinplate packaging products continue to improve supply chain of raw material and final products, and to expand their product lines. It is an industry norm for manufacturers of tinplate packaging products to have long-term business relationships and relatively significant sales amount with a single or a few key customers in order to take advantage of economies of scale in terms of production and to lower the costs of product customisation since the product design and specification, such as size, shape, printing and material of components required by different customers may vary significantly.

Manufacturers of tinplate packaging products in the PRC usually purchase a relatively significant and stable amount of tinplate coils from a single or a few suppliers in order to ensure that they can deliver final tinplate packaging products in large quantity based on tinplate coils with consistent quality, as well as to achieve more flexible and negotiable purchase prices.

Market size of the tinplate packaging industry of paint and coatings in the PRC

Market size of tinplate packaging industry of paint and coatings in terms of sales revenue in the PRC, 2012–2021E



Note: Products with capacities below 10 L include tin cans, whereas products with capacities of 10 L or above include tin cans and steel pails.

Source: CIC Report

The market size of the tinplate packaging industry of paint and coatings in the PRC in terms of sales revenue has grown from approximately RMB6.6 billion in 2012 to approximately RMB9.6 billion in 2016, representing a CAGR of approximately 9.8%. The growth was propelled by

INDUSTRY OVERVIEW

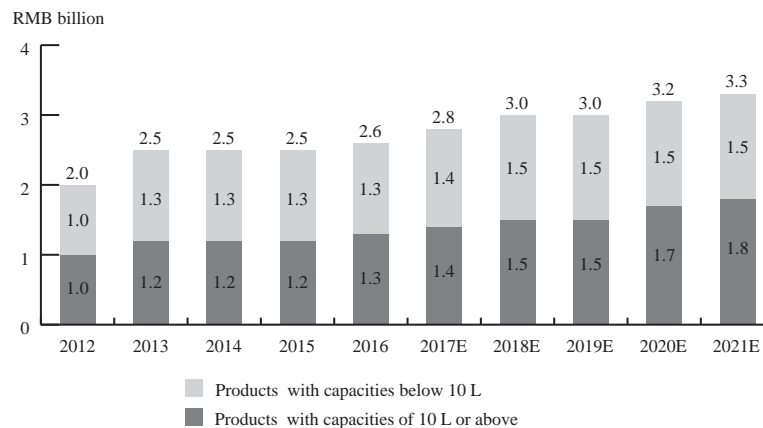
increasing market demand for paint and coatings. For tinplate packaging products with capacities of 10 L or above, the market size in the PRC increased to approximately RMB4.7 billion in 2016 from approximately RMB3.3 billion in 2012, representing a CAGR of approximately 9.2% as compared to that of approximately 10.4% for the market size of tinplate packaging products with capacities below 10 L.

The market size of the tinplate packaging industry of paint and coatings in the PRC is projected to increase to approximately RMB13.2 billion by 2021 at a CAGR of approximately 6.4% from 2017 to 2021. The moderate growth rate in the tinplate packaging industry of paint and coatings is affected by both the slowdown of domestic economic growth and the steady development of end-use industries for paint and coatings, such as real-estate, furniture, building, construction, building materials, shipbuilding, industrial equipment and automobile industries. For tinplate packaging products with capacities of 10 L or above, it is expected the market size in the PRC will reach approximately RMB7.1 billion by 2021 at a CAGR of approximately 8.6% between 2017 and 2021, as compared to that of approximately 4.1% for the market size of tinplate packaging products with capacities of below 10 L.

Market size of the tinplate packaging industry of paint and coatings in Guangdong Province

Guangdong Province accounted for approximately 27.1% of the market size of the tinplate packaging industry of paint and coatings in the PRC in 2016, partly due to the favourable upstream and downstream environment in Guangdong Province. From an upstream perspective, tinplate coil is the major raw material for the production of tinplate packaging products for paint and coatings. Over 3,000 tinplate distributors and two of the largest tinplate manufacturers in the PRC with an aggregate annual production capacity of over 1,000,000 tonnes in 2016 are located in Guangdong Province. From a downstream perspective, approximately 21.0% of paint and coatings manufacturers in the PRC are located in Guangdong Province in 2016, which provides sufficient income streams for manufacturers of tinplate packaging products in the area.

Market size of tinplate packaging industry of paint and coatings in terms of sales revenue in Guangdong Province, 2012–2021E



Note: Products with capacities below 10 L include tin cans, whereas products with capacities of 10 L or above include tin cans and steel pails.

Source: CIC Report

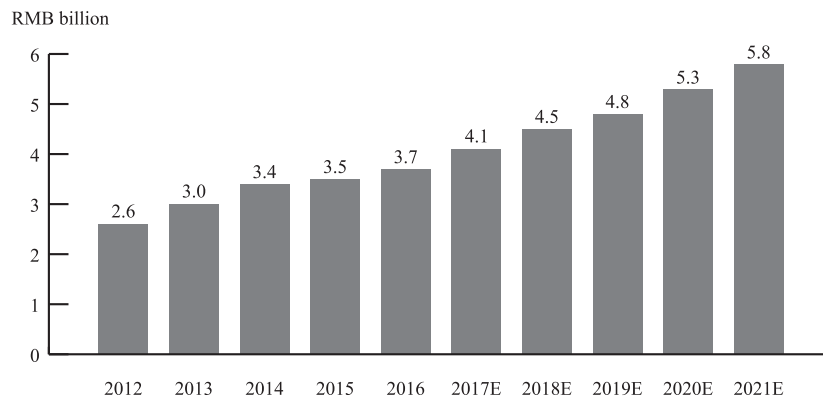
INDUSTRY OVERVIEW

The market size of the tinplate packaging industry of paint and coatings in Guangdong Province in terms of sales revenue has grown from approximately RMB2.0 billion in 2012 to approximately RMB2.6 billion in 2016, representing a CAGR of approximately 6.8%. The growth was mainly propelled by increasing market demand for paint and coatings in Guangdong Province. For tinplate packaging products with capacities of 10 L or above, the market size in Guangdong Province increased to approximately RMB1.3 billion in 2016 from approximately RMB1.0 billion in 2012, representing a CAGR of approximately 6.8%, and the market size of tinplate packaging products with capacities below 10 L experienced a similar trend, with a CAGR of approximately 6.8%.

The market size of the tinplate packaging industry of paint and coatings in Guangdong Province is projected to increase to approximately RMB3.3 billion by 2021, with a CAGR of approximately 4.2% from 2017 to 2021. The moderate growth rate is mainly contributed by the slowdown of the economic growth of Guangdong Province. For tinplate packaging products with capacities of 10 L or above, it is expected that the market size in Guangdong Province will reach approximately RMB1.8 billion by 2021 at a CAGR of approximately 6.5% between 2017 and 2021, as compared to that of approximately 1.7% for the market size of tinplate packaging products with capacities below 10 L.

Market size of the steel pail industry of paint and coatings in the PRC

Market size of the steel pail industry of paint and coatings in terms of sales revenue in the PRC, 2012–2021E



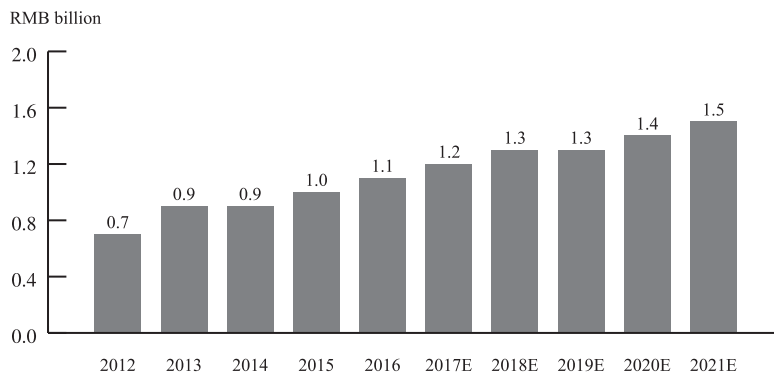
The market size of the steel pail industry of paint and coatings in the PRC in terms of sales revenue has grown from approximately RMB2.6 billion in 2012 to approximately RMB3.7 billion in 2016, representing a CAGR of approximately 9.2%. It is expected that the market size of the steel pail industry of paint and coatings in the PRC will reach approximately RMB5.8 billion in 2021, with a CAGR of approximately 9.1% from 2017 to 2021. Driven by a series of environmental policies implemented by the PRC government (for details, see “— Competitive landscape and competitive advantages — Market drivers for the tinplate packaging industry of paint and coatings in the PRC — Increasing demand from the paint and coatings industry”), the market size of water-based paint and coatings in the PRC and Guangdong Province have grown and is expected to continue to grow between 2017 and 2021. Since steel pails generally have larger openings compared with tin cans, it is an industry norm for manufacturers of paint and coatings to prefer to

INDUSTRY OVERVIEW

use steel pails to package odourless water-based paint and coatings, while solvent-based paint and coatings with odour are generally stored in tin cans. Steel pails which have larger openings compared to tin cans are more suitable for odourless water-based paint and coatings as they allow a large volume to be poured in quickly, which expedites the packaging process, and whether the container can minimise odour emission is not relevant in case of odourless water-based paint and coatings. On the contrary, tin cans are more suitable for solvent-based paint and coatings with odour as any leakage from a smaller opening during storage, distribution and handling will cause a lesser impact. With the expanding water-based paint and coatings market in the PRC and Guangdong Province, the market size of the steel pail industry for paint and coatings in the PRC and Guangdong Province is expected to grow accordingly.

Market size of the steel pail industry in Guangdong Province

Market size of the steel pail industry of paint and coatings in terms of sales revenue in Guangdong Province, 2012–2021E



The market size of the steel pail industry of paint and coatings in Guangdong Province in terms of sales revenue has grown from approximately RMB0.7 billion in 2012 to approximately RMB1.1 billion in 2016, representing a CAGR of approximately 12.0%. It is expected that the market size of the steel pail industry of paint and coatings in Guangdong Province will reach approximately RMB1.5 billion by 2021, with a CAGR of approximately 5.7% from 2017 to 2021. Similar to the steel pail industry in the PRC, the increase in the market size of the steel pail industry of paint and coatings in Guangdong Province has grown and is expected to grow between 2017 and 2021 as driven by a series of environmental policies implemented by the PRC government (for details, see “— Competitive landscape and competitive advantages — Market drivers for the tinplate packaging industry of paint and coatings in the PRC — Increasing demand from the paint and coatings industry”).

INDUSTRY OVERVIEW

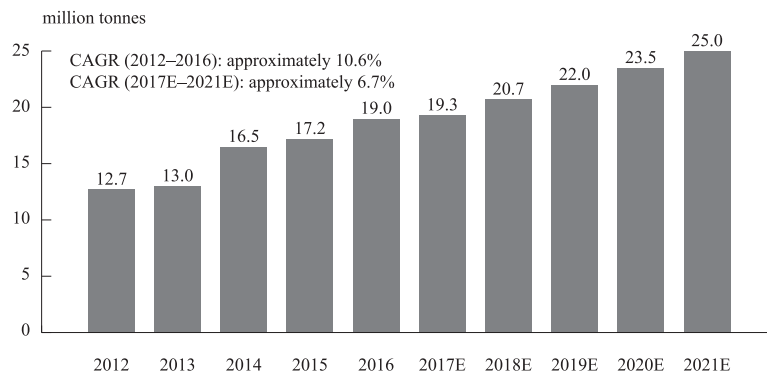
OVERVIEW OF THE PAINT AND COATINGS INDUSTRY IN THE PRC AND GUANGDONG PROVINCE

The manufacturing bases of paint and coatings in the PRC are mainly concentrated in East China (i.e. Shandong, Anhui, Jiangsu, Shanghai, Zhejiang, Fujian and Jiangxi) and Central South China (i.e. Guangdong, Guangxi, Hainan, Henan, Hubei and Hunan), which accounted for over 75% of the total production volume of the paint and coatings industry of the PRC in 2016. Guangdong Province is the largest manufacturing base for paint and coatings in the PRC, with an output volume of approximately 3.5 million tonnes produced by approximately 285 manufacturers. The paint and coatings industry of the PRC is relatively fragmented, with the top 10 manufacturers accounting for approximately 13.6% of the total market share in 2016.

The end-use industries of paint and coatings include real-estate, automobile, furniture, building, construction, building materials, shipbuilding, etc. Some of the end-use industries of paint and coatings had experienced declination of growth from 2012 to 2016, which has in turn lowered the growth of demand for tinplate packaging products in the PRC.

Market size of the paint and coatings industry in the PRC

Production volume of paint and coatings industry in the PRC, 2012–2021E



Source: CIC Report

The production volume of the paint and coatings industry in the PRC has increased from approximately 12.7 million tonnes in 2012 to approximately 19.0 million tonnes in 2016, representing a CAGR of approximately 10.6% from 2012 to 2016.

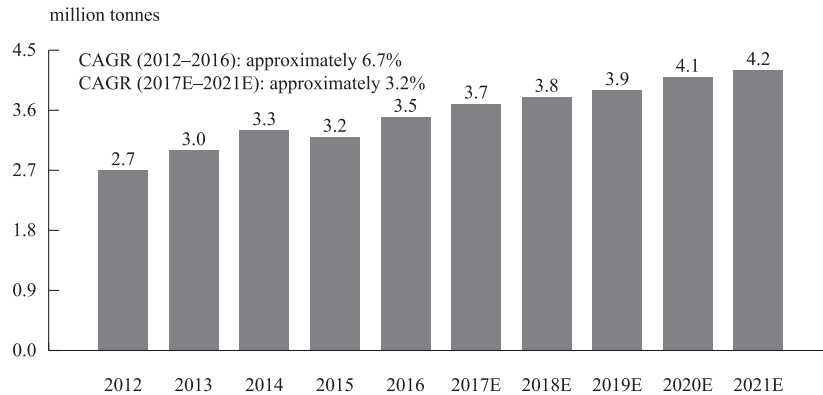
The market demand was primarily generated by the end-use industries, such as automobile, building, construction and home decoration. As the growth of the PRC's economy is moderating, the production volume is estimated to reach approximately 25.0 million tonnes by 2021, representing a CAGR of approximately 6.7% from 2017 to 2021.

INDUSTRY OVERVIEW

Market size of the paint and coatings industry in Guangdong Province

Guangdong Province is the largest manufacturing base for paint and coatings in the PRC. The production volume of the paint and coatings industry in Guangdong Province had generally increased from approximately 2.7 million tonnes in 2012 to approximately 3.5 million tonnes in 2016, with a CAGR of approximately 6.7%.

Production volume of paint and coatings industry in Guangdong Province, 2012–2021E



Source: CIC Report

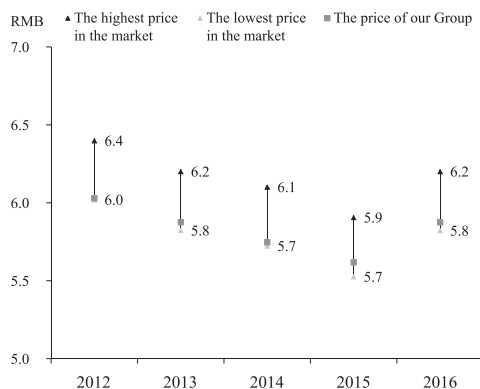
The market demand was primarily generated by the end-use industries, such as automobile, building, construction and home decoration. As the growth of Guangdong Province's economy is moderating, the production volume in Guangdong Province is estimated to reach approximately 4.2 million tonnes by 2021, representing a CAGR of approximately 3.2% from 2017 to 2021.

INDUSTRY OVERVIEW

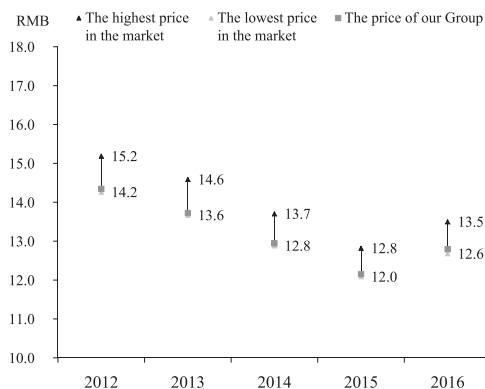
PRICE TREND OF TINPLATE PACKAGING PRODUCTS

The most typical types of tinplate packaging products for paint and coatings in the PRC are 5 L round cans and 18 L steel pails since 5 L round cans are widely used for high-end decoration paintings and 18 L steel pails are generally used in the transportation of paint and coatings. The average selling price per unit of 5 L round cans in the market had experienced a downward trend with an average selling price of approximately RMB6.2 per unit in 2012 reduced to approximately RMB5.7 per unit in 2015. The average selling price per unit of 18 L steel pails had experienced a similar trend from 2012 to 2015, with an average selling price of approximately RMB14.7 per unit in 2012 reduced to approximately RMB12.4 per unit in 2015. With the recovery of the price of tinplate coil, the cost of tinplate packaging products increased significantly in 2016, thus increasing the average selling price of tinplate packaging products to approximately RMB6.0 per unit of 5 L round can while the average selling price per unit of 18 L pail reached approximately RMB13.1 per unit.

**Approximate average
selling price per unit of
5 L round can, 2012–2016**



**Approximate average
selling price per unit of
18 L steel pail, 2012–2016**



Source: CIC Report

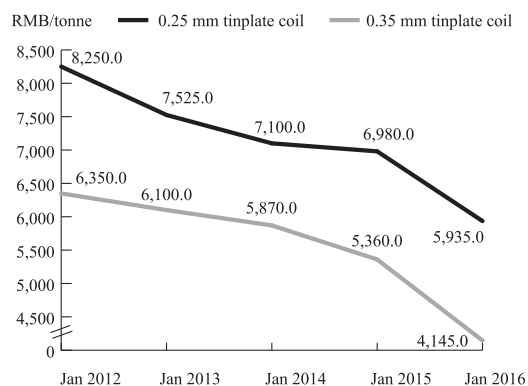
PRICE TREND OF MAJOR RAW MATERIALS

Tinplate coil, as the major raw material for the production of tinplate packaging products for paint and coatings, accounted for approximately 60% of the total cost of tinplate packaging products in terms of value for most companies in the industry in 2016.

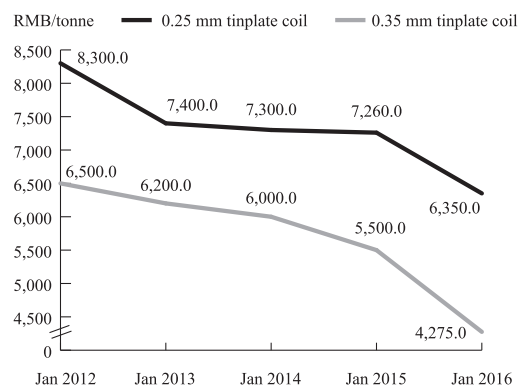
INDUSTRY OVERVIEW

0.25 mm (or below) and 0.35 mm tinplate coils are two of the most widely used types of tinplate coil for the manufacture of tin cans and steel pails, respectively. Set out below are the historical price trends of 0.25 mm and 0.35 mm tinplate coils in the PRC and Guangdong Province between January 2012 and January 2016:

**Average price of 0.25 mm and
0.35 mm tinplate coils in the PRC,
January 2012–January 2016**



**Average price of 0.25 mm and
0.35 mm tinplate coils in Guangdong
Province, January 2012–January 2016**



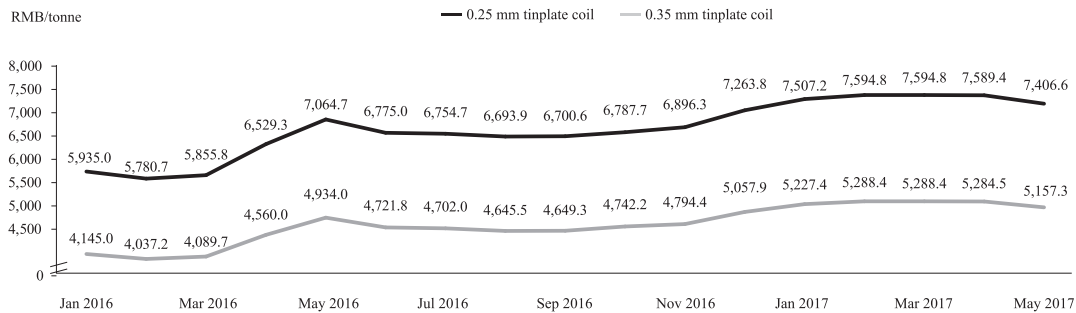
Source: CIC Report

Due to the reduction in the prices of cold-rolled steel sheet, which is the major raw material of tinplate, the average prices of tinplate coils in the PRC and Guangdong Province decreased accordingly. The average price of 0.25 mm tinplate coils in the PRC decreased from approximately RMB8,250.0 per tonne in January 2012 to approximately RMB5,935.0 per tonne in January 2016, whereas the average price of 0.25 mm tinplate coils in Guangdong Province decreased from approximately RMB8,300.0 per tonne in January 2012 to approximately RMB6,350 per tonne in January 2016. The average price of 0.35 mm tinplate coils in the PRC decreased from approximately RMB6,350.0 per tonne in January 2012 to approximately RMB4,145.0 per tonne in January 2016, whereas the average price of 0.35 mm tinplate coils in Guangdong Province decreased from approximately RMB6,500.0 per tonne in January 2012 to approximately RMB4,275.0 per tonne in January 2016. With the promulgation of The Action Plan for Transformation and Upgrading of Steel and Iron Industry 2015–2025 in 2015 by the Ministry of Industry and Information Technology of China to alleviate the over-supply in the tinplate industry, which stated that outdated production facilities and production capacity of steel and related tinplate products will be phased out, the number of steel manufacturers in the PRC will reduce from 500 to 300 by the end of 2017. Though the overcapacity of tinplate coils is expected to be reduced, the production volume is expected to grow steadily due to the increasing demand from downstream industries. As the industry becomes more consolidated, the price of tinplate coils is expected to be more stable, minimising the fluctuation in material cost of the tinplate packaging industry. Thus, the average price of 0.25 mm tinplate coils in the PRC is expected to maintain within a range from RMB6,000.0 per tonne to RMB7,600.0 per tonne between 2016 and 2019, while the average price of 0.35 mm tinplate coils in the PRC is expected to maintain within a range from RMB4,200.0 per tonne to RMB5,500.0 per tonne between 2016 and 2019.

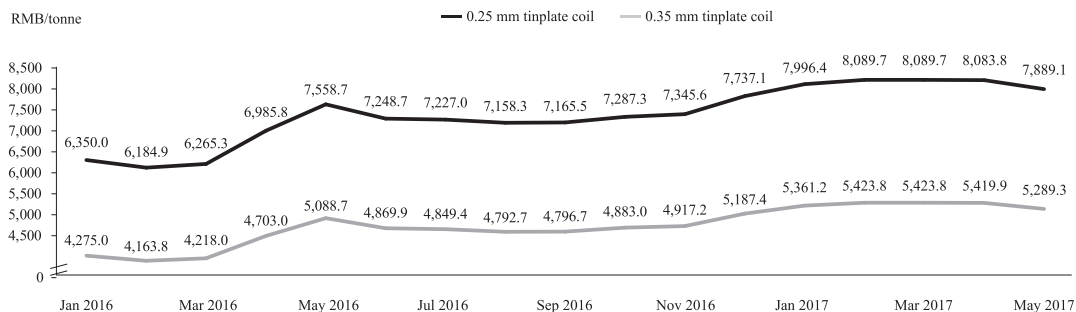
INDUSTRY OVERVIEW

Set out below are the historical price trends of the 0.25 mm and 0.35 mm tinplate coils in the PRC and Guangdong Province between January 2016 and May 2017:

**Average price of 0.25 mm and 0.35 mm tinplate coils in the PRC,
January 2016–May 2017**



**Average price of 0.25 mm and 0.35 mm tinplate coils in Guangdong Province,
January 2016–May 2017**



Source: CIC Report

In 2016, the average price of tinplate coils in the PRC and Guangdong Province decreased slightly between January and February, recovered dramatically from March to May, generally stabilised thereafter up to November 2016 and increased from December 2016 to January 2017, stabilised again up to March 2017 and has been slightly decreasing since April 2017 up to May 2017. The average price of 0.25 mm tinplate coils in the PRC decreased from approximately RMB5,935.0 per tonne in January 2016 to approximately RMB5,780.7 per tonne in February 2016, increased to approximately RMB7,064.7 per tonne in May 2016, generally stabilised thereafter up to approximately RMB6,896.3 per tonne in November 2016 and increased from approximately RMB7,263.8 per tonne in December 2016 to approximately RMB7,507.2 per tonne in January 2017, stabilised again up to March 2017 at approximately RMB7,594.8 per tonne and has been slightly decreasing since April 2017 from approximately RMB7,589.4 per tonne to approximately RMB7,406.6 per tonne in May 2017. Meanwhile, the average price of 0.25 mm tinplate coils in Guangdong Province experienced a similar trend, reaching approximately RMB7,889.1 per tonne in May 2017.

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The average price of 0.35 mm tinplate coils in the PRC also decreased slightly from approximately RMB4,145.0 per tonne in January 2016 to approximately RMB4,037.2 per tonne in February 2016, increased to approximately RMB4,934.0 per tonne in May 2016, generally stabilised thereafter up to approximately RMB4,794.4 per tonne in November 2016 and increased from approximately RMB5,057.9 per tonne in December 2016 to approximately RMB5,227.4 per tonne in January 2017, stabilised again up to March 2017 at approximately RMB5,288.4 per tonne and has been slightly decreasing since April 2017 from approximately RMB5,284.5 per tonne to approximately RMB5,157.3 per tonne in May 2017. Meanwhile, the average price of 0.35 mm tinplate coils in Guangdong Province experienced a similar trend, reaching approximately RMB5,289.3 per tonne in May 2017.

The other major production costs for tinplate packaging products for paint and coatings include tinplate printing and labour. Tinplate printing accounted for approximately 10% to 15% of the total cost. The price for tinplate printing varies, depending on requirement and specification of the service and quantity provided by the tinplate printing service supplier. Such price remained relatively stable from 2012 to 2016, while labour cost has shown an upward trend from 2012 to 2016. The costs of other raw materials such as PVC components, sealant and aluminium are relatively immaterial. All leading manufacturers of tinplate packaging products outsource part or all of their tinplate printing process. There were nearly 140 tinplate printing service providers in Guangdong Province in 2016.

COMPETITIVE LANDSCAPE AND COMPETITIVE ADVANTAGES

Competitive landscape

The manufacturers of tinplate packaging products for paint and coatings in the PRC are mainly concentrated in East China (i.e. Shandong, Anhui, Jiangsu, Shanghai, Zhejiang, Fujian and Jiangxi) and Central South China (i.e. Guangdong, Guangxi, Hainan, Henan, Hubei and Hunan). Guangdong Province is the largest manufacturing base for tinplate packaging products for paint and coatings, accounting for approximately 30% of the total number of manufacturers of tinplate packaging products for paint and coatings in the PRC in 2016.

Competitive landscape of the industry of tinplate packaging products

The industry of tinplate packaging products for paint and coatings in Guangdong Province was relatively concentrated with the top five participants accounting for approximately 39.8% of the total market share in terms of sales revenue in 2016. There are seven leading companies with annual sales revenue of over RMB100 million, approximately 10 medium-sized companies with sales revenue of over RMB20 million and over 100 small companies with sales revenue of less than RMB20 million. Considering that there are nearly 200 manufacturers of tinplate packaging products in Guangdong Province, competition is regional and intense. In 2016, we ranked fifth among the manufacturers of tinplate packaging products for paint and coatings in Guangdong Province with a market share of approximately 4.7% in terms of sales revenue.

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The following table sets out the ranking and market share of the top 10 manufacturers of tinsplate packaging products for paint and coatings in Guangdong Province in terms of sales revenue in 2016:

Rank	Name of company	Approximate production volume (million units)	Approximate sales revenue (RMB' million)	Approximate market share
1	Company A	50	455	17.8%
2	Company B	35	160	6.3%
3	Company C	45	160	6.3%
4	Company E	25	120	4.7%
5	Our Group	24	119	4.7%
6	Company D	40	110	4.3%
7	Company F	20	110	4.3%
8	Company G	10	55	2.2%
9	Company H	10	55	2.2%
10	Company I	10	50	2.0%
	Others		1,156	45.2%
Total			2,550	100.0%

Source: CIC Report

On the other hand, the industry of tinsplate packaging products for paint and coatings in the PRC was slightly concentrated with the top 10 participants accounting for approximately 24.1% of the total market share in terms of sales revenue in 2016. In 2016, we ranked sixth among the manufacturers for tinsplate packaging products for paint and coatings in the PRC with a market share of approximately 1.2% in terms of sales revenue.

The following table sets out the ranking and market share of the top 10 manufacturers of tinsplate packaging products for paint and coatings in the PRC in terms of sales revenue in 2016:

Rank	Name of company	Approximate sales revenue (RMB' million)	Approximate market share
1	Company B	750	7.8%
2	Company A	450	4.7%
3	Company C	320	3.3%
4	Company D	260	2.7%
5	Company E	120	1.3%
6	Our Group	119	1.2%
7	Company F	110	1.1%
8	Company J	75	0.8%
9	Company K	60	0.6%
10	Company G	55	0.6%
	Others	7,281	75.9%
Total		9,600	100%

Source: CIC Report

INDUSTRY OVERVIEW

Competitive landscape of the industry of steel pails for paint and coatings

The industry of steel pails for paint and coatings in Guangdong Province was highly concentrated, with the top 10 participants accounting for approximately 70.3% of the total market share in terms of sales revenue in 2016. In 2016, we ranked seventh in Guangdong Province with a market share of approximately 4.6% in terms of sales revenue of steel pails for paint and coatings.

The following table sets out the ranking and market share of the top 10 manufacturers of steel pails for paint and coatings in Guangdong Province in terms of sales revenue in 2016:

<u>Rank</u>	<u>Name of company</u>	<u>Approximate sales revenue (RMB' million)</u>	<u>Approximate market share</u>
1	Company A	255	24.3%
2	Company B	95	9.0%
3	Company C	90	8.6%
4	Company E	70	6.7%
5	Company D	60	5.7%
6	Company F	55	5.2%
7	Our Group	48	4.6%
8	Company G	25	2.4%
9	Company H	20	1.9%
10	Company I	20	1.9%
	Others	312	29.7
Total		1,050	100.0%

Source: CIC Report

The industry of steel pails for paint and coatings in the PRC was relatively concentrated, with the top 10 participants accounting for approximately 34.9% of the total market share in terms of sales revenue in 2016. In 2016, we ranked seventh in the PRC with a market share of approximately 1.3% in terms of sales revenue of steel pails for paint and coatings.

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The following table sets out the ranking and market share of the top 10 manufacturers of steel pails for paint and coatings in the PRC in terms of sales revenue in 2016:

<u>Rank</u>	<u>Name of company</u>	<u>Approximate sales revenue (RMB' million)</u>	<u>Approximate market share</u>
1	Company B	475	12.8%
2	Company A	255	6.9%
3	Company C	175	4.7%
4	Company D	110	3.0%
5	Company E	70	1.9%
6	Company F	55	1.5%
7	Our Group	48	1.3%
8	Company J	45	1.2%
9	Company K	35	0.9%
10	Company G	25	0.7%
	Others	2,407	65.1%
Total		<u>3,700</u>	<u>100.0%</u>

Source: CIC Report

The following table sets out the background information of our major competitors in 2016:

<u>Name of company</u>	<u>Background information</u>
Company A	Established in 1996, Company A's principal products are chemical cans, common food cans and miscellaneous cans with its headquarter in Foshan, Guangdong Province.
Company B	Established in 1993, Company B's principal products are chemical cans and caps, with its headquarter in Suzhou, Jiangsu Province.
Company C	Established in 1985, Company C's principal products are aerosol cans, common food cans, chemical cans, miscellaneous cans and caps, with its headquarter in Shenzhen, Guangdong Province.
Company D	Established in 1991, Company D's principal products are three-piece cans, common food cans, aerosol cans, chemical cans and caps, with its headquarter in Hangzhou, Zhejiang Province.
Company E	Established in 2005, Company E's principal products are chemical cans, two-piece cans and three-piece cans, with its headquarter in Dongguan, Guangdong Province.

INDUSTRY OVERVIEW

<u>Name of company</u>	<u>Background information</u>
Company F	Established in 1989, Company F's principal products are chemical cans and miscellaneous cans, with its headquarter in Zhongshan, Guangdong Province.
Company G	Established in 1998, Company G's principal products are chemical cans and common food cans, with its headquarter in Foshan, Guangdong Province.
Company H	Established in 2003, Company H's principal products are chemical cans, with its headquarter in Zhongshan, Guangdong Province.
Company I	Established in 2002, Company I's principal products are chemical cans, with its headquarter in Shenzhen, Guangdong Province.
Company J	Established in 1979, Company J's principal products are chemical cans, common food cans and aerosol cans, with its headquarter in the Republic of Singapore.
Company K	Established in 1992, Company K's principal products are chemical cans, common food cans and caps, with its headquarter in Shanghai.

Between 2012 and 2016, in terms of revenue from tinplate packaging products for paint and coatings, approximately one-third of our major competitors experienced an increasing trend, while approximately one-third of them experienced a decreasing trend and approximately one-third of them recorded relatively stable revenue.

Due to the decrease in the average price of tinplate coils since January 2012, the production cost of tinplate packaging products for paint and coatings in the PRC has decreased accordingly. Therefore, the gross profit margin of many manufacturers of tinplate packaging products for paint and coatings including our major competitors significantly increased between 2013 and 2014, since they did not adjust their selling price immediately. When the price of tinplate coils decreased dramatically in 2015, many manufacturers of tinplate packaging products for paint and coatings started to lower their selling prices to be competitive in order to obtain more customers which led to a general decrease in their gross profit margin in 2015 as compared to 2014.

With the increase in the average price of tinplate coils since the beginning of 2016, the gross profit margin of manufacturers of tinplate packaging products for paint and coatings showed a further decrease. Nonetheless, as manufacturers of tinplate packaging products may bargain for discount on price of tinplate coils based on their purchase volume, their gross profit margins generally decreased at a gentler trend than the increase in the average price of tinplate coils.

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According to the CIC Report, our major competitors may not have exhibited the same increasing trend in revenue and gross profit margin as our Group during the Track Record Period. For information regarding the revenue and gross profit margin of our major competitors, see “— Competitive landscape and competitive advantages — Competitive landscape — Competitive landscape of the industry of steel pails for paint and coatings”. Our Directors believe that this could be due to the following reasons:

- (i) our Group and our major competitors had different stage of development in the steel pail market. Following our Group’s increased efforts in attracting new customers since 2015, particularly those new customers who, to the best knowledge and belief of our Directors, are paint and coatings suppliers of construction companies which usually have higher demand for steel pails and tin cans with higher capacities (i.e. 10 L or above), our Group ranked seventh and seventh among the top 10 manufacturers of steel pails for paint and coatings in Guangdong Province and the PRC, respectively, in 2016 in terms of sales revenue, whereas a number of our major competitors may already have more established and larger market shares in the steel pail market for paint and coatings than our Group. The difference in stage of development in the steel pail market may result in different sales and growth strategies adopted by our Group and our major competitors in the steel pail market;
- (ii) our Group and our major competitors may target different customers and may pursue different growth strategies. The growth in our revenue during the Track Record Period was mainly attributable to the increase in revenue from sales of steel pails (for details, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Revenue”) and the overall increases in our gross profit and gross profit margin were primarily attributable to (a) the comparatively lower average costs of tinplate coils consumed for our production during the year ended 31 December 2015 and the first half of 2016; and (b) the increase in revenue and sales volume of steel pails which generally have higher gross profit margin than tin cans mainly due to their different cost structure and use of tinplate coils of different thickness (for details, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin”). Our Group has shifted its efforts to focus on expanding sales to steel pail customers, while our major competitors may have adopted a different business strategy. Moreover, if our major competitors focus on customers which are small scale solvent-based paint and coatings manufacturers who were more likely to be compelled to relocate out of Guangdong Province due to the implementation of environmental policies by the PRC government and intense competition in Guangdong Province, the revenue and gross profit margin of our major competitors may shrink if such relocation occurred; and
- (iii) we focus on selling chemical cans for paint and coatings during the Track Record Period while a number of our major competitors also sell cans for other uses (such as food cans).

Competitive advantages

Our competitive strengths include the followings:

- (i) strong and solid customer base;
- (ii) emphasis on the quality of our products;
- (iii) experienced management team with extensive industry experience;
- (iv) established business relationships with major tinplate coil suppliers and subcontractors; and
- (v) strategically located production facilities in a major transportation hub and in close proximity to our largest customer.

For details of our competitive strengths, see “Business — Competitive strengths”.

Entry barriers into the tinplate packaging industry of paint and coatings in the PRC

Geographical proximity to customers’ production bases

Manufacturers of tinplate packaging products usually set up their manufacturing bases close to their customers’ production bases since paint and coatings manufacturers tend to demand quick delivery time and the transportation cost of tinplate packaging products is relatively high. Such geographical proximity facilitates efficient communication and delivery of final products, which helps both parties set up solid strategic relationship. New entrants would face great difficulties and risks if they set up production lines and compete with existing manufacturers of tinplate packaging products.

Committed capital investment to take advantage of economies of scale

It is essential for manufacturers of tinplate packaging products to maintain mass production by managing steady supply of raw materials and sale of final products. In order for manufacturers of tinplate packaging products to take full advantage of such economics of scale in terms of production, relatively healthy capital is necessary. Such capital requirement is likely to be an entry barrier for new entrants.

Well-established quality control system

The manufacturing process of tinplate packaging products generally includes quality control in order to eliminate inferior products and satisfy customers’ requirements. Also, large scale manufacturers of paint and coatings put more emphasis on the quality of their products in order to maintain reputation. Thus, a well-established quality control system is essential for manufacturers of tinplate packaging products and is likely to be an entry barrier for new entrants with less

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experience. Furthermore, as production lines have to abide by strict safety and environmental regulations, the know-how to effectively and efficiently operate and optimise these production processes is paramount.

Market drivers for the tinplate packaging industry of paint and coatings in the PRC

Upgrade of paint and coatings industry

Due to the ongoing urbanisation and upgrade of the PRC's industry which will adopt environmentally-friendly coating materials in the process of manufacturing and construction, there is steadily increasing demand for paint and coatings from its downstream industries, such as housing, public infrastructure and automobile. With the upgrade of paint and coatings industry and rising awareness of environmental protection, the industry participants of paint and coatings industry will become more committed to environmental protection, health, safety, and the advancement of science and technology.

Increasing demand from the paint and coatings industry

The production volume of the paint and coatings industry in the PRC is expected to grow at a CAGR of approximately 6.7% from 2017 to 2021, reaching approximately 25.0 million tonnes by 2021. Moreover, the leading paint and coatings manufacturers in the PRC tend to gain more market share in the PRC's paint and coatings market. The growing paint and coatings industry is expected to bring opportunities to manufacturers of tinplate packaging products.

Demand for water-based paint and coatings in the PRC are also driven by a series of environmental policies implemented by the PRC government, including (i) amendment to Environmental Protection Law of the PRC 《中華人民共和國環保法》 promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) in April 2014 and implemented in January 2015, which added that the PRC government shall support the development of environmentally-friendly products through favourable tax policy and financial support; (ii) Notice of the Excise Tax on Batteries and Paint and Coatings 《關於對電池、塗料徵收消費稅的通知》 promulgated by the State Administration of Taxation (國家稅務總局) in January 2015 and implemented in February 2015, which states that paint and coatings has been included in the excise-tax-charging list but paint and coatings with volatile organic compounds of less than 420 gram per litre during manufacturing stage is not subject to the excise tax (i.e. water-based paint and coatings generally has low volatile organic compounds); (iii) Action Plan of Promoting the Production and Application of Green Building Materials 《促進綠色建材生產和應用行動方案》 jointly issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) in September 2015, which sets the target that 30% of building materials applied in newly constructed buildings should be green materials by 2018 and supports the application of paint and coatings with low volatile organic compounds, which include water-based paint and coatings; and (iv) Catalogue of Replacement of Toxic Material (Products) Encouraged by the Country (2016 Revision) 《國家鼓勵的有毒有害原料(產品)替代品目錄 (2016年

INDUSTRY OVERVIEW

版)》 jointly issued by Ministry of Industry and Information Technology, Ministry of Science and Technology and Ministry of Environmental Protection in December 2016, which encourage the replacement of solvent based paint and coatings with water based paint and coatings.

Supportive policy for the metal packaging industry

The Guideline Catalogue of Industry Restructuring was promulgated by the PRC government to encourage the production of environmentally-friendly and recyclable packaging materials. Tinplate is (i) environmentally-friendly as it is naturally decomposable and therefore brings minimum pollution to the environment; and (ii) easily recyclable as it is attracted to magnet, allowing quick and easy separation from other disposables in the recycling process. As such, this policy is expected to ensure stable production and supply of tinplate. Other metal such as aluminium and copper that is environmentally-friendly and conveniently recyclable could also benefit from this supportive policy. Consequently, cost of raw materials of manufacturers of packaging products of environmentally-friendly and recyclable materials can be kept stable or reduced. As tinplate coil is the major raw material of tinplate packaging products, the sufficient supply of tinplate coils will also stabilise the production cost and lead up to a steady development of tinplate packaging industry. Furthermore, The 13th Five-Year Plan of China's packaging industry issued by the China Packaging Technology Association in 2016 promotes the development of the packaging industry in the PRC by accelerating the restructuring of the packaging industry and the development of relevant technology.

Opportunities and threat and challenge of the tinplate packaging industry of paint and coatings in the PRC

Opportunities

- Possibility of replacing plastic packaging products: the two major raw materials used in the packaging of paint and coatings are tinplate and plastic. Compared with plastic packaging products, tinplate packaging products have features such as high opacity and reliable sealing performance, which are essential for the packaging of paint and coatings. With these outstanding features, it is forecasted that tinplate will replace plastic in the packaging of paint and coatings as the price of tinplate packaging products is only slightly higher than the price of plastic packaging products.

Plastic packaging is generally used in the downstream industries like food and beverages, transportation and logistics, industrial, household products, chemicals, pharmaceuticals and medical applications. The market size of the PRC's plastic packaging amounted to approximately RMB362.5 billion while the market segment of paint and coatings only accounted for approximately 1% of the plastic packaging market in 2016. Plastic packaging poses limited extent of competition to tinplate packaging in paint and coatings segment since it is indispensable to pack paint and coatings with tinplate packaging due to its higher solidity, reliable sealing performance and high opacity, while being resistant to corrosion.

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- Various applications in downstream industries: tinplate is ideal for the packaging of a wide range of chemicals due to its resistance to corrosion, reliable sealing performance and high opacity. Moreover, with the implementation of strict environmental regulations, tinplate packaging products have been and are expected to be applied in more downstream industries since environmental-friendliness and recyclability are two important features of tinplate.

Threat and challenge

- Domestic small scale manufacturers of tinplate packaging products face development challenges in the long run: the installation of new tinplate packaging production lines takes approximately two to three months. Large scale manufacturers of tinplate packaging products expand aggressively to new markets with quick responsiveness and customised production solution. With their technological innovation, some large scale manufacturers of tinplate packaging products have started to use advanced printing technology, which reduces costs and time in the production process. With the application of such technology by large scale manufacturers of tinplate packaging products, small scale manufacturers of tinplate packaging products are expected to face great difficulties.

REGULATORY OVERVIEW

OVERVIEW OF PRC LAWS AND REGULATIONS

Wancheng Shunde, our operating subsidiary in the PRC, manufactures and sells tinplate packaging products in the PRC. A summary of certain aspects of the PRC laws and regulations relevant to our Group's operations and business in the PRC are set out below.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Wholly foreign-owned enterprises

The establishment, operation and management of Wancheng Shunde shall be in compliance with the Company Law of the PRC (《中華人民共和國公司法》) and its relevant laws and regulations. On 29 December 1993, the Standing Committee of the National People's Congress of the PRC promulgated the Company Law of the PRC which was amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively. The latest amended Company Law of the PRC became effective on 1 March 2014. The establishment and operation of corporate entities in the PRC is governed by the Company Law of the PRC. The Company Law of the PRC generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of assets owned by the company. Liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

Wancheng Shunde is a wholly foreign-owned enterprise (the “WFOE”). A WFOE is governed by the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the “WFOE Law”), which was promulgated on 12 April 1986 and was last amended on 3 September 2016, and the Regulations for the Implementation of the WFOE Law (《中華人民共和國外資企業法實施細則》), which was promulgated by the former Ministry of Foreign Economic Relations and Trade (對外經濟貿易部) on 12 December 1990 and was last amended by the State Council (國務院) on 19 February 2014. Pursuant to the WFOE Law and the Regulations for the Implementation of the WFOE Law, the ratio between the registered capital of a WFOE and its total amount of investment must meet the applicable requirements stipulated by the relevant regulations of the PRC. Furthermore, matters concerning the foreign exchange of a WFOE shall be handled in accordance with the provisions of the State regarding foreign exchange administration. A WFOE shall open an account with the Bank of China or a bank designated by the SAFE.

The Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the “Foreign Investment Catalogue”) was jointly promulgated by the Ministry of Commerce (商務部) and the National Development and Reform Commission (國家發展和改革委員會) and was last amended on 10 March 2015. The Foreign Investment Catalogue divides industries into four categories according to the extent foreign investors may invest in such industries. The first three categories are “encouraged”, “restricted” and “prohibited” and all industries not listed under any

REGULATORY OVERVIEW

of these categories are deemed to be “permitted”. Pursuant to the Foreign Investment Catalogue, the industry in which Wancheng Shunde is primarily engaged does not fall in the “restricted” or “prohibited” industry. It falls within the “permitted” industry.

Dividend distribution

The principal laws and regulations relating to the distribution of dividends by WFOEs in the PRC include the Company Law of the PRC, the WFOE Law and its implementation regulations.

Under the PRC’s current regulatory regime, WFOEs in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with the PRC accounting standards and regulations. A PRC company is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

PRC LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Product standardisation

Our major products are tin cans and steel pails. According to the Standardisation Law of the PRC (《中華人民共和國標準化法》) (the “**Standardisation Law**”) promulgated on 29 December 1988 and its Implementation Regulations promulgated by the State Council on 6 April 1990, national standards and industrial standards are divided into mandatory standards and recommended standards. During the Track Record Period, there had been six standards applicable to Wancheng Shunde’s production of tinfoil packaging products, namely the mandatory national standard “General Specifications for Transport Packages of Dangerous Goods GB 12463-2009” (《危險貨物運輸包裝通用技術條件GB 12463-2009》), the mandatory national standard “Packaging Containers — Tinplate Aerosol Can GB 13042-2008” (《包裝容器—鐵質氣霧罐GB 13042-2008》), the recommended national standard “Packing Containers — Square Pail GB/T 17343-1998” (《包裝容器—方桶GB/T 17343-1998》), the recommended national standard “Packing Containers — Industrial Steel Sheet Round Can GB/T 15170-2007” (《包裝容器—工業用薄鋼板圓罐GB/T 15170-2007》) the recommended national standard “Packaging Containers — Steel Pails GB/T 13252-2008” (《包裝容器—鋼提桶GB/T 13252-2008》) and the recommended industrial standard “Rules for the Inspection of Packaging for Export Dangerous Goods SN/T 0370.2-2009” (《出口危險貨物包裝檢驗規程SN/T 0370.2-2009》). Besides, there is a standard applicable to the production of raw materials by Wancheng Shunde’s suppliers, namely the recommended national standard “Cold-reduced Electrolytic Tinplate GB/T 2520-2008” (《冷軋電鍍錫鋼板及鋼帶GB/T 2520-2008》), and a standard applicable to the printing of tinfoil by Wancheng Shunde’s suppliers, namely the recommended industrial standard “Tinfoil Prints for the Packing and Decoration QB/T 1877-1993” (《包裝裝潢鍍錫(鎳)薄鋼板印刷品QB/T 1877-1993》). Our PRC Legal Advisers have confirmed that, during the Track Record Period, Wancheng Shunde had complied with the above mandatory standard in all material respects. For further details, see “Business — Quality control”.

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According to the Standardisation Law, products that fail to meet mandatory standards are prohibited from being manufactured, sold or imported. Standards imposed to safeguard human health and safety and to ensure the safety of property, as well as those legally prescribed as mandatory are mandatory standards, while any others are recommended standards. The production, sale or import of any product that does not conform to mandatory standards shall be handled by the relevant administrative authorities in accordance with the Standardisation Law. Where the Standardisation Law is silent on such handling, the product and any illegal income derived therefrom may be confiscated and a fine will be imposed. In circumstances where serious consequences are incurred and the offence constitutes a crime, the liabilities for responsible personnel may be investigated and established in accordance with law. Local standards formulated by the Standardisation Administrative Departments (標準化行政主管部門) of provinces, autonomous regions and municipalities for the safety and sanitary requirements of industrial products are mandatory standards within their respective administrative areas. The PRC government encourages, but does not mandate, the adoption of recommended standards by enterprises.

Product quality

The operation of Wancheng Shunde shall be in compliance with PRC product quality laws and regulations.

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) was promulgated on 22 February 1993 and amended on 8 July 2000 and on 27 August 2009. Applicable to all production and marketing activities in China, the Product Quality Law was formulated to strengthen the administration of rules pertaining to product quality, as well as to clarify product liability rules, protect consumers and maintain social and economic order.

Pursuant to the Product Quality Law, the State Council established a national administration in charge of nationwide product quality, with local authorities performing this duty at the local level. Products offered for sale must meet relevant quality and safety standards. Enterprises are prohibited to produce or market counterfeit products in any fashion, including forging brand labels or giving false information about the manufacturer of a product. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and penalties, such as compensation for damages, fines, suspension or shutdown of businesses, as well as confiscation of products illegally produced and sold and the unlawful earnings. Serious violations may subject the responsible individual or enterprise to criminal liabilities. Manufacturers whose products cause personal or property damages due to their latent defects are liable for such damages.

For the implementation of the Product Quality Law, the Regulations of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) (the “**Production License Regulations**”) were promulgated on 9 July 2005 by the State Council to regulate product quality and safety. Subsequently, on 21 April 2014, for the implementation of the Production License Regulations, AQSIQ promulgated the Measures for the Implementation of the Regulations of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》) (the “**Production License Measures**”). Pursuant to the Production License Regulations, the Production License

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Measures and the Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated by the State Council on 26 January 2002 and amended on 2 March 2011 and 7 December 2013, the department in charge of quality supervision, inspection and quarantine at the provincial level and above are responsible for issuing production licences to enterprises engaged in the production of products that may affect safety in production and public safety, including hazardous chemicals and the packaging materials and containers of such chemicals. From time to time, the AQSIQ formulates and revises an industrial product catalogue. Enterprises engaged in the production of products listed in the catalogue must apply for and obtain production licences from competent authorities. Manufacturing such products without a valid production licence is strictly prohibited. Any violation will result in suspension of the production or the sale, fines, confiscation of products illegally produced or sold, or revocation of the production license. Criminal liabilities may also be imposed for serious violations. The valid period of the production licence is five years, and enterprises must follow the re-certification procedures before the expiration of their production licences in order to continue their production.

Wancheng Shunde is engaged in the production of hazardous chemicals' containers, which are listed in the Catalogue of the Product on which the Management System of Manufacturing Licenses is Implemented (《實行生產許可證制度管理的產品目錄》) promulgated by the AQSIQ on 20 November 2012. According to the Production License Regulations, the Production License Measures and the Regulations on Safety Management of Hazardous Chemicals, Wancheng Shunde is required to make an application for a license for manufacturing industrial products. Our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, Wancheng Shunde had obtained the licence for manufacturing industrial products issued by the relevant authority accordingly. For further details about such licence, see “Business — Licences and permits”.

Production safety

The operation of Wancheng Shunde shall be in compliance with PRC production safety laws and regulations.

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the “**Production Safety Law**”) was promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014. This law provides safety standards for any production or business operation in order to reduce accidents and protect the general public security and safety of property.

According to the Production Safety Law, the State Administration of Work Safety (國家安全生產監督管理總局), a central government authority established by the State Council, is primarily responsible for supervision and administration of the Production Safety Law nationwide. Local government authorities at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdictions. Enterprises must undertake necessary measures to set up and maintain appropriate equipment, monitor the safety of production procedures, assign designated personnel, conduct workplace safety training and undertake all other measures required by the law to ensure the safety of employees and the general public. Any responsible individual or enterprise that fails to perform its duty to meet the safety

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production standards stipulated by law may be ordered to rectify the violations within a prescribed period. Failure to rectify the violations within the prescribed period may result in fines, suspension of the production or business for rectification. Serious violations that result in any production safety accident may subject the responsible individuals to criminal liabilities.

Our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, Wancheng Shunde did not have any material work safety accidents. For further details, see “Business — Health and occupational safety”.

Registration for the use of special equipment

According to the Law of the PRC on the Safety of Special Equipment (《中華人民共和國特種設備安全法》) promulgated on 29 June 2013 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on 11 March 2003 and amended on 24 January 2009, a special equipment catalogue shall be formulated by the department of the State Council that is in charge of the safety supervision and administration of special equipment. Entities using special equipment listed in the catalogue shall use special equipment that has been issued the production license and that has passed inspection. An entity using special equipment shall, before or within thirty days after a piece of special equipment is put into use, go through use registration with the relevant department in charge of the safety supervision and administration of special equipment, and obtain the use registration certificate. The registration mark shall be placed in an eye-catching position of the special equipment. An entity using special equipment shall, in accordance with safety technical specifications, request for regular inspection to the relevant special equipment inspection agency one month prior to the expiry of the inspection validity period of the special equipment. Upon receipt of the regular inspection request, the special equipment inspection agency shall conduct safety performance tests in accordance with safety technical specifications in a timely manner. The entity using special equipment shall place the regular inspection mark on an eye-catching position of the special equipment. Special equipment that has not gone through or has failed regular inspection shall not continue to be used. Any violation of the relevant legal provisions may result in civil liabilities and penalties, such as compensation for damages, warnings, suspension of the use of the relevant special equipment, suspension of the production or business for rectification or fines. Criminal liabilities may also be imposed for serious violations.

Wancheng Shunde uses a bridge crane (橋式起重機) in the cutting to length process and uses on-site (in-factory) dedicated motor vehicles (場(廠)內專用機動車輛) in the process of outsourcing of tinsplate printing, extruding and welding, which are listed in the Special Equipment Catalogue (《特種設備目錄》) promulgated by the AQSIQ on 19 January 2004 and last revised on 30 October 2014. According to the Law of the PRC on the Safety of Special Equipment and the Regulations on Safety Supervision of Special Equipment, Wancheng Shunde is required to make an application for a use registration certificate of special equipment before or within thirty days after a piece of special equipment is put into use, and the staff operating the special equipment in Wancheng Shunde is required to obtain a certificate for special operators. Our PRC Legal Advisers have

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confirmed that, during the Track Record Period and up to the Latest Practicable Date, Wancheng Shunde had obtained the use registration certificates for using each piece of special equipment issued by the relevant authorities within the prescribed time.

Freight transport license

According to the Regulations of the PRC on Road Transport (《中華人民共和國道路運輸條例》) promulgated by the State Council on 30 April 2004 and last amended on 6 February 2016 and the Provisions on Administration of Road Freight Transport and Related Stations (《道路貨物運輸及站場管理規定》) promulgated by the Ministry of Transport (交通部) on 16 June 2005 and last amended on 11 April 2016, the administrative department for road transport shall be responsible for the supervision and inspection of the road freight transport operation in accordance with the law, the issuance of the operation license for road transport to the enterprise engaged in the road freight transport operation, and the issuance of road transport certificate to the vehicle which such enterprise put into the transport operation. Road freight transport operators shall engage in the freight transport operation in accordance with the business scope authorised by the operation license for road transport, and shall not transfer or lease the operation license for road transport. Any violation will result in suspension of operation, confiscation of the unlawful earnings, or fines. Criminal liabilities may also be imposed for serious violations.

During the Track Record Period, Wancheng Shunde delivered the finished products to our customers in the PRC through its own logistics team comprising of trucks. According to the Regulations of the PRC on Road Transport and the Provisions on Administration of Road Freight Transport and Related Stations, Wancheng Shunde is required to make application for the enterprise's operation license for road transport and the road transport certificate for each vehicle which Wancheng Shunde put into the transport operation. Our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, since Wancheng Shunde delivered the finished products to our customers in the PRC through its own logistics team, Wancheng Shunde had obtained the enterprise's operation license for road transport and the road transport certificate for each vehicle which Wancheng Shunde put into the transport operation issued by the relevant authorities. For further details about the operation licence for road transport of Wancheng Shunde, see "Business — Licences and permits".

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

Wancheng Shunde owns trademarks in the PRC and uses its trademarks on its products. PRC trademark laws and regulations are applicable to Wancheng Shunde.

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), which was promulgated on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013 respectively, and the Implementing Regulations of the Trademark Law (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on 3 August 2002 and amended on 29 April 2014, trademarks that are registered upon verification and approval

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of the Trademark Office of the State Council's administrative department for industry and commerce (the “**Trademark Office**”) are registered trademarks. A trademark registrant shall be entitled to the exclusive right to use the registered trademark and such right shall be protected by law. Any natural person, legal person or other organisation that needs to obtain the exclusive right to use a trademark for its goods or services during production and business operations shall apply for trademark registration with the Trademark Office. A registered trademark shall be valid for ten years, commencing from the date of registration approval.

Wancheng Shunde uses some trademarks for its goods or services. As at the Latest Practicable Date, Wancheng Shunde had obtained the trademark registration certificate for each trademark owned by it in accordance with the Trademark Law of the PRC and its implementing regulations. For further details about the trademarks owned by Wancheng Shunde, see “B. Further information about our business — 2. Our intellectual property rights” in Appendix V to this prospectus.

PRC LAWS AND REGULATIONS RELATING TO REAL ESTATE

Wancheng Shunde owns real estate in the PRC. PRC real estate laws and regulations are applicable to Wancheng Shunde.

According to the Real Right Law of the PRC (《中華人民共和國物權法》) (the “**Real Right Law**”), which was promulgated on 16 March 2007 and took effect on 1 October 2007, the term “real right” as mentioned in the Real Right Law means the exclusive right of direct control over a specific real estate enjoyed by the holder in accordance with law, including ownership, usufructuary right and real rights for security. After it is registered in accordance with law, the creation, alteration, alienation or termination of the real right of a realty shall come into effect; unless it is otherwise prescribed by any law, it shall have no effect if it is not registered in accordance with law.

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on 25 June 1986 and last amended on 28 August 2004, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The People's Government at or above the county level shall register and put on record uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights. In accordance with the Law of the PRC on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated on 5 July 1994 and last amended on 27 August 2009, the State practises system of using State-owned lands under due compensation and terms of using the land except the use of State-owned land allocated by the State according to this law. The right of use land shall be remised through auction, bidding or agreement between the related parties. A written contract for the remise shall be signed on the remise of the right to use land, and the land users should pay the remise money for the right of land use in accordance with the contract for the remise. Land users who need to change the use of the land prescribed by the contract must first of all get the consent from the granting party and the urban planning department of the city or county people's government.

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Pursuant to the Real Right Law of the PRC and the Law of the PRC on the Administration of the Urban Real Estate, mortgage of real estate refers to acts that a mortgagor provides the mortgagee security for the payment of a debt with his legal real estate in the manner that the possession of his real estate is not transferred. Where a debtor fails to pay his debt, the mortgagee shall have the right in accordance with the law to enjoy the priority in compensation to be paid with funds obtained from auction of the real estate mortgaged. A mortgage may be created on the ownership of a house obtained according to law together with the land use rights to the house site. Where a building is mortgaged, the right to the use of the land for construction within the area occupied by the building shall be mortgaged along with the building.

Wancheng Shunde uses real estates including land and buildings. As at the Latest Practicable Date, Wancheng Shunde had obtained the registration certificate for each parcel of land and each building in use in accordance with the Real Right Law of the PRC. Besides, Wancheng Shunde had acquired the land use rights through remise in accordance with the Land Administration Law of the PRC and the Law of the PRC on the Administration of the Urban Real Estate. Furthermore, Wancheng Shunde had mortgaged its ownership of the building together with the land use rights to the house site to a bank for a loan. According to the Real Right Law of the PRC and the Law of the PRC on the Administration of the Urban Real Estate, such mortgage shall not affect Wancheng Shunde's normal use of the building and the parcel of land since the possession of the real estate is not transferred, unless Wancheng Shunde fails to pay its debt and the mortgagee intends to enjoy the priority in compensation to be paid with funds obtained from auction of the real estate mortgaged. For further details about the real estates owned by Wancheng Shunde, see "Business — Property".

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The construction and operation of Wancheng Shunde shall be in compliance with environmental protection laws and regulations in the PRC.

According to the 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, enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation, etc. generated during production, construction or other activities. Enterprises and public institutions that discharge pollutants shall each establish an environmental protection responsibility system, and specify the responsibilities of the persons in charge and relevant personnel thereof. Facilities for the prevention and control of pollution in a construction project shall be designed, built and put into production and use together with the principal part of the project. The preparation of relevant development and utilisation plans and the construction of the projects having impact on environment shall be subject to environmental impact assessment in accordance with the law. For any development and utilisation plan, in absence of the environmental impact assessment in accordance with the law, the plan shall not be implemented; for any construction project, in absence of the environmental impact assessment in accordance with the law,

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the construction of the project shall not be commenced. The enterprises, public institutions and other producers and business operators on which the management system for the pollutants discharge permit is implemented shall discharge pollutants according to their respective pollutants discharge permits and shall not discharge pollutants without obtaining a pollutants discharge permit. For further details of our pollutant discharge permit, see “Business — Licences and permits”.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and amended on 2 July 2016, and the Rule on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價文件分級審批規定》) promulgated by the Ministry of Environmental Protection (環境保護部) on 16 January 2009, the PRC government has established a system to appraise the environmental impact of construction projects and classify the appraisal based on the degree of environmental impact caused by the construction project. In the event of significant environmental impact, an environmental impact appraisal report shall include a comprehensive appraisal on the possible environmental impact; in the event of slight environmental impact, an environmental impact report shall include an analysis or special appraisal on the environmental impact; and in the event of minimal environmental impact, no environmental impact appraisal is required but an environmental impact form shall be filed. The registered report should be approved by competent administrative department before starting construction.

According to the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated and implemented on 29 November 1998 and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on 27 December 2001 by the former State Environmental Protection Administration (國家環境保護總局) and amended on 22 December 2010, a construction entity shall, before commencing the trial production of a construction project, submit an application for trial production to the competent administrative department of environmental protection with approval rights. A construction entity shall also, before the construction project being put into production or use, file an application with the competent administrative department of environmental protection with approval rights for acceptance checks on environmental protection of the completed construction project.

According to the Circular on Discontinuation of Approving the Trial Production of Construction Projects by Competent Departments (《關於環境保護主管部門不再進行建設項目試生產審批的公告》) promulgated by the Ministry of Environmental Protection on 8 April 2016, the competent departments of environmental protection at provincial, municipal or county level will discontinue the acceptance of application for trial production of construction projects and the approval of the trial production of construction projects.

The Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) promulgated on 5 September 1987 and last amended on 29 August 2015, the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated on 11 May 1984 and last amended on 28 February 2008, the Law of the PRC on the Prevention and Control of Environmental Pollution by Noise (《中華人民共和國環境噪聲污染防治

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法》) promulgated on 29 October 1996, and the 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 30 October 1995 and last amended on 7 November 2016, all of which are applicable to Wancheng Shunde, set out, respectively, the regulations governing the prevention and control of air, water, noise and waste pollution in order to protect and improve the environment, safeguard public health and promote economic and social development. In particular, these laws stipulate concrete requirements for prevention and control of air, water, noise and solid waste pollution for a variety of activities, including residential, production and operation activities. Enterprises failing to comply with the provisions of the laws on the prevention and control of air, water, noise or solid waste pollution may be subject to warnings, fines, suspension of operation and closure of business, as determined by the relevant environmental protection authorities. Enterprises that cause air, water, noise or solid waste pollution are obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. Criminal liabilities may also be imposed for serious violations.

Our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, Wancheng Shunde had complied with all the applicable PRC Laws and regulations relating to environmental protection in all material respects. For further details, see “Business — Environmental protection”.

PRC LAWS AND REGULATIONS RELATING TO LABOUR

Wancheng Shunde is governed by PRC laws and regulations relating to labour protection.

Pursuant to the PRC Labour Law (《中華人民共和國勞動法》) promulgated on 5 July 1994 and amended on 27 August 2009 and the PRC Labour Contract Law (《中華人民共和國勞動合同法》) which was promulgated on 29 June 2007 and amended on 28 December 2012, if an employment relationship is established between an entity and its employees, written labour contracts shall be prepared and such contracts can only be terminated by payment or in accordance with relevant laws. The relevant laws also stipulate the maximum number of working hours per day and per week, respectively, and the requirements for entities to establish and develop systems for occupational safety and sanitation.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010, employees shall participate in basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance schemes. Basic pension, basic medical insurance and unemployment insurance contributions shall be paid by both employers and employees while work-related injury insurance and maternity insurance contributions shall be solely undertaken by employers. If an employing entity does not go through the formalities for social insurance registration, the social insurance administration department shall order it to make rectification within the stipulated period. If rectification is not made within the stipulated period, the employing entity shall be imposed a fine from one to three times the amount of the social insurance premium that should be paid. The personnel directly in charge and other personnel subject to direct liability shall be imposed a fine of more than RMB500 and less than RMB3,000. If an employing entity does not pay the full amount of social insurance

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premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, PRC companies must register with the applicable housing provident fund management centre and establish a special housing provident fund account in an entrusted bank. Each of the PRC units and their employees are required to contribute to the housing provident fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage of the preceding year. Where a unit fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff and workers, the housing provident fund management centre shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where a unit is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, Wancheng Shunde had complied with the above PRC laws regarding labour, labour contract, social insurance and housing provident fund in all material respects. For further details, see "Business — Employees".

PRC LAWS AND REGULATIONS RELATING TO TAXATION

PRC laws and regulations of major tax imposed on Wancheng Shunde are as follows:

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was promulgated on 16 March 2007 and amended on 24 February 2017, and the Implementing Regulations of the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on 6 December 2007, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or establishments in the PRC shall pay enterprise income tax, in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up in the PRC by such enterprises. Where

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non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

Withholding tax on dividend distribution

According to the EIT Law and the implementing regulations of the EIT Law, income such as dividends, rental, interest and royalty from PRC derived by a non-resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to foreign investment enterprises and their investors.

According to Arrangement between the Mainland and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Tax Arrangement**”) promulgated by the State Administration of Taxation (國家稅務總局) on 21 August 2006, the applicable income tax rate for dividends arising from enterprises incorporated in the PRC to an enterprise incorporated in Hong Kong or a foreign enterprise incorporated outside Hong Kong but being controlled or managed in Hong Kong is 5%, if such enterprise beneficially owns not less than 25% equity interest in the said enterprises incorporated in the PRC.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993 and last amended on 6 February 2016, and the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 25 December 1993 and amended on 15 December 2008 and 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax. Unless provided otherwise, the rate of value-added tax is 17%.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Wancheng Shunde is a WFOE within the territory of the PRC. It is governed by PRC laws and regulations of foreign currency exchange.

Pursuant to the Rules for Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, Renminbi is freely convertible for current account items, including the distribution of dividends payments, interest payments, trade and service-related foreign exchange

REGULATORY OVERVIEW

transactions. Conversion of Renminbi for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is still generally subject to the SAFE's approval or verification.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China on 20 June 1996, foreign-invested enterprises (the "FIE"), including WFOEs, may only buy, sell or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining the SAFE's approvals.

Pursuant to the Circular of SAFE on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-invested 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 "Circular 19") promulgated by the SAFE on 30 March 2015, the voluntary settlement of foreign exchange capital funds for FIEs will be implemented. This means that the foreign exchange capital funds in an FIE's capital account, which have been recognised by the local foreign exchange bureau as the interests of monetary capital contributions or registered with the relevant bank as monetary capital contributions, can be settled in banks according to such FIE's actual business operation requirements. The provisional percentage for the voluntary settlement of foreign exchange capital funds for FIEs is 100%. The SAFE may adjust the aforesaid percentage according to the level of the balance of international payments. Furthermore, Circular 19 facilitates domestic equity investments by FIEs with Renminbi funds from the settlement of foreign exchange capital. As a new regulation, Circular 19 will be subject to interpretation and application by the relevant PRC authorities.

BUSINESS HISTORY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April 2016. Our Group completed the Reorganisation on 4 May 2016 in preparation for Listing, pursuant to which our Company became the ultimate holding company of our Group. Details of the Reorganisation are set out below in “— Reorganisation”.

As at the Latest Practicable Date, our Company had three subsidiaries, namely Able Hope, Wancheng Hong Kong and Wancheng Shunde. Able Hope and Wancheng Hong Kong are investment holding companies incorporated in the BVI and Hong Kong, respectively. Wancheng Shunde is our operating subsidiary established in the PRC which carries out our Group’s principal business in the manufacturing and sales of tinplate packaging products in the PRC.

The history of our Group can be traced back to 1997 when Wancheng Shunde was established by our founders, Mr. JC Liang and Mr. Li Mengguang (“**Mr. Li**”), an Independent Third Party, on 27 June 1997 with a registered capital of RMB500,000 using their personal funds. Upon establishment, Wancheng Shunde was owned as to 51% and 49% by Mr. JC Liang and Mr. Li, respectively. Mr. JC Liang was a director and a shareholder of Wancheng Shunde since its establishment and up to July 1998 when he resigned as director of Wancheng Shunde and transferred his shares in Wancheng Shunde to Mr. Cen Sigen (“**Mr. Cen**”), an Independent Third Party. After Mr. Cen’s retirement in 2003, Mr. JC Liang reverted to become a director and a shareholder of Wancheng Shunde again. In 2004, both Mr. JC Liang and Mr. Li transferred their shares in Wancheng Shunde to Wancheng Hong Kong. After the said transfer, Mr. JC Liang has always been a director of Wancheng Hong Kong and, save for the period between April 2015 and April 2016, Mr. JC Liang has been a director of Wancheng Shunde. Currently, Mr. JC Liang is our chief executive officer and executive Director. Further details of Mr. JC Liang’s experience and qualifications are set out in “Directors, Senior Management and Staff”.

Wancheng Shunde obtained its business licence on 27 June 1997 and commenced business operation at its Gaoli Factory. Due to expansion of our business, we moved to our Foshan Factory in July 2005.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS MILESTONES

The following table illustrates certain key milestones of the development of our business since establishment:

<u>Year</u>	<u>Event</u>
1997	<ul style="list-style-type: none">• Our operating subsidiary, Wancheng Shunde, was established in the PRC and we commenced commercial production of tin cans at Gaoli Factory.• We commenced business relationship with our largest customer during the Track Record Period.
1998	<ul style="list-style-type: none">• We commenced commercial production of steel pails at Gaoli Factory.
2004	<ul style="list-style-type: none">• Wancheng Shunde became a wholly foreign-owned enterprise.
2005	<ul style="list-style-type: none">• We moved to our Foshan Factory and continued our business and production.
2013	<ul style="list-style-type: none">• Wancheng Shunde's quality management system for design and manufacture of metal packaging can was accredited with (i) GB/T 19001-2008/ISO 9001:2008 and (ii) ISO 9001:2008 standard certifications.

CORPORATE STRUCTURE

Set out below is the brief corporate history of each of the members of our Group:

(i) Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 April 2016 with an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, with one fully-paid subscriber Share being allotted and issued to the initial subscriber, an Independent Third Party. On the same day, such subscriber Share was transferred to Fortune Time at par value consideration. After the aforesaid transfer, the issued share capital of our Company was wholly-owned by Fortune Time.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the Reorganisation, on 4 May 2016, our Company allotted and issued 277,499,999 Shares and 22,500,000 Shares credited as fully paid to Fortune Time (a company owned as to 50% by each of Mr. JH Liang and Mr. JX Liang) and Century Great (a company wholly-owned by Mr. Law), respectively for the acquisition of the respective interests of Mr. JH Liang, Mr. JX Liang and Mr. Law in Able Hope. Mr. JH Liang is the younger brother of Mr. JX Liang. Both Mr. JH Liang and Mr. JX Liang are the nephews of Mr. JC Liang.

As at the Latest Practicable Date, all the allotted and issued Shares were held by Fortune Time and Century Great as to 92.50% and 7.50%, respectively.

As a result of the Reorganisation, our Company, through Able Hope and Wancheng Hong Kong, indirectly holds all of the equity interest in our operating subsidiary, Wancheng Shunde, which manufactures and sells tinplate packaging products in the PRC.

Our Company is an investment holding company of our subsidiaries.

(ii) Able Hope

Able Hope was incorporated in the BVI on 1 August 2014 as a limited liability company, which was, on the date of its incorporation, authorised to issue a maximum of 50,000 shares of a single class without par value. On the date of its incorporation, one share was allotted and issued to Mr. Law at the consideration of US\$1.00 and was fully paid.

On 27 November 2014, 4,625 and 4,625 fully-paid shares of Able Hope were allotted and issued to Mr. JH Liang and Mr. JX Liang, at the consideration of HK\$1.00 and HK\$1.00, respectively.

On 28 November 2014, 749 fully-paid shares of Able Hope were allotted and issued to Mr. Law, at the consideration of HK\$5,999,992.2, which was arrived at after arm's length negotiations with reference to the net asset value of Wancheng Shunde in 2013 and 2014, and the appraised value of the parcel of leasehold land owned by Wancheng Shunde in 2014. For details, see “— Pre-IPO Investment”.

After the aforesaid allotments and issues of shares of Able Hope, the entire issued shares of Able Hope was owned by Mr. JH Liang, Mr. JX Liang and Mr. Law as to 46.25%, 46.25% and 7.50%, respectively.

On 4 May 2016, by the Deed of Reorganisation, Mr. JH Liang, Mr. JX Liang and Mr. Law transferred their respective 46.25%, 46.25% and 7.50% interests in Able Hope to our Company in consideration of our Company's allotment and issue of 277,499,999 Shares and 22,500,000 Shares to Fortune Time (a company owned as to 50% by each of Mr. JH Liang and Mr. JX Liang) and Century Great (a company wholly-owned by Mr. Law), respectively.

Since then and up to the Latest Practicable Date, there had not been any change in the shareholding of Able Hope. As at the Latest Practicable Date, Able Hope was a direct wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Able Hope is an investment holding company of Wancheng Hong Kong.

(iii) Wancheng Hong Kong

Wancheng Hong Kong was incorporated in Hong Kong on 18 June 2003 with limited liability. The authorised share capital of Wancheng Hong Kong was, on the date of its incorporation, HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, each of GSL Services Limited and GNL Services Limited (as initial subscribers and being Independent Third Parties) subscribed for one share in Wancheng Hong Kong.

On 25 June 2003, 5,098 shares, 4,000 shares and 900 shares in Wancheng Hong Kong were allotted and issued to (i) Hua Run Paints Holdings Company Limited (“**Hua Run Paints**”), a company then owned by Mr. JQ Liang and other Independent Third Parties as to approximately 16.67% and 83.33%, respectively; (ii) Mr. JC Liang; and (iii) Mr. Li at the consideration of HK\$5,098, HK\$4,000 and HK\$900, respectively. For details on the relationship between Hua Run Paints and our Group, see “Business — Customers”.

On 21 July 2003, each of GSL Services Limited and GNL Services Limited transferred their one share in Wancheng Hong Kong to Hua Run Paints for par value consideration. As a result, the then entire issued share capital of Wancheng Hong Kong was held by Hua Run Paints, Mr. JC Liang and Mr. Li as to 51%, 40% and 9%, respectively.

On 7 June 2005, Mr. Li transferred his 900 shares in Wancheng Hong Kong to Hua Run Paints for par value consideration.

On 29 November 2005, Hua Run Paints transferred its 6,000 shares in Wancheng Hong Kong to Champion Regal Limited, a company then owned by Mr. JQ Liang and other Independent Third Parties as to approximately 16.67% and 83.33%, respectively, for par value consideration.

On 27 November 2006, Champion Regal Limited transferred its 6,000 shares in Wancheng Hong Kong in equal share to Mr. JH Liang and Mr. JX Liang for the aggregate consideration of HK\$6,300,000 with reference to the net asset value of Wancheng Hong Kong between 2003 and 2005. As a result, the then entire issued share capital of Wancheng Hong Kong was held by Mr. JC Liang, Mr. JH Liang and Mr. JX Liang as to 40%, 30% and 30%, respectively.

On 27 November 2014, Mr. JC Liang, Mr. JH Liang and Mr. JX Liang transferred their respective shares in Wancheng Hong Kong to Able Hope at the consideration of HK\$1.00 for each of the aforesaid transfers. As a result, all the issued shares of Wancheng Hong Kong were held by Able Hope. Our Directors have confirmed that the consideration was determined based on the mutual agreement between the parties by taking into account the relationship between Mr. JC Liang, Mr. JH Liang and Mr. JX Liang as uncle and nephews and the intention of Mr. JC Liang to hand over the family business to next of kin to continue, develop

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

and expand the business of our Group. Mr. JC Liang has become our executive Director and the chief executive officer of our Company and remained a director of Wancheng Shunde so as to maintain the steady operation of our Group.

Our Directors have confirmed that each of the abovementioned transfers was properly and legally completed and settled.

Since then and up to the Latest Practicable Date, there had not been any change in the shareholding of Wancheng Hong Kong. As at the Latest Practicable Date, Wancheng Hong Kong was an indirect wholly-owned subsidiary of our Company.

Wancheng Hong Kong is an investment holding company of Wancheng Shunde.

(iv) Wancheng Shunde

Wancheng Shunde was established as a limited liability company in the PRC on 27 June 1997 with a registered capital of RMB500,000, which was fully paid-up and funded by Mr. JC Liang as to RMB255,000 and Mr. Li as to RMB245,000 using their personal funds.

On 23 July 1998, Mr. JC Liang entered into an equity transfer agreement with Mr. Cen to transfer his entire equity interest in Wancheng Shunde to Mr. Cen at a consideration of RMB255,000 which was determined based on the then registered capital of Wancheng Shunde. After completion of the equity transfer, Wancheng Shunde was owned as to 51% and 49% by Mr. Cen and Mr. Li, respectively. Such transfer was completed on 25 August 1998.

On 3 September 2003, Mr. Cen entered into an equity transfer agreement with Mr. JC Liang to transfer his 51% equity interest in Wancheng Shunde to Mr. JC Liang at a consideration of RMB255,000 which was determined based on the then registered capital of Wancheng Shunde. In addition, the registered capital of Wancheng Shunde was increased to RMB3,000,000 which was fully paid-up and funded by Mr. JC Liang, as to RMB1,530,000 and Mr. Li as to RMB1,470,000 using their personal funds. After completion of the equity transfer and capital injection on 27 September 2003, Wancheng Shunde was owned as to 51% and 49% by Mr. JC Liang and Mr. Li, respectively.

On 10 December 2003, Wancheng Hong Kong entered into an equity transfer agreement with Mr. JC Liang to acquire his 51% equity interest in Wancheng Shunde at a consideration of USD561,000 with reference to the net asset value of Wancheng Shunde as at 30 November 2003. On the same day, Wancheng Hong Kong entered into another equity transfer agreement with Mr. Li to acquire his 49% equity interest in Wancheng Shunde at a consideration of USD539,000 with reference to the net asset value of Wancheng Shunde as at 30 November 2003. Such transfers were approved by the relevant PRC authorities on 10 February 2004. As a result of the acquisition of the entire equity interest in Wancheng Shunde by Wancheng Hong Kong, Wancheng Shunde became a wholly foreign-owned enterprise in the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our PRC Legal Advisers have advised that the relevant governmental approvals for each of the aforementioned equity transfers as required under the PRC laws and regulations have been obtained.

Since then and up to the Latest Practicable Date, there had not been any change in the shareholding of Wancheng Shunde. As at the Latest Practicable Date, Wancheng Shunde was an indirect wholly-owned subsidiary of our Company.

Wancheng Shunde manufactures and sells tinplate packaging products in the PRC.

PRE-IPO INVESTMENT

On 1 August 2014, Able Hope was incorporated with one share allotted and issued to Mr. Law at the consideration of US\$1.00. On 28 November 2014, Mr. Law subscribed for 749 shares, representing approximately 7.49% of the issued shares of Able Hope at the consideration of HK\$5,999,992.2.

A summary of key particulars of the Pre-IPO Investment is set out below:

Name of Pre-IPO Investor:	Mr. Law
Number of shares subscribed and approximate percentage of shareholding of Able Hope:	An aggregate of 750 shares of Able Hope, representing 7.50% of the total issued shares of Able Hope
Amount of Pre-IPO Investment:	An aggregate of approximately HK\$6.0 million. This amount was funded by Mr. Law's own resources
Date of full payment of the consideration:	26 March 2015
Effective investment cost per Share (<i>Note 1</i>):	Approximately HK\$0.267 per Share
Use of proceeds from the Pre-IPO Investment:	We intended to apply the proceeds as general working capital of our Group at the time of the Pre-IPO Investment. Subsequently, the proceeds were fully utilised for the payment of professional fees in connection with the Listing as and when such expenses arose and settlement was due during the course of preparing for the Listing

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Reasons for and strategic benefit of the Pre-IPO Investment:	<p>The capital investment from the Pre-IPO Investor provides funds immediately available for our Group's business with additional working capital. The Pre-IPO Investment would also help to bring in the expertise of Mr. Law in accounting and company secretarial aspects with an aim to strengthen the overall corporate governance of our Group.</p> <p>Mr. JH Liang, our executive Director and our chairman, acquainted Mr. Law in a business dinner through a mutual friend in around 2014. After a few business meetings and considering of the advice and sharing from Mr. Law regarding our Group's accounting arrangement and regulatory compliance status, Mr. JH Liang was satisfied that Mr. Law had the relevant knowledge and experience which could be beneficial to our Group's development, and therefore Mr. JH Liang invited Mr. Law to invest in our Company as a strategic partner. At the time, Mr. Law took into account that our Group (i) had been in the tinplate packaging industry for around 20 years and had been reputable in this business sector; (ii) had been generating stable profit with reputable customers; (iii) had good prospects; and (iv) that the investment cost in the Group was fair and reasonable. In addition, Mr. Law believed that he could assist our Company to grow and expand by leveraging on his professional knowledge and business network. As such, he resolved to invest in our Group at the invitation of Mr. JH Liang.</p>
Number of Shares and approximate percentage of shareholding upon Listing (<i>Note 2</i>):	22,500,000, representing approximately 5.625% of the issued share capital of our Company upon Listing, held through Century Great.
Lock-up:	Mr. Law and Century Great have voluntarily undertaken to our Company that for a period of 12 months commencing on the date of Listing, they will not sell or otherwise transfer or dispose of any Shares without the prior consent from our Company or the Underwriters.
Special right:	There were no special rights granted to Century Great.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. For illustration purposes only. Based on the indicative Offer Price range, the investment cost per Share represents a discount of approximately 46.6% to HK\$0.5 per Share, being the lower end of the indicative Offer Price range, and a discount of approximately 61.9% to HK\$0.7 per Share, being the higher end of the indicative Offer Price range.
2. Assuming completion of the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme)

The said investment amount was arrived at after arm's length negotiations between our Company and Mr. Law with reference to the net asset value of Wancheng Shunde in 2013 and 2014, and the appraised value of the parcel of leasehold land owned by Wancheng Shunde in 2014.

Century Great is an investment holding company incorporated under the laws of the BVI and is wholly-owned by Mr. Law, who controls and operates a number of companies which provide a wide range of corporate services including accounting and taxation services, company secretarial services, valuation services and marketing services to corporations in Hong Kong. BNP Consultants Company Limited, a company controlled and operated by Mr. Law, provides accounting, company secretarial and compliance services to us at a monthly fee of HK\$60,000 to be charged upon Listing. The scope of services mainly included assistance and support in (i) overseeing and monitoring of the accounting and company secretarial matters of our Group, such as facilitating the preparation of monthly accounting reports, monitoring cash flow status and monitoring the accounts receivable and accounts payable of our Group; and (ii) overall corporate governance and compliance matters. We decided to engage Mr. Law for the above services after taking into consideration of the following factors:

- (i) Mr. JH Liang having been satisfied with Mr. Law's advice provided to and his sharing of experience with our Group;
- (ii) Mr. Law's past and current experience in serving other listed companies in Hong Kong;
- (iii) Mr. JH Liang's view that Mr. Law could be a long-term cooperation partner in view of Mr. Law's background, knowledge and character;
- (iv) the fee proposal and payment terms offered by Mr. Law which Mr. JH Liang considered reasonable after taking in consideration of the expected staff costs that our Group may incur should we set up our own team to perform the same work; and
- (v) Mr. Law's willingness to invest in our Group which demonstrated his commitment to Mr. JH Liang and our Company.

The monthly fee of HK\$60,000 was agreed between our Company and Mr. Law by taking into consideration (i) the expected staff costs that our Group may incur should we set up our own team to perform the same work; (ii) the experience of Mr. Law in the field of accounting and company secretarial matters; and (iii) the resources required by BNP Consultants Company Limited to support the provision of the services. The parties further agreed that such fee should only be

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

payable upon Listing in view of the substantial difference in duties and workload relating to accounting, company secretarial and compliance matters before and after Listing. Having considered that (i) Mr. Law is the Pre-IPO Investor; (ii) the substantial difference of workload before and after Listing; (iii) our Group may have to incur higher costs to set up and maintain our own team to perform same work if compared to engaging BNP Consultants Company Limited for the same services; and (iv) the payment terms of the services are generally in line with the services to be provided, our Directors are of the view that the monthly fee of HK\$60,000 payable upon Listing is fair and reasonable.

For details of our company secretary, see “Directors, Senior Management and Staff — Company Secretary”. Save as the aforesaid, Mr. Law did not have any other relationship with our Company and/or our Controlling Shareholders or any business transaction with our Company as at the Latest Practicable Date.

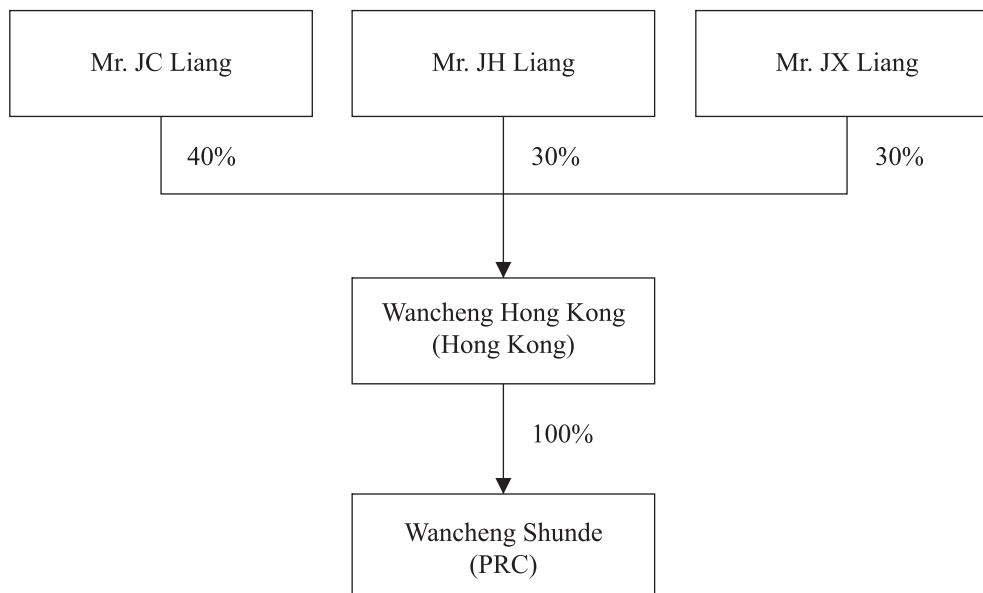
Following completion of the Reorganisation and immediately before completion of the Share Offer, Century Great became interested in 7.50% of the issued share capital of our Company. Upon Listing, Century Great would be interested in approximately 5.625% of the issued share capital of our Company. Since (i) Century Great is not a core connected person of our Company; (ii) the acquisition of Century Great’s interest in the Shares was not financed directly or indirectly by any connected person of our Company; and (iii) Century Great is not accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of the Shares held by it, the Shares held by Century Great are considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

The Sponsor is of the view that the Pre-IPO Investment is in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12 in respect of guidance on pre-IPO investments issued by the Stock Exchange, as the Pre-IPO Investment was completed on 26 March 2015, which is more than 28 clear days before the date of our Company’s submission of the listing application.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The following chart sets out the corporate structure of our Group prior to the commencement of the Reorganisation:



In preparation for the Listing, our Group underwent the Reorganisation to implement a structure where our Company became the holding company of our Group.

The following restructuring steps have been taken to rationalise the structure of our Group:

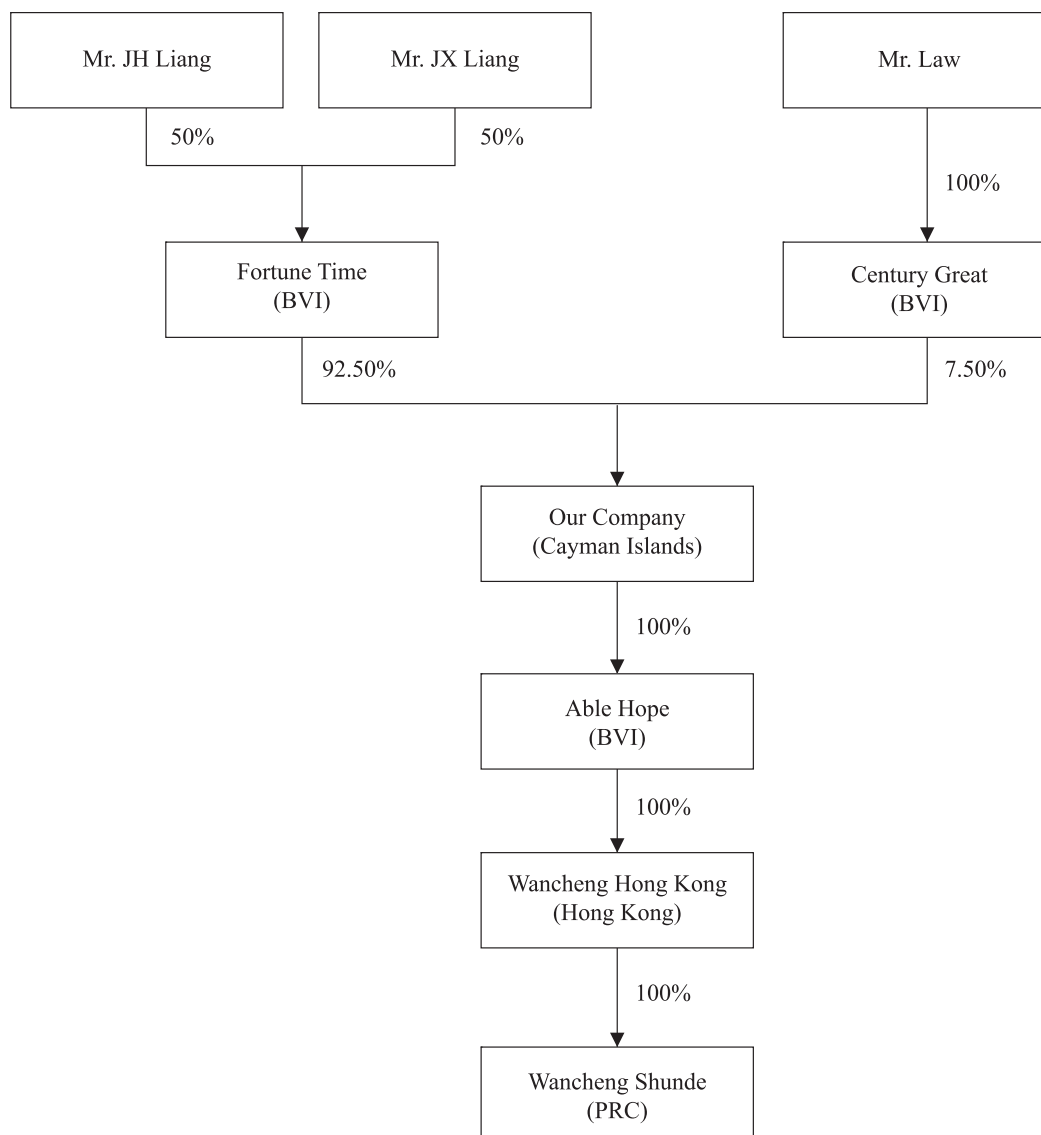
- (i) On 1 August 2014, Able Hope was incorporated in the BVI as a limited liability company. On the date of its incorporation, one share was allotted and issued to Mr. Law at the consideration of US\$1.00 and was fully paid.
- (ii) On 27 November 2014:
 - (a) 4,625 and 4,625 fully-paid shares of Able Hope were allotted and issued to Mr. JH Liang and Mr. JX Liang at the consideration of HK\$1.00 and HK\$1.00, respectively; and
 - (b) Mr. JC Liang, Mr. JH Liang and Mr. JX Liang transferred their respective 40%, 30% and 30% interests in Wancheng Hong Kong to Able Hope at the consideration of HK\$1.00 for each of the aforesaid transfers.
- (iii) On 28 November 2014, 749 fully-paid shares of Able Hope were allotted and issued to Mr. Law at the consideration of HK\$5,999,992.2.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (iv) On 2 January 2015, Fortune Time was incorporated in the BVI as a limited liability company. On 23 March 2015, one fully-paid share was allotted and issued to Mr. JX Liang at the consideration of US\$1.00.
- (v) On 24 March 2015, one fully-paid share of Fortune Time was allotted and issued to Mr. JH Liang at the consideration of US\$1.00.
- (vi) On 21 April 2016, our Company was incorporated in the Cayman Islands, as an exempted company with limited liability. At the time of the incorporation, one fully-paid subscriber Share was allotted and issued to the initial subscriber, an Independent Third Party. On the same day, such subscriber Share was transferred to Fortune Time.
- (vii) On 4 May 2016, Mr. JH Liang, Mr. JX Liang and Mr. Law transferred their respective 46.25%, 46.25% and 7.50% interests in Able Hope to our Company in consideration of our Company's allotment and issue of 277,499,999 Shares and 22,500,000 Shares to Fortune Time (a company owned as to 50% by each of Mr. JH Liang and Mr. JX Liang) and Century Great (a company wholly-owned by Mr. Law), respectively. Accordingly, our Company was owned by Fortune Time and Century Great, respectively, as to 92.50% and 7.50% of the issued share capital of our Company as enlarged by such allotment.

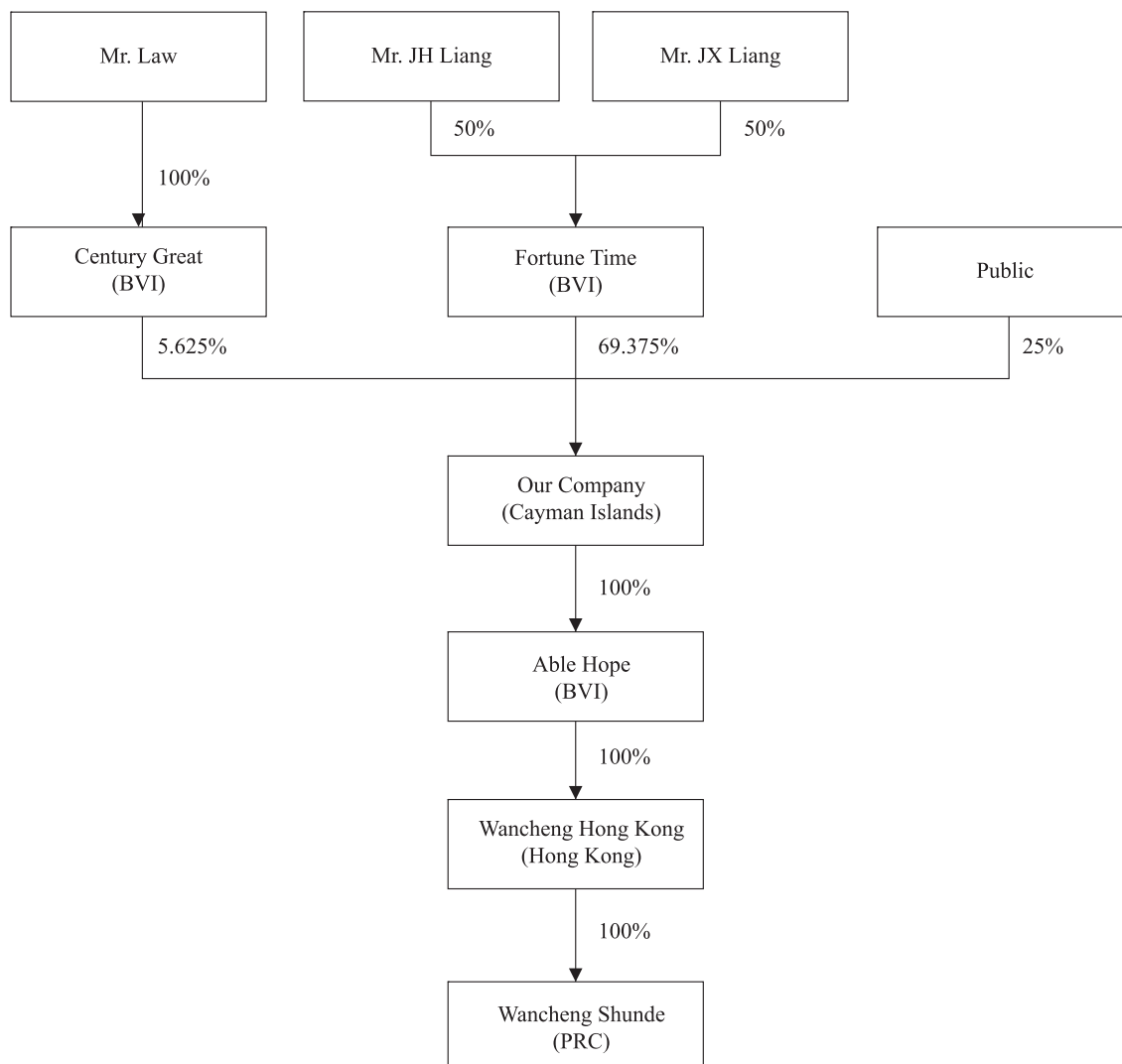
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the Reorganisation, our Company became the holding company of our Group. The following chart sets out the corporate structure of our Group immediately after completion of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of our Group immediately upon completion of the Share Offer:



M&A RULES FOR FOREIGN INVESTORS

According to the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) which were promulgated by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the China Securities Regulatory Commission (the “**CSRC**”), the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE and took effect on 8 September 2006 and were amended on 22 June 2009, where a domestic natural person intends to acquire his/her related domestic company through an offshore company which he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds equity interest in a domestic company through an offshore special purpose vehicle (the “**SPV**”), any transaction involving the overseas

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

listing of that SPV shall be subject to approval by the CSRC. The SPV shall mean an overseas company directly or indirectly controlled by a domestic company or natural person for the purpose of the overseas listing of the equity and interests actually held by such domestic company or natural person in a domestic company.

Our PRC Legal Advisers have advised that given Wancheng Hong Kong was an offshore company established in Hong Kong on 18 June 2003, and it acquired Wancheng Shunde's 100% equity interests before 8 September 2006 (the effective date of the M&A Rules), the M&A Rules are not applicable to the Listing, therefore neither the approval of the Ministry of Commerce nor the approval of the CSRC for the Listing is required.

CIRCULAR 37

The Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) was promulgated by the SAFE on 4 July 2014 and took effect on the same day. According to the Circular 37, a domestic resident (including PRC individuals and institutions) shall, before contributing lawful domestic and overseas assets or interests to a SPV, register with the SAFE or its local branch to effect foreign exchange registration.

On 13 February 2015, the SAFE issued the Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which came into effect on 1 June 2015. Pursuant to the Circular 13, a domestic resident who makes capital contribution to a SPV using his/her legitimate domestic or offshore assets or interests is no longer required to apply to the SAFE or its local counterpart for foreign exchange registration of overseas investments. Instead, he/she shall apply to banks in the place where the assets or interests of such domestic enterprise are located (in case such domestic resident individually makes capital contribution to the SPVs using his/her legitimate domestic assets or interests) or banks in the place where his/her permanent residence is registered (in case such domestic resident individually makes capital contribution to the SPVs using his/her legitimate offshore assets or interests) to go through foreign exchange registration of overseas investments.

Since our ultimate beneficial owners are Mr. JH Liang, Mr. JX Liang and Mr. Law, all of whom are not PRC domestic residents, or have not been habitually residing in the PRC for economic interests, our PRC Legal Advisers are of the view that Mr. JH Liang, Mr. JX Liang and Mr. Law are not subject to the foreign exchange registration process under the Circular 37 and the Circular 13.

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OVERVIEW

We are a manufacturer of tinplate packaging products based in Guangdong Province. Our major products are tin cans and steel pails, which are generally used for storing paint and coatings. We commenced commercial production of our tin cans and steel pails in 1997 and 1998, respectively.

We derive our revenue principally from the sale of tinplate packaging products in the PRC. Our customer base mainly comprises paint and coatings suppliers and other manufacturers of packaging products. All of our five largest customers are located in Guangdong Province.

We own and operate a factory located in Foshan, Guangdong Province, with a site area of approximately 35,936.2 sq.m.. Our Foshan Factory has 18 production lines, of which 16 and two are utilised for the production of tin cans and steel pails, respectively. As at the Latest Practicable Date, we had 284 employees. We outsource certain production processes of our tinplate packaging products, including tinplate printing, tinplate laminating and tinplate scroll-cutting to our subcontractors.

Tinplate coil is our major raw material. Our production also requires other ancillary materials and supplies, such as handles and caps. We source our raw materials from suppliers in the PRC.

COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

Strong and solid customer base

According to the CIC Report, in 2016, two of our five largest customers for the Track Record Period were among the six largest paint and coatings manufacturers in Guangdong Province. Our business relationship with these two customers commenced in 1997 and 2007, respectively. For the three years ended 31 December 2016, we sold our products to over 130, over 160 and over 130 customers, respectively. As at the Latest Practicable Date, our business relationship with our five largest customers for the Track Record Period ranged from over one year to over 19 years. We maintain close communication with our major customers and are able to consistently meet their requirements on product quality and technical standards. Our Directors believe that our customer base will continue to grow.

Emphasis on the quality of our products

We place great emphasis on the quality of our products. We adopt quality control measures covering various aspects of our procurement and production operations. While certain of our tinplate packaging products are generally required under contract or by law to meet the applicable national standards (the PRC Standard GB/T 17343-1998 (in respect of certain tin cans), the PRC Standard GB/T 15170-2007 (in respect of certain steel pails), the PRC Standard GB 13042-2008 (in respect of certain aerosol cans) and the PRC Standard GB 12463-2009 (in respect of certain transport and packaging requirements), we also generally require the tinplate coil supplied by our

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suppliers to meet the applicable national standard (the PRC Standard GB/T 2520-2008), and the printed tinplate sheets and laminated tinplate sheets supplied by our subcontractors to meet applicable industrial standard (the PRC Standard QB/T 1877-1993) and our internal standard. As at the Latest Practicable Date, the quality control team of our production department comprised 13 staff. Mr. Ye Zhijian, who is the chief officer of such quality control team and joined us in 2004, is responsible for our Group's overall quality control. The quality control team is responsible for overseeing and implementing our quality control measures in the raw material procurement process, the subcontracting of tinplate printing, tinplate laminating and tinplate scroll-cutting and throughout the whole production process. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints from our customers in respect of the quality of our products. Our Directors believe that our emphasis on product quality has contributed to our success in gaining our customers' confidence in our products, which is essential to our long-term development in the PRC tinplate packaging industry.

Experienced management team with extensive industry experience

Our management team possesses extensive industry expertise and experience. Mr. JC Liang (one of the founders of our Group and an executive Director) and Mr. He Jieming (a senior management member) have been with us since the year of our establishment in 1997 and have each accumulated over 19 years of experience in the tinplate packaging industry. Mr. JQ Liang (our executive Director), Mr. JH Liang (our executive Director), Mr. Ye Zhijian (a senior management member) and Ms. Feng Yanqun (a senior management member) have been with us for approximately 13, 10, 12 and 14 years, respectively. Mr. Chan Kit Lung Andy (our executive Director), who joined us in 2016, has approximately 11 years in the cosmetic production industry. Our Directors believe that the combination of our management team's extensive knowledge and experience in the tinplate packaging industry and in business and production management together with their familiarity with our operations and strategies through long years of service will enable us to maintain and grow our market share and formulate and implement strategic plans to capture market opportunities.

Established business relationships with major tinplate coil suppliers and subcontractors

Tinplate coil is our major raw material. We also use laminated tinplate sheets and printed tinplate sheets provided by our subcontractors in our production. Hence, a reliable and stable supply of quality tinplate raw materials is critical to our business operation. We had two tinplate coil suppliers who are our five largest suppliers for the Track Record Period. Our business relationship with these two suppliers commenced in 2012 and 2005, respectively. Our largest supplier throughout the Track Record Period is the largest tinplate coil manufacturer in the PRC with an annual production capacity of over 550,000 tonnes in 2016, according to the CIC Report. We have also maintained strong and solid relationships with our major subcontractors which provide the necessary tinplate processing services. Our Directors believe that our established relationships with our major tinplate coil suppliers and subcontractors help us secure a stable

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supply of tinplate raw materials to satisfy our production needs, which in turn enables us to meet customers' requirements and to maintain our product quality and enable us to maintain our competitiveness in the PRC tinplate packaging industry.

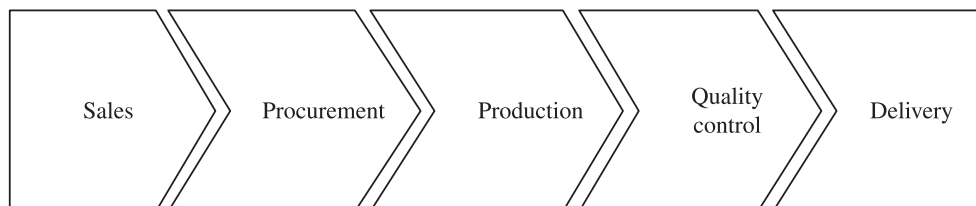
Strategically located production facilities in a major transportation hub and in close proximity to our largest customer

Our Foshan Factory is located at Foshan which is a major transportation hub in Guangdong Province since all the major highways in Guangdong Province have ramps within the 50 km-radius zone of Foshan. As the transportation logistics with our suppliers, our subcontractors and our customers are premised on road transport, the strategic location of our Foshan Factory generally enables us to respond quickly to our customers' requirements and facilitates the expansion of our customer base in Guangdong Province.

In addition, according to the CIC Report, one of the barriers for entry into the tinplate packaging industry of paint and coatings in the PRC is the geographical proximity to customers' production bases as the new entrants would face great difficulties and risks in terms of transportation cost, turnaround time and efficiency in communication and final products delivery. Our Foshan Factory is located within one kilometre and 15 kilometres to the two manufacturing plants in Guangdong Province of Valspar Group, our largest customer throughout the Track Record Period, respectively. Our Directors believe that such close geographic proximity to Valspar Group enables us to gain advantages including provision of timely response, lower transportation costs and inventory storage, technical support and closer collaboration which in turn enable us to offer competitive pricing and service to Valspar Group. For the year ended 31 December 2016, our Group only incurred transportation costs of approximately RMB33,000 for delivering products to Valspar Group due to such close geographical proximity. We estimate that transportation costs for each delivery to Valspar Group would increase by approximately 62.5% for every 10 kilometres further from Valspar Group. Nevertheless, apart from the competitive pricing enabled by low transportation cost, our Directors believe that it has been the non-monetary benefits enabled by close geographical proximity (such as prompt response and technical support, closer collaboration and communication, shortened delivery time, reduced transportation risk and customer's familiarity and confidence in our production environment) that differentiate us from other suppliers to Valspar Group and contributed to our long-term and well-established business relationship with Valspar Group.



BUSINESS MODEL

The following diagram illustrates the key phases of our tinplate packaging business:





PRODUCTS

Our major products are tin cans and steel pails, which are generally used for storing paint and coatings. We generally produce our products based on the product specifications as stipulated in our customers' orders. During the Track Record Period and up to the Latest Practicable Date, we were not involved with the content filling of our tinplate packaging products. Brief information of our major products are as follows:

<u>Product</u>	<u>Description</u>
(1) Tin can	
<p>Tin can in cylindrical shape</p> 	<p>Tinplate coil used : 0.20 mm to 0.35 mm thickness Capacity : 0.2 L to 20 L</p> <p><i>For 0.2 L can:</i> Height : 8.0 cm Bottom diameter : 6.3 cm Top diameter : 6.3 cm</p> <p><i>For 20 L can:</i> Height : 37.5 cm Bottom diameter : 28.5 cm Top diameter : 27.5 cm</p>
<p>Tin can in rectangular shape</p> 	<p>Tinplate coil used : 0.20 mm to 0.35 mm thickness Capacity : 0.5 L to 20 L</p> <p><i>For 0.5 L can:</i> Height : 9.5 cm Bottom/top length : 12.2 cm Bottom/top width : 6.2 cm</p> <p><i>For 20 L can:</i> Height : 35 cm Bottom/top length : 23.5 cm Bottom/top width : 23.5 cm</p>

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Product	Description
<p>Aerosol can</p> 	<p>Tinplate coil used : 0.20 mm to 0.25 mm thickness Capacity : 400 ml to 500 ml Height : 15.5 cm to 19.5 cm Bottom diameter : 6.5 cm Top diameter : 6.5 cm</p>
<p>(2) Steel pail</p> 	<p>Tinplate coil used : 0.35 mm to 0.40 mm thickness Capacity : 10 L to 20 L</p> <p><i>For 10 L pail:</i> Height : 27.5 cm Bottom diameter : 22.5 cm Top diameter : 24.5 cm</p> <p><i>For 20 L pail:</i> Height : 36 cm Bottom diameter : 27.5 cm Top diameter : 29.5 cm</p>

Set out below is a diagram illustrating different parts of a can:



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The table below sets forth the breakdown of our revenue by product category during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Tin can	67,001	66.7	59,624	52.0	60,300	50.9
Steel pail	23,570	23.5	45,587	39.8	47,986	40.5
Others ^(Note)	9,887	9.8	9,355	8.2	10,224	8.6
Total	100,458	100	114,566	100	118,510	100

Note: Others mainly represented the revenue from the trading of raw materials (including tinplate coil and tinplate sheet) and sales of parts of a can (including can cover, can top and can bottom) and used moulds.

The table below sets forth the breakdown of sales volume and average selling price per unit of tin can and steel pail during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>('000 units)</i>	<i>(RMB)</i>	<i>('000 units)</i>	<i>(RMB)</i>	<i>('000 units)</i>	<i>(RMB)</i>
Tin can	25,386	2.64	19,759	3.02	20,353	2.96
Steel pail	1,879	12.54	3,694	12.34	4,075	11.78

We trade raw materials including tinplate coil and tinplate sheet. Due to our large tinplate raw material procurement volumes, we are able to leverage on our bargaining power and sourcing network with tinplate producers to purchase tinplate raw materials in bulk at competitive prices for sales to third party customers. It is our strategy to continue conducting such tinplate raw materials trading business as our Directors consider that not only does it enable us to maintain closer relationship with our suppliers and customers, it also allows us to efficiently manage our overall procurement costs for our raw materials, in particular, tinplate coil, used in our manufacturing operations while mitigating the impact of tinplate price fluctuations. However, such trading business is only ancillary and incidental to our manufacture and sales of tinplate packaging products. We continue to monitor our current suppliers' pricing by obtaining and comparing price quotes from other tinplate raw material suppliers in the market and their ability to meet our payment terms and quantity requirements. We also assess the likely demand of tinplate raw materials from our current customers of tinplate packaging products. However, we will not actively pursue business opportunities or devote substantial resources to develop such trading business.

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We sell parts of a can manufactured by us, including can cover, can top and can bottom, and used moulds, to our customers. We believe that customers who purchase parts of a can from us use such parts as spare parts for replacement purpose. Those customers who purchase used moulds from us are located in Guangdong Province and their scope of business includes (i) the processing of metal packaging products and/or moulds; and (ii) general trading of metal, machine, parts of automobile, etc.. We understand that one of our five largest suppliers for the year ended 31 December 2015 purchased the used moulds from us for their scroll-cutting services; and other customers purchased used moulds from us for trading purpose for on sale to their customers. We believe this offers convenience to our customers of our tinplate packaging products and helps reduce our idle resources.

For detailed analysis on the sales volume and average selling price of our products during the Track Record Period, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Revenue”.

During the Track Record Period, we had a related party transaction regarding a one-off sale of scrap materials. For details, see “Financial Information — Related party transactions”.

Seasonality and product life cycle

During the Track Record Period, we generally experienced lower sales demand and recorded lower sales in January and February. Our Directors believe that it was mainly due to the long holiday period during the Chinese New Year, which typically results in decrease in customer orders. Our tinplate packaging products were not subject to any product life cycle during the Track Record Period.

PRODUCTION

Our production department is mainly responsible for devising production plans based on various factors, including the delivery dates and volumes of our products stipulated in customers’ orders, any monthly purchase plans provided by our customers, historical sales demands, our production capacity and our inventory levels, and ensuring the smooth operation of our production lines. As at the Latest Practicable Date, we had 236 employees in our production department.

Production facilities

Our Foshan Factory is located in Foshan, Guangdong Province with a site area of approximately 35,936.2 sq.m.. Our Foshan Factory houses our head office, production lines and warehouse. As at the Latest Practicable Date, we had 18 production lines, of which 16 and two were utilised for the production of tin cans and steel pails, respectively.

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The table below sets forth the production capacity, actual production volume and utilisation rate of our production lines during the Track Record Period:

	Year ended 31 December								
	2014			2015			2016		
	Production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾
<i>(million units)</i>	<i>(million units)</i>		<i>(million units)</i>	<i>(million units)</i>		<i>(million units)</i>	<i>(million units)</i>		
Tin can	47.7	22.9	48.0%	47.7	19.7	41.3%	47.7	20.4	42.8%
Steel pail ⁽³⁾	4.3	1.8	41.9%	4.3	3.7	86.0%	4.3	3.9	90.7%
Overall	52.0	24.7	47.5%	52.0	23.4	45.0%	52.0	24.3	46.7%

Notes:

1. Production capacity refers to the estimated maximum production capacity at the bottleneck of the production process for each of the relevant product groups, being tin cans and steel pails, which is calculated for illustrative purposes only based on the major assumptions that during the Track Record Period (i) there were approximately 300 working days per year (or 25 days per month); (ii) our production lines are operated for eight hours per working day, subject to any necessary overtime shifts; and (iii) there was no major machinery or equipment breakdown.
2. Utilisation rate is determined by dividing the actual production volume of a period by the production capacity of the corresponding period.
3. The utilisation rate of steel pails increased from approximately 41.9% for the year ended 31 December 2014 to approximately 86.0% for the year ended 31 December 2015, and further to approximately 90.7% for the year ended 31 December 2016, due to an increased demand for our steel pails. For further details, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Revenue”.

With a utilisation rate of approximately 41.3% and 42.8% of our production lines of tin cans for the two years ended 31 December 2016, respectively, our Directors consider that we have the capacity to satisfy any possible increase in our customers’ orders for these products. For the two years ended 31 December 2016, the utilisation rate of our production lines of steel pails reached approximately 86.0% and 90.7%, respectively. We plan to expand our production capacity of steel pails to cater for any further increase in demand for steel pail products. For details, see “Future Plans and Use of Proceeds”.

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Our Directors confirm that we did not experience any material disruption to our business operations as a result of malfunctioning of our production facilities and we did not encounter any accidents causing significant personal injuries or death at our Foshan Factory during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisers, our Foshan Factory was in compliance with the relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Machinery and equipment

Our production lines are equipped with a variety of machinery and equipment to cater for different stages of the production process. The major machinery and equipment for our production of tinsplate packaging products include cutting machine, extrusion machine, welding machine, flanging machine and seaming machine. We own all machinery and equipment utilised in our 18 production lines.

Key machinery and equipment we used as at the Latest Practicable Date are as follow:

<u>Type of machine</u>	<u>Number of sets as at the Latest Practicable Date</u>	<u>Principal usage</u>
Cutting machine	20	Cutting the tinsplate coils into tinsplate sheets
Extrusion machine	122	Extruding the tinsplate sheets into small pieces in cylindrical or a rectangular shape
Welding machine	23	Welding the extruded pieces of tinsplate at the splice joint to form a can body
Flanging machine	19	Flanging the two ends of the can body outward to form a flange side around the top and bottom end of the can to match with the can top and can bottom
Seaming machine	80	Attaching the can top and the can bottom to the can body

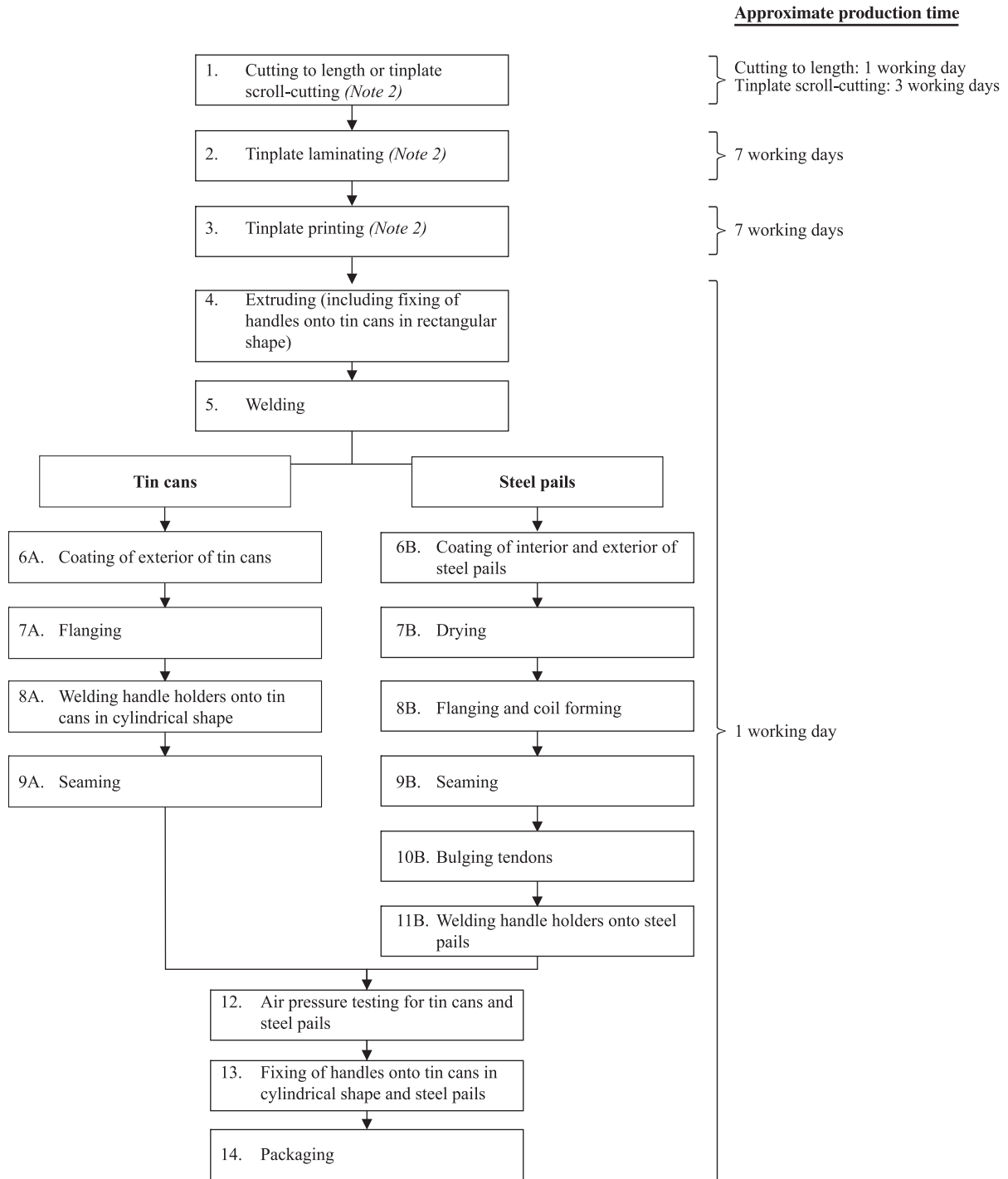
We carry out maintenance and repair work generally from time to time and as required and keep records of such work. We maintain proper preventive maintenance practices such as replacing consumable parts and conducting calibrations.

As at the Latest Practicable Date, the average age of our above major machinery and equipment was approximately 13 years. Our Directors estimate that the remaining number of years before their replacement ranges from approximately one to approximately 20 years. We intend to purchase new machinery and equipment to upgrade our production line. For details, see “Future Plans and Use of Proceeds”.

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Production process

The following diagram illustrates the key steps of our production process for our tinplate packaging products in general (*Note 1*):



Notes:

1. Depending on our customers' requirements, the production process for different types of our tinplate packaging products may not proceed in the same order as described above.
2. These processes are outsourced to subcontractors. For details, see “— Suppliers — Subcontractors”.

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Key step	Our key machinery and equipment used	Description
1. Cutting to length or tinplate scroll-cutting	Cutting machine (剪切機) for cutting to length	For production of tin cans in rectangular shape, a tinplate coil is cut into tinplate sheets in specific length according to the customers' requirement.
	Not applicable to tinplate scroll-cutting (This process is outsourced)	For production of tin cans in cylindrical shape and steel pails, we would arrange for our subcontractors to cut the tinplate coil into scroll-cut tinplate sheets. For further details, see “— Suppliers — Subcontractors”.
2. Tinplate laminating	Not applicable (This process is outsourced)	We outsource the laminating of tinplate sheets to our subcontractors at the option of our customers. For further details, see “— Suppliers — Subcontractors”.
3. Tinplate printing	Not applicable (This process is outsourced)	We outsource the printing of our customers' trademarks, logos, text and artwork onto the tinplate sheets to our subcontractors. For further details, see “— Suppliers — Subcontractors”.
4. Extruding (including fixing of handles onto tin cans in rectangular shape)	Extrusion machine (沖壓機)	The laminated and/or printed tinplate sheets are extruded into small pieces in cylindrical or rectangular shape, each of which is used to make one can body, can top or can bottom of tin can or steel pail.
	Two-headed welding ear machine (雙頭焊耳機)	Handles are fixed onto the tin cans in rectangular shape.
5. Welding	Welding machine (焊縫機)	The extruded pieces of tinplate are welded at the splice joint to form a can body of tin cans or steel pails with the use of copper wires.
6A. Coating of exterior of tin cans	Coating machine (補塗機)	The exterior side of tinplate of the tin cans is coated to prevent rustiness.
7A. Flanging	Flanging machine (翻邊機)	The two ends of the can body of tin cans are flanged outward to form a flange side around the top and bottom end of the can to match with the can top and can bottom.
8A. Welding handle holders onto tin cans in cylindrical shape	Two-headed welding ear machine (雙頭焊耳機)	Handle holders and tin cans in cylindrical shape are bound together.
9A. Seaming	Seaming machine (封罐機)	The can top and the can bottom are attached to the can body of tin cans.
6B. Coating of interior and exterior of steel pails	Powder coating machine (噴粉補塗機)	For steel pails used for storing water-based latex paints, both interior and exterior sides of tinplate of the steel pails are coated to prevent rustiness. For steel pails used for storing solvent-based paints, the exterior side of tinplate of the steel pails is coated to prevent rustiness.
7B. Drying	Electromagnetic heater (電磁爐)	Tinplate coating is dried.

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Key step	Our key machinery and equipment used	Description
8B. Flanging and coil forming	Flanging and coil forming machine (翻邊漲型機)	The bottom end of the can body of steel pails is flanged outward to form a flange side around the bottom end of the steel pails to match with the can bottom.
9B. Seaming	Seaming machine (封罐機)	The can bottom is attached to the can body of steel pails.
10B. Bulging tendons	Tendon bulging machine (脹筋機)	An expansion procedure is applied to reinforce the strength of the steel pails.
11B. Welding handle holders onto steel pails	Two-headed welding ear machine (雙頭焊耳機)	Handle holders and steel pails are bound together.
12. Air pressure testing for tin cans and steel pails	Leakage detection machine (檢漏機)	Generally, all tin cans and steel pails are subject to air pressure testing and those failing such testing (e.g. cans with pinholes or cracks) are rejected.
13. Fixing of handles onto tin cans in cylindrical shape and the steel pails	Not applicable (This process is carried out by manual labour)	Handles are fixed onto the tin cans in cylindrical shape and the steel pails.
10. Packaging	Packaging machine (打包機)	The finished products are bound together in bulk by transparent plastic film for delivery.

The above production process from the commencement of production to completion normally takes about nine to 18 working days. Hence, the production of tin cans in rectangular shape would require the shortest production lead time (about nine working days) as we would normally only arrange for subcontractors to carry out tinplate printing and not tinplate scroll-cutting and laminating. The production of tin cans in cylindrical shape and steel pails would require the longest production lead time (about 18 working days) as we would normally arrange for subcontractors to carry out tinplate scroll-cutting and tinplate printing, and also tinplate laminating if it is required by our customers. We normally keep one month of tinplate coil inventory for use to ensure we can meet our major customers' delivery requirements.

Our PRC Legal Advisers confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable production safety laws and regulations in the PRC in all material respects.

RAW MATERIALS AND PROCUREMENT

Raw materials

Our raw materials mainly include tinplate coils, tinplate sheets and laminated and/or printed tinplate sheets. Tinplate coil is our major raw material. We use tinplate coil of different thickness: (i) 0.20 mm to 0.25 mm tinplate coils are mainly for production of tin cans (5 L or below) and

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aerosol cans; (ii) 0.25 mm to 0.35 mm tinplate coils are mainly for production of tin cans (10 L or above); and 0.35 mm to 0.40 mm are mainly for production of steel pails. Based on the CIC Report, as the PRC was the largest producer of crude steel, iron and tinplate in the world in 2016, our Directors believe that tinplate coil is in adequate supply and can be readily purchased in the open market in the PRC. We purchase tinplate coils from our suppliers, which are cut into tinplate sheets by us or scroll-cut tinplate sheets by our subcontractors and then processed by our subcontractors into laminated and/or printed tinplate sheets. Our production also requires other ancillary materials and supplies, PVC handles and can caps, steel handles and copper wires.

Our costs of tinplate coil accounted for approximately 62.2%, 61.1% and 59.2% respectively, of our total cost of sales for the three years ended 31 December 2016.

According to the CIC Report, the average price of tinplate coil in the PRC showed a downward trend from 2012 to 2015. In 2016, the average price of tinplate coils in the PRC decreased slightly between January and February, recovered dramatically from March to May, generally stabilised thereafter up to November 2016 and increased from December 2016 to January 2017, stabilised again up to March and has been slightly decreasing since April 2017 up to May 2017. The average price of 0.25 mm tinplate coils in the PRC decreased from approximately RMB8,250 per tonne in January 2012 to approximately RMB5,935 per tonne in January 2016 and to approximately RMB5,780.7 per tonne in February 2016, increased to approximately RMB7,064.7 per tonne in May 2016, generally stabilised thereafter up to approximately RMB6,896.3 per tonne in November 2016 and increased from approximately RMB7,263.8 per tonne in December 2016 to approximately RMB7,507.2 per tonne in January 2017, stabilised again up to March 2017 at approximately RMB7,594.8 per tonne and has been slightly decreasing since April 2017 from approximately RMB7,589.4 per tonne to approximately RMB7,406.6 per tonne in May 2017. The average price of 0.35 mm tinplate coils in the PRC decreased from approximately RMB6,350 per tonne in January 2012 to approximately RMB4,145 per tonne in January 2016 and to approximately RMB4,037.2 per tonne in February 2016, increased to approximately RMB4,934.0 per tonne in May 2016, generally stabilised thereafter up to approximately RMB4,794.4 per tonne in November 2016 and increased from approximately RMB5,057.9 per tonne in December 2016 to approximately RMB5,227.4 per tonne in January 2017, stabilised again up to March 2017 at approximately RMB5,288.4 and has been slightly decreasing since April 2017 from approximately RMB5,284.5 per tonne to approximately RMB5,157.3 per tonne in May 2017. We have taken measures to control any possible increase in such purchase costs and would be able to partially pass on any such cost increases to our customers. For example, we may require a price adjustment mechanism whereby we and the customer shall negotiate if the fluctuation of the market price of tinplate exceeds a specified percentage. Our sales contracts typically also state that if the parties desire to amend the prices after signing of the contracts, the revised prices will be conclusive if agreed in writing. For details, see “— Customers — Sales contracts”. In view of the increase in the average price of tinplate coils from March 2016 to May 2016 and the further increase in price of tinplate coils in the fourth quarter of 2016, we increased the selling prices of some products sold to a number of our customers, including the five largest customers of our Group for the year ended 31 December 2016, including Valspar Group (Valspar Group refers to Huarun and/or Valspar, see “— Customers”), during the period from July 2016 to September 2016 and/or increased the selling prices of some products with effect from January or February 2017. We believe our pricing mechanism has allowed us to effectively manage the risk of the fluctuations in the costs of tinplate coil.

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For the hypothetical sensitivity analysis on the impact of changes in our cost of tinplate coil on our profit for each year/period during the Track Record Period, see “Financial Information — Sensitivity and breakeven analysis — Sensitivity analysis”. For information relating to our cost of tinplate coil and price trend of our major raw materials, see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Cost of sales — Cost of tinplate coil” and “Industry Overview — Price trend of major raw materials”, respectively.

During the Track Record Period, all our raw materials were sourced from suppliers in the PRC. Accordingly, our purchases were settled in RMB. We did not adopt any arrangement to hedge any fluctuation in the market price of tinplate coil in relation to our purchases during the Track Record Period.

Procurement

Our procurement department, comprising five staff as at the Latest Practicable Date, is mainly responsible for overseeing the procurement process and monitoring the tinplate scroll-cutting, tinplate laminating and tinplate printing arrangements. We formulate the procurement plan of our raw materials based on various factors, including (i) the scheduled delivery dates and volume of ordered products; (ii) any monthly purchase plans provided by our customer; (iii) historical sales demand; (iv) our intended level of inventory; and (v) our production schedule. Before placing purchase orders with our suppliers for a particular type of raw materials, our procurement department will check the existing level in stock using our computer system to avoid over-purchasing and accumulation of excess inventory. Our procurement applications generally need to be approved by the head of our procurement department.

It is the usual practice for our procurement department to keep track of the market price of tinplate coil by checking regularly the price quotations from tinplate suppliers on the relevant iron and steel trading platform website or from direct enquiries, and comparing such quotations with the prices offered by our existing tinplate coil suppliers. Before placing orders with our suppliers, our procurement department will normally negotiate the purchase price with them after considering the available market information.

Our tinplate suppliers are required to supply us with tinplate coil that meet the applicable national standard in the PRC. For further details, see “— Quality control” and “Regulatory Overview — PRC laws and regulations relating to our business — Product standardisation”.

SUPPLIERS

For the three years ended 31 December 2016, we purchased from (or engaged the services of, in respect of subcontractors) over 40, over 50 and over 80 suppliers, respectively, comprising our suppliers of raw materials, subcontractors and suppliers of other ancillary materials and supplies, out of which six, four and four were our tinplate coil suppliers, respectively. All of our five largest suppliers for the Track Record Period are Independent Third Parties. As at the Latest Practicable

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Date, our business relationship with our five largest suppliers for the Track Record Period ranged from over two years to over 13 years. All of our five largest suppliers are located in Guangdong Province.

Purchases from our five largest suppliers for the three years ended 31 December 2016 amounted to approximately RMB43.1 million, RMB59.1 million and RMB65.0 million, respectively, representing approximately 82.7%, 81.4% and 84.8% of our total purchases for the corresponding period, respectively. Purchases from our largest supplier for the three years ended 31 December 2016 amounted to approximately RMB32.6 million, RMB40.4 million and RMB40.1 million, respectively, representing approximately 62.5%, 55.8% and 52.3% of our total purchases for the corresponding period, respectively. For the associated risks, see “Risk Factors — Risks relating to our business — Over 50% and 80% of our total purchases were made from our largest supplier and our five largest suppliers for the Track Record Period, respectively. If our arrangements with these major suppliers, in particular, our largest supplier, are terminated, interrupted, or adversely modified, our business, financial condition and results of operations could be adversely affected.”.

Supplier Group A was our largest supplier throughout the Track Record Period. Our business relationship with Supplier Group A commenced in 2012. Our relatively significant purchase amount with Supplier Group A during the Track Record Period was mainly attributable to the following reasons: (i) Supplier A2 was the largest tinsplate manufacturer in Guangdong Province in 2016; (ii) the geographical proximity of Supplier Group A to our Foshan Factory has enabled us to save time and cost in transporting the required tinsplate coil; (iii) Supplier Group A’s ability to supply tinsplate coil of stable quality to us has enabled us to achieve higher production efficiency and meet our customers’ requirements; and (iv) our rapport with Supplier Group A enables us to obtain competitive pricing. According to the CIC Report, manufacturers of tinsplate packaging products in the PRC usually purchase a relatively significant and stable amount of tinsplate coils from a single or a few suppliers in order to ensure that they can deliver final tinsplate packaging products in large quantity using tinsplate coils with consistent quality. Based on the CIC Report, our Directors consider that our Group’s purchase pattern with Supplier Group A is in line with the industry norm.

We seek to diversify our sources for tinsplate coil. Pricing will continue to be a key factor in our selection of suppliers. During the Track Record Period, apart from purchasing tinsplate coil from Supplier Group A, we also purchased tinsplate coil from a total of five other tinsplate coil suppliers, out of which Supplier Group F became one of our five largest suppliers for the two years ended 31 December 2016. According to the CIC Report, (i) Supplier F1 was the third largest tinsplate manufacturer in Guangdong Province in terms of sales revenue in 2016, with an annual sales revenue of approximately RMB3.2 billion and is a major supplier of laminated tinsplate in Guangdong Province; and (ii) Supplier F2 is a major distributor of Supplier F1’s products in Shunde district in 2016. We commenced our business relationship with Supplier Group F in 2005 and increased our purchases of tinsplate coil from Supplier Group F for the year ended 31 December 2015 as compared to the prior year to diversify our procurement of tinsplate coil. Our purchases from Supplier Group F further increased in the year ended 31 December 2016 and represented approximately 17.5% of our total purchases for the same period. Our Directors have sought

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quotations from at least two other potential suppliers of tinplate coil in the year ended 31 December 2016. We intend to take active steps to include them in our list of approved suppliers by conducting checks on them based on our supplier selection criteria, such as conducting site visits to their facilities to inspect their operations. This will give us a quicker access to a wider tinplate coil supplier base in case of any changes in our relationship with or prices offered by Supplier Group A.

We will continue to treat Supplier Group A as a preferred tinplate coil supplier given its size, Supplier A2 being the largest tinplate manufacturer in Guangdong Province in 2016 and the competitive prices Supplier Group A offers us. Our Directors also consider that it is commercially beneficial to our operations to build up close and long-term business relationship with our key suppliers such as Supplier Group A. Having said that, our Directors are of the view that we would not face material difficulties in finding alternative suppliers of tinplate coil with pricing, product quality and transportation costs comparable to our existing tinplate coil suppliers as, according to the CIC Report, in 2016, (i) the PRC was the largest producer of crude steel, iron and tinplate in the world; (ii) there were approximately 45 tinplate manufacturers in the PRC and two tinplate coil manufacturers in Guangdong Province; and (iii) there were over 3,000 tinplate coil distributors in Guangdong Province.

The following tables set out the details of our five largest suppliers for the Track Record Period:

Five largest suppliers for the year ended 31 December 2014

<u>Name of supplier</u>	<u>Approximate purchase amount</u>	<u>Approximate percentage of our total purchases</u>
	<i>RMB'000</i>	
Supplier Group A (<i>Note 1</i>)	32,568	62.5%
Supplier B	4,562	8.8%
Supplier C	3,543	6.8%
Supplier D	1,559	3.0%
Supplier E	<u>855</u>	<u>1.6%</u>
Total	<u><u>43,087</u></u>	<u><u>82.7%</u></u>

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Five largest suppliers for the year ended 31 December 2015

<u>Name of supplier</u>	<u>Approximate purchase amount</u> <i>RMB'000</i>	<u>Approximate percentage of our total purchases</u>
Supplier Group A (<i>Note 1</i>)	40,435	55.8%
Supplier Group F (<i>Note 2</i>)	9,883	13.6%
Supplier C	4,080	5.6%
Supplier G	2,348	3.2%
Supplier H	<u>2,343</u>	<u>3.2%</u>
Total	<u><u>59,089</u></u>	<u><u>81.4%</u></u>

Five largest suppliers for the year ended 31 December 2016

<u>Name of supplier</u>	<u>Approximate purchase amount</u> <i>RMB'000</i>	<u>Approximate percentage of our total purchases</u>
Supplier Group A (<i>Note 1</i>)	40,095	52.3%
Supplier Group F (<i>Note 2</i>)	13,430	17.5%
Supplier C	4,208	5.5%
Supplier B	3,902	5.1%
Supplier H	<u>3,386</u>	<u>4.4%</u>
Total	<u><u>65,021</u></u>	<u><u>84.8%</u></u>

Notes:

- Supplier Group A refers to Supplier A1 and/or Supplier A2. To the best of our Directors' knowledge, information and belief, Supplier A2 is a tinplate manufacturer; Supplier A1 serves as Supplier A2's trading company and is mainly responsible for trading of tinplate coil manufactured by Supplier A2; and Supplier A1 and Supplier A2 had no shareholding relationship and were not under common shareholders during the Track Record Period.
- Supplier Group F refers to Supplier F1 and/or Supplier F2. To the best of our Directors' knowledge, information and belief, Supplier F1 and Supplier F2 had common shareholders during the Track Record Period.

For the year ended 31 December 2014, Supplier Group F made an one-off purchase with us of used moulds of approximately RMB56,000 for its manufacture use, which accounted for approximately 0.06% of our revenue for the year ended 31 December 2014.

For the year ended 31 December 2016, Supplier Group F made an one-off purchase with us of moulds and scroll-cut tinplate sheets of approximately RMB36,000 for its manufacture use, which accounted for approximately 0.03% of our revenue for the year ended 31 December 2016.

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Five largest suppliers

Name of supplier	Year of commencement of business relationship with our Group	Background information	Location	Principal raw material supplied or service provided to us during the Track Record Period	Typical payment term
Supplier Group A	2012	Supplier A1 is a limited liability company established in 2006. It principally engages in the wholesale of metal	Foshan, Guangdong Province	Tinplate coil	By bank acceptance bill (not more than 90 days to maturity) within 15 days after monthly statement
	2015	Supplier A2 is a limited liability company established in 2004. It principally engages in the manufacture and processing of tinplate	Heshan, Guangdong Province	Tinplate coil and tinplate laminating and scroll-cutting services	By bank acceptance bill (not more than 90 days to maturity) within 15 days after monthly statement
Supplier B	2004	Supplier B is a limited liability company established in 1999. It principally engages in the printing of packaging products and decorations	Zhongshan, Guangdong Province	Tinplate printing service	By bank acceptance bill (three months to maturity) within 60 days after monthly statement
Supplier C	2006	Supplier C is a sole proprietor established in 2003. It principally engages in the printing of iron cans	Foshan, Guangdong Province	Tinplate printing service	By bank acceptance bill (three months to maturity) within 90 days after monthly statement
Supplier D	2005	Supplier D is a sole proprietor established in 2000. It principally engages in the processing of plastic products	Foshan, Guangdong Province	PVC component, such as handle and can cap	By bank transfer within 90 days after monthly statement
Supplier E	2004	Supplier E is an individual and commercial unit established in 2003. Its scope of business, includes the manufacture of miscellaneous metal products and plastic products (excluding the processing and use of scrap plastics)	Foshan, Guangdong Province	Steel handle	By bank transfer within 90 days after monthly statement
Supplier Group F	2009	Supplier F1 is a limited liability company established in 2007. It principally engages in the processing of metal packaging products etc.	Zhongshan, Guangdong Province	Tinplate coil, and tinplate laminating and scroll-cutting services	For tinplate coil supply, by bank acceptance bill (three months to maturity) or by bank transfer, before the 10th day of the following month For tinplate laminating and scroll-cutting service, by bank acceptance bill (90 days to maturity) within 60 days after monthly statement

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Name of supplier	Year of commencement of business relationship with our Group	Background information	Location	Principal raw material supplied or service provided to us during the Track Record Period	Typical payment term
	2005	Supplier F2 is a limited liability company established in 2004. It principally engages in the sale and processing of tinplate	Foshan, Guangdong Province	Tinplate coil	By bank acceptance bill (three months to maturity) before the 10th day of the following month
Supplier G	2011	Supplier G is a limited liability company established in 2008. It principally engages in the printing of metal products	Foshan, Guangdong Province	Tinplate printing service	By bank acceptance bill (three months to maturity) within 90 days after monthly statement
Supplier H	2014	Supplier H is a limited liability company established in 2014. It principally engages in the printing of cans and the shells of electronic equipment	Foshan, Guangdong Province	Tinplate printing service	By bank acceptance bill (not more than three months to maturity) within 90 days after monthly statement

None of our Directors, their respective close associates or any of our Shareholders, whom to the best knowledge of our Directors owned more than 5% of the Shares in issue as at the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

Raw materials suppliers

Selection criteria

Our procurement department is responsible for selecting our raw materials suppliers. We select our raw materials suppliers with reference to factors such as quality, delivery time, after-sales service and price. For our tinplate coil suppliers, we will conduct site visits to their facilities to inspect their operations and also consider their corporate background, reliability, reputation and proximity to our Foshan Factory. We have an approved list of suppliers.

Purchase contracts

We do not enter into any long-term written purchase agreements with purchase obligations with our suppliers. For tinplate coil and other raw materials, we make purchases by one-off purchase orders. For other ancillary materials and supplies, we generally enter into written purchase agreements of short or no fixed term without specifying purchase obligations with our suppliers which generally include description of the ancillary materials and supplies, the agreed unit price, payment terms, quality and acceptance standards and delivery and do not provide for termination or renewal. The terms of our actual orders are set out in purchase orders we place with them, which will include terms such as materials required, quantity, price and delivery time. Our Directors consider that making purchases of materials and supplies by purchase orders and without entering

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into agreements with purchase obligations is in line with market practice. Our Directors also consider that it allows us the flexibility to negotiate the purchase price with our suppliers with reference to the prevailing market price.

Our Directors confirm that there has been no material change in our procurement strategy and that we did not experience any material delay, shortage or interruption or substantial difficulties in securing our raw materials and we did not have any material dispute with any of our major suppliers during the Track Record Period and up to the Latest Practicable Date.

Subcontractors

For the three years ended 31 December 2016, we engaged the services of eight, 11 and nine subcontractors, respectively. All of our five largest subcontractors for the Track Record Period are Independent Third Parties. We mainly engage subcontractors for the production processes of tinplate printing, tinplate scroll-cutting and tinplate laminating. We consider that these production processes require specific skill sets, machinery and equipment. The subcontracting arrangement would allow us to focus on and build our core production competencies and enable us to achieve greater flexibility in allocating our resources by obviating the need for huge capital investment for other machinery and equipment or keeping a pool of workers for those processes. Our business relationship with our subcontractors who were our five largest suppliers ranged from over two years to over 13 years.

During the Track Record Period, we engaged 11 subcontractors for tinplate printing, including Supplier B, Supplier C, Supplier G and Supplier H (for details, see “— Suppliers — Five largest suppliers”), two subcontractors for tinplate scroll-cutting and three subcontractors for tinplate laminating, including Supplier Group A and Supplier Group F (for details, see “— Suppliers — Five largest suppliers”), both are also our tinplate coil suppliers who also provided us with both tinplate laminating and scroll-cutting services.

For the three years ended 31 December 2016, (i) our subcontracting fees for tinplate printing accounted for approximately 11.2%, 12.4% and 13.6% of our total cost of sales for the corresponding period, respectively; (ii) our aggregate subcontracting fees for tinplate scroll-cutting and laminating accounted for approximately 2.1%, 2.8% and 2.6% of our total cost of sales for the corresponding period, respectively.

According to the CIC Report, most tinplate manufacturers and large tinplate distributors are capable of providing tinplate scroll-cutting service and tinplate printing service. There were nearly 140 tinplate printing companies in Guangdong Province in 2016. Tinplate laminating is an emerging tinplate processing technology and around 20 companies in Guangdong Province can provide such service. Our Directors consider that such tinplate scroll-cutting, tinplate printing and tinplate laminating services can be readily subcontracted as there are a reasonable number of replacement subcontractors with comparable skills and capabilities in the market. For the risks associated with subcontracting arrangement, see “Risk Factors — Risks relating to our business — We outsourced certain production processes of our tinplate packaging products to our

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subcontractors during the Track Record Period. Any changes to our relationship with them, disruptions with their manufacturing operations or deterioration of the quality of their services could adversely affect our business.”.

Our Directors confirm that we did not experience any material quality issues relating to the services provided by our subcontractors and we did not encounter any material dispute with any of our major subcontractors during the Track Record Period and up to the Latest Practicable Date.

Selection criteria

Our procurement department is responsible for selecting our subcontractors. We select our subcontractors with reference to factors such as price, proximity to our Foshan Factory, technical and manufacturing capabilities, capacity to complete our orders on time, delivery reliability, ability to meet our quality requirements, reputation and possession of relevant business licence if required. We will conduct site visits to their factories to inspect their machinery and equipment.

Monitoring procedures

To monitor the performance of our subcontractors, we visit their facilities and communicate with them regularly to supervise their processing quality. We conduct various tests on the laminated tinplate sheets and printed tinplate sheets received from our subcontractors. For details, see “— Quality control — Quality control on subcontracting process”. We also require the products supplied by our subcontractors to meet specific quality requirements. For details, see “— Suppliers — Subcontractors — Subcontracting contracts”. For substandard products, it is our policy to require our subcontractors to undergo rework or provide replacement products.

Subcontracting contracts

We generally enter into written subcontracting agreements of short or no fixed term which do not impose commitments on us to place orders with our subcontractors. Our actual order is confirmed by way of purchase order which sets out terms including the quantity and delivery time. Despite the terms of our agreements with subcontractors may vary, we normally adopt the following principal terms in a typical contract with our subcontractors in order to protect our interest.

Subcontracting agreements for tinplate printing

Salient terms and features of the subcontracting agreements for tinplate printing entered into between our Group and our subcontractors who are among our five largest suppliers (namely, Supplier B, Supplier C, Supplier G and Supplier H) effective as at the Latest Practicable Date are as follows:

Contract term : Less than one year

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- Responsibilities of the parties : We are responsible for providing the subcontractor with tinsplate sheets, printing film, color specification and the authorisation from our customers for printing of their trademarks, logos, texts and artworks, if required. The subcontractor is responsible for carrying out the tinsplate printing process.
- Subcontracting fee : The subcontracting fee is generally calculated based on the agreed fixed unit prices for different procedures of printing, such as which surface of tinsplate sheets to be printed and whether customers' trademarks, logos, texts and artworks are required to be printed.
- Typical payment terms : See “— Suppliers — Five largest suppliers”.
- Quality requirements : The finished products of the subcontractor shall meet (i) the PRC Standard QB/T 1877-1993; and/or (ii) our or our subcontractor's internal standard. The accepted scrap rate is stipulated.
- Defective goods (*Note*) : The subcontracting agreements contain provisions concerned with defective goods which entitle us to immediately notify the subcontractor to resolve the issue.
- Delivery : The subcontracting agreements do not specify delivery arrangement.
- For Supplier G, the transportation costs shall be borne by the parties in equal share.
- Renewal and termination : The agreements do not provide for renewal and termination.
- Delivery : The tinsplate printing process should generally be completed and delivered to us in about seven working days.

Note: During the Track Record Period, our subcontractors had provided replacement printed tinsplates to our satisfaction where required by us.

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Subcontracting agreements for tinfoil scroll-cutting and tinfoil laminating

Salient terms and features of the subcontracting agreements for tinfoil scroll-cutting and/or tinfoil laminating entered into between our Group and our subcontractors who are among our five largest suppliers (namely, Supplier Group A and Supplier Group F) effective as at the Latest Practicable Date are as follows:

- Contract term : No fixed term.
- Responsibilities of the parties : The subcontractor is responsible for carrying out tinfoil laminating and/or scroll-cutting services.
- Subcontracting fee : The subcontracting fee for tinfoil laminating is generally calculated based on agreed fixed unit prices for different procedures of tinfoil laminating required, such as which surface of tinfoil sheets to be laminated.
- The subcontracting fee for tinfoil scroll-cutting is generally calculated based on an agreed fixed unit price for each tonne of tinfoil sheets.
- Payment terms : See “— Suppliers — Five largest suppliers”.
- Delivery : For Supplier Group A, the agreement does not specify delivery arrangement.
- For Supplier Group F, we will collect at our own costs.
- Quality and acceptance : For both Supplier Group A and Supplier Group F, certain quality and testing standards are listed out including weatherability, adhesion, impact resistance, hardness, alkaline resistance and scratch resistance, etc..
- For Supplier Group A, it warrants that the laminating film will not become detached. Any quality issues with the laminated tinfoil sheets must be raised by us within 30 days of delivery.
- Renewal and termination : The agreements do not provide for renewal and termination.

Our PRC Legal Advisers confirm that the above subcontracting agreements are legally binding.

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SALES AND MARKETING

Sales

For a breakdown of our revenue by product type, see “— Products”. During the Track Record Period, we sold our tinsplate packaging products through direct sales to our customers.

Sales department

Our sales department, comprising 22 staff as at the Latest Practicable Date, is responsible for exploring new business opportunities as well as maintaining and managing existing customer relationships, and handling enquires and complaints.

We maintain close communication with our customers to enhance our understanding of their business and product needs. We visit and meet with our customers from time to time to strengthen or relationship. We also meet with manufacturers of tinsplate packaging products from time to time to keep abreast of market information.

We have increased our efforts in attracting new customers. Starting from the year ended 31 December 2015, we have visited potential customers on a monthly basis. After the visits, we assess whether the potential customer can be approved to be our customer based on factors such as scale of operations and reputation. We keep records of our visits, including names of potential customer’s representative and our responsible staff. We take follow-up action after the visits such as contacting the potential customers to understand whether they will go through internal approval procedures before commencing business relationship with us. Our sales department holds regular internal meetings to discuss sales strategies such as product focus, review performance of our sales staff and discuss the status of any follow-up action taken and whether any successful order is made by customers we visit in the previous month. We consider our sales strategy effective based on our expanded customer base.

CUSTOMERS

For the three years ended 31 December 2016, we sold our products to over 130, over 160 and over 130 customers, respectively, mainly comprising paint and coatings suppliers and other manufacturers of packaging products. All of our five largest customers for the Track Record Period are Independent Third Parties. As at the Latest Practicable Date, our business relationship with our five largest customers for the Track Record Period ranged from over one year to over 19 years. Our major customers are located in Guangdong Province.

Sales to our five largest customers for the three years ended 31 December 2016 amounted to approximately RMB61.3 million, RMB58.3 million and RMB63.9 million, respectively, representing approximately 61.0%, 51.0% and 54.0% of our total revenue for the corresponding periods, respectively. Sales to our largest customer for the three years ended 31 December 2016 amounted to approximately RMB46.7 million, RMB40.0 million and RMB42.3 million, respectively, representing approximately 46.5%, 34.9% and 35.7% of our total revenue for the

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corresponding periods, respectively. For the associated risks, see “Risk Factors — Risks relating to our business — Over 50% of our revenue was derived from our five largest customers for the Track Record Period. If our relationship with them deteriorates or terminates, our business and results of operations would be adversely affected.”

Having considered that (i) the decrease in revenue contribution from our largest customer as a percentage to our total revenue during the year ended 31 December 2015 and such percentage maintained stable during the year ended 31 December 2016; and (ii) our Group aims to continue to broaden our customer base with our years of presence in the industry and our emphasis on the quality of our products, our Directors are of the view that we will be able to generate more revenue from a wider customer base in the future. For details of our plan to further expand our customer base, see “Future Plans and Use of Proceeds”. In addition, according to the CIC Report, it is an industry norm for manufacturers of tinplate packaging products to have long-term business relationships and relatively significant sales amount with a single or a few key customers in order to take advantage of economies of scale in terms of production and to lower the costs of product customisation since the product design and specification, such as size, shape, printing, material of components required by different customers may vary significantly. Our Directors, to their best knowledge, are not aware of any events or circumstances during the Track Record Period and up to the Latest Practicable Date which would lead to any significant obstacle in sourcing new customers.

In March 2016, a paint and coatings manufacturing company listed on the New York Stock Exchange (the “**Purchaser**”) announced (the “**2016 Announcement**”) that a definitive agreement has been entered into for its acquisition of the then New York Stock Exchange listed holding company of Valspar Group. In June 2017, the Purchaser announced that (the “**2017 Announcement**”) the acquisition was completed.

Our Directors are of the view that the business relationship between our Group and Valspar Group would continue under the existing arrangements before and after completion of the acquisition due to the following reasons:

- According to the 2016 Announcement, the Purchaser indicated that the acquisition would extend its capabilities into new geographies and applications, including a scale platform to grow in Asia-Pacific, Europe, the Middle East and Africa. According to the 2017 Announcement, the Purchaser indicated that the acquisition creates a world class brand portfolio, expanded product range, premier technology and innovation platforms and an extensive global footprint. With the larger platform, the aim to grow in Asia-Pacific and the creation of larger brand portfolio and product range, we do not expect the Purchaser to replace the suppliers of its products under the brand of Valspar Group or change the business operations in relation to its business to a large extent.
- Our business relationship with Valspar Group commenced in 1997. We consider that a mutual and complementary business relationship between our Group and Valspar Group has developed. We believe that Valspar Group has placed reliance on us given our historical performance, product quality standards, familiarity of their product and delivery needs and that our long-standing, sustainable and closely collaborative

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relationship takes years to build. As confirmed by Valspar Group, (i) our Group was the largest and at least the second largest supplier for tinplate packaging products for paint and coatings for Huarun and Valspar, respectively for the years ended 31 December 2014 and 2015 and the seven months ended 31 July 2016; and (ii) approximately 40% and 30% of the total purchases of tinplate packaging products for paint and coatings by each of Huarun and Valspar, respectively, whether in terms of sales amount and quantity, for the aforementioned periods were made from our Group. Valspar Group also confirmed that it would not be easy for Valspar Group to find alternative suppliers of comparable quality and quantity within a short period of time. Based on the aforesaid, we believe that our performance has been and would continue to be recognised and we will not be replaced easily.

- We have continued to receive confirmed orders from Valspar Group shortly before and after each of the aforesaid announcements was made. In the year ended 31 December 2016, we received orders for approximately 8.8 million tin cans, 1.5 million steel pails and 9.9 million can tops amounting to approximately RMB42.3 million from Valspar Group. Following the completion of the acquisition, Valspar Group continued to place orders with us. During the period from 1 June 2017 to the Latest Practicable Date, Valspar Group placed orders in the amount of approximately RMB3.5 million with us.
- We recorded an approximately 5.7% increase in the amount of sales to Valspar Group for the year ended 31 December 2016 as compared to the prior year.
- Valspar Group has provided us the expected purchase order quantity and transaction amounts for 2016 and 2017. Valspar Group has also written to us suggesting us to install an imported steel pail production line to improve production capacity and product quality, after considering the equipment and machinery of our competitor and the needs of Valspar Group. We believe that Valspar Group's suggestion is a positive indication of its desire to continue to collaborate closely with us and to prepare us for its future needs.
- Our Directors confirm that, up to the Latest Practicable Date, we had not received any indication from Valspar Group (i) that it will cease placing orders or terminate business relationship with us; and (ii) relating to any change of existing business relationship with us.

The gross profit margin for the sales to Valspar Group was approximately 21.7%, 22.0% and 22.3% for the years ended 31 December 2014, 2015 and 2016, respectively, and approximately 21.5% for the period from April 2016 (the month immediately after the 2016 Announcement was made) to the end of the Track Record Period. We believe that the slightly lower gross profit margin in the said period was mainly attributable to the increase in the average price of tinplate coils from March to May 2016, while we only increased our selling prices of some products sold to Valspar Group in September 2016. Our Group further adjusted the selling prices of some products sold to Valspar Group in February 2017. Our Directors confirm that our Group has not experienced any price pressure from Valspar Group on our products since the 2016 Announcement. On the contrary, our Group was able to adjust the selling prices of some products sold to Valspar Group in view of

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the increase in price of tinplate coils. Therefore, our Directors are of the view that the announcement of the Purchaser did not result in any adverse impact on our gross profit margin for the sales to Valspar Group.

We believe that the Purchaser will not consolidate the suppliers of Valspar Group with its own existing suppliers after completion of the aforesaid acquisition on the following basis:

- Our relationship with Valspar Group commenced in 1997. Further, as confirmed by Valspar Group, our Group was the largest and at least the second largest supplier for tinplate packaging products for paint and coatings for Huarun and Valspar, respectively for the years ended 31 December 2014 and 2015 and the seven months ended 31 July 2016; and (ii) approximately 40% and 30% of the total purchases of tinplate packaging products for paint and coatings by each of Huarun and Valspar, respectively, whether in terms of sales amount and quantity, for the aforementioned periods were made from our Group. We believe that it will be difficult for the Purchaser to find alternative suppliers with similar quality in production and knowledge of the requirement of Valspar Group in Guangdong Province to replace us within a short period of time.
- We do not have any information on the suppliers of the Purchaser, and, even if any of them is a supplier located in Guangdong Province which is capable of meeting Valspar Group's quality and quantity requirements, we believe that any consolidation of the suppliers of Valspar Group and the Purchaser will not be commercially beneficial to Valspar Group as it will cause disruptions to production and delivery schedules and additional time will be required for the assessment of suitability of the new supplier for Valspar Group.
- Our Foshan Factory is in close proximity to Valspar Group's manufacturing plants in Guangdong Province. We are able to promptly respond to Valspar Group's requirements such as tight delivery schedules, product replacement requests and increase in quantity of orders.

Our Directors are of the view and the Sponsor concurs that, in the event that Valspar Group substantially reduces the number of orders placed with us or terminates its relationship with us, there will not be any significant material adverse impact on the sustainability or prospects of our business for the following reasons:

(1) Solid and expanding customer base

While it is an industry practice that customers of tinplate packaging industry do not enter into long-term contract with purchase obligations with their suppliers, we continue to establish long-term business relationships with our customers. We have commenced business relationships with four of our five largest customers over five years ago. We believe that stable relationships with our existing customers have enabled us to achieve business growth in the past and will continue to help us capture business opportunities in the future.

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Notwithstanding the decrease in revenue contribution from Valspar Group to approximately 34.9% of our total revenue for the year ended 31 December 2015 as compared to approximately 46.5% of our total revenue for the prior year, our total revenue for the year ended 31 December 2015 increased as compared to the prior year. Valspar Group remained as our largest customer for the year ended 31 December 2016 and our total revenue as well as revenue generated from Valspar Group for the year ended 31 December 2016 increased as compared to the prior year.

We generated a majority of revenue from other customers during the Track Record Period. In particular, revenue generated from our five largest customers excluding Valspar Group increased from approximately RMB14.6 million, representing approximately 14.5% of our total revenue for the year ended 31 December 2014, to approximately RMB18.3 million, representing approximately 16.1% of our total revenue for the year ended 31 December 2015, and further to approximately RMB21.7 million, representing approximately 18.3% of our total revenue for the year ended 31 December 2016.

We have continued to broaden our customer base and derived sales from new customers. During the year ended 31 December 2016, we acquired 29 new customers and received orders for approximately 1.6 million tin cans, 375,000 steel pails and 2,500 can tops with total sales amounting to approximately RMB12.0 million.

We will continue to nurture and enhance our relationships with our existing customers and take active steps in attracting new customers to ensure the sustainable growth of our business.

(2) Increase in sales of tinplate packaging products of higher capacities

Our revenue from the sales of steel pails increased from approximately RMB23.6 million for the year ended 31 December 2014 to approximately RMB45.6 million for the year ended 31 December 2015. Such increase was mainly driven by a significant increase in the sales volume of steel pails from approximately 1.9 million units in the year ended 31 December 2014 to approximately 3.7 million units in the year ended 31 December 2015, representing a significant increase of approximately 96.6%, which was primarily attributable to the sales of approximately 1.5 million units of steel pails to over 40 new customers in the year ended 31 December 2015, which contributed revenue of approximately RMB19.4 million for such period.

Our revenue from the sales of steel pails increased from approximately RMB45.6 million for the year ended 31 December 2015 to approximately RMB48.0 million for the year ended 31 December 2016. Such increase was mainly driven by an increase in the sales volume of steel pails from approximately 3.7 million units in the year ended 31 December 2015 to approximately 4.1 million units in the year ended 31 December 2016. The continuous increase in the sales volume of steel pails was primarily attributable to the sales and marketing

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strategies adopted by our Group starting from the year ended 31 December 2015 and the growth of market size of steel pail industry of paint and coatings in the PRC and Guangdong Province driven by a series of environmental policies implemented by the PRC government.

Notwithstanding that our revenue from the sales of tin cans decreased from approximately RMB67.0 million for the year ended 31 December 2014 to approximately RMB59.6 million for the year ended 31 December 2015, we saw a significant increase in the sales of tin cans with higher capacities (i.e. 10 L or above) from approximately RMB2.6 million for the year ended 31 December 2014 to approximately RMB10.8 million for the year ended 31 December 2015. Such increase was mainly attributable to the sales of approximately 0.8 million units of such type of tin cans to around 30 new customers in the year ended 31 December 2015, which contributed revenue of approximately RMB8.4 million for such period. Our revenue from the sales of tin cans increased slightly and amounted to approximately RMB59.6 million and RMB60.3 million for the year ended 31 December 2015 and 2016, respectively, primarily due to the combined effect of the increase in the sales volume for both tin cans of lower capacities and higher capacities, offset by the general decrease in average selling price per unit.

Having considered the increased sales of steel pails and tins cans with higher capacities (i.e. 10 L or above) and their relatively higher gross profit margin (see “Financial Information — Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin”) and the aforementioned continuous decrease in the sales of tin cans with lower capacities (i.e. below 10 L), we plan to focus on attracting new customers who, to the best knowledge and belief of our Directors, are paint and coatings suppliers of construction companies as our customers, as they usually have higher demand for steel pails and tin cans with higher capacities (i.e. 10 L or above). Based on such historical sales performance and our effort on sales strategy, we believe that there is further growth potential in revenue for our tinplate packaging products of higher capacities (i.e. 10 L or above).

We plan to purchase a new production line for production of steel pails. For details, see “Future Plans and Use of Proceeds — Our business strategies — 1. Purchase of one new production line for production of steel pails”.

(3) Flexible production capability

We own and operate our factory and control all our production and outsourcing operations. Our product development and production capabilities are not specifically developed to serve the needs of any particular customer. With our developed skill set, constantly keeping abreast of market trends and understanding of customers’ product needs, we endeavour to promote customers’ reliance on us as their vendor. We also plan to purchase a new production line for production of steel pails and upgrade our existing production lines. We believe that our production capacity enables us to manage and utilise our asset and resources in light of different product requirements or delivery schedules from new customers or a wider range of requirements resulting from evolving statutory or industry standards. In

order to control our outsourcing operations, we have specific criteria in place for selecting our subcontractors and procedures for monitoring their performance. We generally enter into written subcontracting agreements with our subcontractors specifying, among others, services to be provided, quality requirements and payment and delivery arrangements. For details, see “— Subcontractors”. We also deploy certain quality control procedures on subcontracting process. For details, see “— Quality control — Quality control on subcontracting process”. For substandard products, we are generally entitled to require our subcontractors to undergo rework or provide replacement products in accordance with the relevant subcontracting agreements.

(4) Development of new sales and marketing strategies

We have increased our efforts in attracting new customers starting from the year ended 31 December 2015, including monthly visits to potential customers and holding regular internal meetings to discuss sales strategies and status of follow-up action and whether any successful order is made by the customers after the visits.

In order to attract potential customers, we attended CHINACOAT 2016, an international exhibition for coatings and coating related products, which was held in Guangzhou City, Guangdong Province from 30 November 2016 to 2 December 2016 where we promoted our tinsplate packaging products through a show booth with display of samples, product brochures and explanations provided by our staff. According to CHINACOAT’s website, the preliminary statistics show that CHINACOAT 2016 was able to attract over 30,000 domestic and overseas trade visitors and over 1,000 exhibitors from 32 countries/regions. Going forward, we intend to continue participating in industrial exhibitions in the PRC. We expect to see exhibits encompassing in the areas of powder coatings technology, mass production and packaging and raw materials for the production of coatings, inks and adhesives. We believe the global reach and technological expertise of such industrial exhibitions will provide the platform to gain knowledge of current market trends in the coatings industry, to promote our tinsplate packaging products and to expand our network with potential customers. We also plan to expand our sales team by hiring additional staff in the sales and marketing aspect of the tinsplate packaging industry in order to focus on soliciting new customers for our product portfolio. For further details, see “Future Plans and Use of Proceeds — Our business strategies — 3. Expansion of our customer base”.

During the two years ended 31 December 2016, we acquired over 40 and 22 new customers for steel pails. For the same periods, we acquired around 30 and 14 new customers for tin cans with higher capacities (i.e. 10 L or above). Sales of steel pails to these new customers contributed revenue of approximately RMB19.4 million and RMB20.4 million for the two years ended 31 December 2016, respectively. Sales of tin cans of higher capacities (i.e. 10 L or above) to these new customers contributed revenue of approximately RMB8.4 million and RMB7.5 million for the two years ended 31 December 2016, respectively. In view of the foregoing, we intend to continue to increase our sales efforts in attracting new

customers who, to the best knowledge and belief of our Directors, are paint and coatings suppliers of construction companies which usually have higher demand for steel pails and tin cans with higher capacities (i.e. 10 L or above).

(5) Positive market outlook

The CIC Report has identified the following market trends and developments which are favourable to our business:

(a) *Growth in the paint and coatings industry in Guangdong Province and the PRC*

Guangdong Province

It is expected that the paint and coatings industry in Guangdong Province will continue to grow despite the moderating economic growth in Guangdong Province.

From 2012 to 2016, the production volume of the paint and coatings industry in Guangdong Province had generally increased at a CAGR of approximately 6.7%. Such general increase was primarily driven by the market demand of the end-use industries, such as automobile, building, construction and home decoration.

From 2017 to 2021, the production volume of the paint and coatings industry in Guangdong Province is expected to increase at a CAGR of approximately 3.2%. There were approximately 285 paint and coatings manufacturers in Guangdong Province in 2016, and the number is expected to decrease slightly between 2017 and 2021 due to intense competition which compels paint and coatings manufacturers of relatively small scale to move out of Guangdong Province. It is expected that the agglomeration of paint and coatings industry will continue. Paint and coatings manufactured in Guangdong Province serve not only the demand in Guangdong Province but are also sold nationwide. Thus, the development of the paint and coatings industry in Guangdong Province is also influenced by the combined effect of the overall economy of the PRC as well as the economic growth in Guangdong Province. According to the 13th Five-year Plan of Guangdong Province, automobile and electrical equipment manufacturing have been and are expected to continue to be the pillar industries of Guangdong Province during 2016 to 2020. Moreover, real estate is expected to continue to be a pillar industry in the PRC between 2016 and 2020. Since these industries are the major downstream industries of paint and coatings and that the pillar industries generally account for a relatively stable share of GDP, it is estimated that the demand of paint and coatings will grow at a similar pace to the growth of GDP in the PRC and in Guangdong Province.

With the expected moderate growth in the paint and coatings industry in Guangdong Province, the demand of tinplate packaging products will experience a moderate growth accordingly.

The PRC

Due to the ongoing urbanisation and upgrade of the PRC's industry which will adopt environmentally-friendly coating materials in the process of manufacturing and construction, there is steadily increasing demand for paint and coatings from its downstream industries, such as housing, public infrastructure and automobile. The production volume of the paint and coatings industry in the PRC is expected to grow at a CAGR of approximately 6.7% between 2017 and 2021, reaching approximately 25.0 million tonnes by 2021. Moreover, the leading paint and coatings manufacturers in the PRC tend to gain more market share in the PRC's paint and coatings market. The growing paint and coatings industry is expected to bring opportunities to manufacturers of tinplate packaging products.

(b) *Market size of tinplate packaging industry in Guangdong Province and the PRC*

Guangdong Province

The market size of Guangdong Province's tinplate packaging industry for paint and coatings in terms of sales revenue was approximately RMB2.6 billion in 2016 and has grown at a CAGR of approximately 6.8% from 2012 to 2016, and is projected to increase at a CAGR of approximately 4.2% from 2017 to 2021.

The PRC

The market size of tinplate packaging industry for paint and coatings in the PRC in terms of sales revenue was approximately RMB9.6 billion in 2016 and has grown at a CAGR of approximately 9.8% from 2012 to 2016, and is projected to increase at a CAGR of approximately 6.4% from 2017 to 2021.

Though at a relatively moderate rate, the market size of the tinplate packaging industry in Guangdong Province and the PRC is expected to continue to grow in the forthcoming years.

Driven by a series of environmental policies implemented by the PRC government (for details, see "Industry Overview — Competitive landscape and competitive advantages — Market drivers for the tinplate packaging industry of paint and coatings in the PRC — Increasing demand from the paint and coatings industry"), the market size of water-based paint and coatings in the PRC and Guangdong Province have grown and are expected to continue to grow between 2017 and 2021. Since steel pails generally have larger openings compared with tin cans, it is an industry norm for manufacturers of paint and coatings to prefer to use steel pails to package odourless water-based paint and coatings, while solvent-based paint and coatings with odour are generally stored in tin cans. Steel pails which have larger openings compared to tin cans are more suitable for odourless water-based paint and coatings as they allow a large volume to be poured in quickly,

which expedites the packaging process, and whether the container can minimise odour emission is not relevant in case of odourless water-based paint and coatings. On the contrary, tin cans are more suitable for solvent-based paint and coatings with odour as any leakage from a smaller opening during storage, distribution and handling will cause a lesser impact. With the expanding water-based paint and coatings market in the PRC and Guangdong Province, the market size of the steel pail industry for paint and coatings in the PRC and Guangdong Province is expected to grow accordingly.

(c) *Increasing demand for tinplate packaging products of higher capacities in Guangdong Province and the PRC*

Guangdong Province

It is expected that the market size of tinplate packaging products with capacities of 10 L or above in Guangdong Province will further grow at a CAGR of approximately 6.5% between 2017 and 2021, as compared to that of approximately 1.7% for the market size of tinplate packaging products with capacities below 10 L. The expected relatively fast growth of tinplate products with capacities of 10 L or above is propelled by the strong growth of steel pail, which accounts for approximately 80% of the tinplate packaging products with higher capacities (i.e. 10 L or above) in terms of sales revenue. It is expected that market size of the steel pail industry for paint and coatings in terms of sales revenue in Guangdong Province will grow at a CAGR of approximately 5.7% between 2017 and 2021, reaching approximately RMB1.5 billion by 2021, for reasons as explained above.

The PRC

It is expected that the market size of tinplate packaging products with capacities of 10 L or above in the PRC will further grow at a CAGR of approximately 8.6% between 2017 and 2021, as compared to that of approximately 4.1% for the market size of tinplate packaging products with capacities below 10 L. Among the products with capacities of 10 L or above, the market size for steel pails is expected to grow faster.

(d) *Favourable factors for the use of tinplate in packaging*

Rising awareness of environmental protection

The PRC government promulgated the Guideline Catalogue of Industry Restructuring to encourage the production of environmentally-friendly and recyclable packaging materials. As metal is one of the most environmentally-friendly packaging materials with nearly 100% recycling rate, the metal packaging product is likely to be promoted and thus represents great potential.

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Replacing plastic with tinplate in the packaging of paint and coatings

The two major raw materials used in the packaging of paint and coatings are plastic and tinplate. Compared with plastic packaging products, tinplate packaging products have features such as high opacity and reliable sealing performance, which are essential for the packaging of paint and coatings. With these outstanding features, it is forecasted that tinplate will replace plastic in the packaging of paint and coatings since the price of tinplate packaging products is only slightly higher than the price of plastic packaging products.

Various applications of tinplate in downstream industries

Chemical cans made of tinplate can be used to package various industrial and chemical liquid, such as paint and coatings, grease and oil and liquid chemicals. Tinplate is an ideal option for the packaging of a wide range of chemicals due to its resistance to corrosion, reliable sealing performance and high opacity. Moreover, with the implementation of strict environmental regulations, tinplate packaging products have been and are expected to be applied in more downstream industries since environmental-friendliness and recyclability are two important features of tinplate.

The following tables set out the details of our five largest customers for the Track Record Period:

Five largest customers for the year ended 31 December 2014

Name of customer	Approximate amount of revenue	Approximate percentage of our total revenue
	<i>RMB'000</i>	
Guangdong Huarun Paints Co., Ltd.* (廣東華潤塗料有限公司) (“ Huarun ”) (Note 1) and Valspar Coatings (Guangdong) Co., Ltd.* (威士伯塗料(廣東)有限公司) (“ Valspar ”) (collectively, “ Valspar Group ”) (Note 2)	46,745	46.5%
Customer A	6,031	6.0%
Customer B	4,641	4.6%
Customer C	2,239	2.2%
Customer D	1,684	1.7%
Total	61,340	61.0%

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Five largest customers for the year ended 31 December 2015

Name of customer	Approximate amount of revenue	Approximate percentage of our total revenue
	<i>RMB'000</i>	
Valspar Group (<i>Note 2</i>)	39,976	34.9%
Customer E	6,534	5.7%
Customer A	4,204	3.7%
Customer F	3,885	3.4%
Customer G	3,734	3.3%
Total	<u>58,333</u>	<u>51.0%</u>

Five largest customers for the year ended 31 December 2016

Name of customer	Approximate amount of revenue	Approximate percentage of our total revenue
	<i>RMB'000</i>	
Valspar Group (<i>Note 2</i>)	42,260	35.7%
Customer F	7,235	6.1%
Customer Group H (<i>Note 3</i>)	5,315	4.5%
Customer I	5,164	4.4%
Customer B	3,951	3.3%
Total	<u>63,925</u>	<u>54.0%</u>

Notes:

1. Wancheng Shunde has been a supplier of Huarun since the establishment of Wancheng Shunde in 1997. Mr. JQ Liang had been the legal representative of Huarun since the incorporation of Huarun until 12 July 2011. On 12 May 2005, the entire interest of Huarun was transferred to Huarun Paints Company Limited (“**Huarun Company**”), which was owned by Hua Run Paints Holdings Company Limited (“**Hua Run Paints**”), Mr. JQ Liang and Mr. She Xiang (the then director of Wancheng Shunde) as to approximately 83.33%, 8.33% and 8.33%, respectively. Hua Run Paints was in turn owned as to 20% by a trustee and 80% by Champion Regal Limited (a company then owned by Mr. JQ Liang and other Independent Third Parties, including Mr. She Xiang, as to approximately 16.67% and 83.33%, respectively). On 28 November 2005, Mr. JQ Liang and Mr. She Xiang transferred their respective interest in Huarun Company to Hua Run Paints, and Huarun Company became a wholly-owned subsidiary of Hua Run Paints. In July 2006, a paint and coatings manufacturing company listed on the New York Stock Exchange acquired 80% interest in Hua Run Paints from Champion Regal Limited and the then certain other shareholders of Hua Run Paints. Champion Regal Limited ceased to hold any share of Hua Run Paints since 27 August 2009.

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As disclosed in “History, Reorganisation and Corporate Structure — Corporate structure — (iii) Wancheng Hong Kong”, since July 2003, Wancheng Hong Kong had been held by Hua Run Paints as to 51%. Subsequently, the shareholding of Hua Run Paints in Wancheng Hong Kong was increased to 60% on 7 June 2005. Hua Run Paints ceased to be the shareholder of Wancheng Hong Kong on 29 November 2005 when Hua Run Paints transferred its entire interest in Wancheng Hong Kong to Champion Regal Limited. Champion Regal Limited ceased to be a shareholder of Wancheng Hong Kong on 27 November 2006 when it transferred its 60% interest in Wancheng Hong Kong in equal share to Mr. JH Liang and Mr. JX Liang. Hence, Wancheng Hong Kong and Huarun were fellow subsidiaries of Champion Regal Limited during the period from 12 May 2005 to 27 November 2006.

2. Valspar Group refers to Huarun and/or Valspar, which are subsidiaries of a paint and coatings manufacturing company listed on the New York Stock Exchange.
3. Customer Group H refers to Customer H1 and/or Customer H2. To the best of our Director’s knowledge, information and belief, Customer H2 was a branch office of a company established in the PRC and the ultimate shareholder of such company was one of the shareholders of Customer H1 during the Track Record Period.

Five largest customers

<u>Name of customer</u>	<u>Year of commencement of business relationship with our Group</u>	<u>Background information</u>	<u>Location</u>	<u>Principal products sold by our Group during the Track Record Period</u>	<u>Typical payment terms</u>
Valspar Group	1997	Huarun, a limited liability company established in 1994, is a subsidiary of a paint and coatings manufacturing company listed on the New York Stock Exchange. It principally engages in the manufacture of coatings	Foshan, Guangdong Province	Tin cans and steel pails	By bank acceptance bill (120 days to maturity) after monthly statement
	2004	Valspar, a limited liability company established in 2003, is a subsidiary of a paint and coatings manufacturing company listed on the New York Stock Exchange. It principally engages in the manufacture of coatings	Foshan, Guangdong Province	Tin cans and steel pails	By bank acceptance bill (120 days to maturity) after monthly statement
Customer A	2007	Customer A, a limited liability company established in 1991, is a subsidiary of a company listed on the Stock Exchange. It principally engages in the manufacture and wholesale of paint and coatings products	Shenzhen, Guangdong Province	Tin cans and steel pails	By bank transfer within 75 days after monthly statement

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Name of customer	Year of commencement of business relationship with our Group	Background information	Location	Principal products sold by our Group during the Track Record Period	Typical payment terms
Customer B	2007	Customer B is a limited liability company established in 2005. It principally engages in the manufacture of construction paint and coatings	Foshan, Guangdong Province	Tin cans and steel pails	By bank transfer within 45 days after monthly statement
Customer C	2014	Customer C is a sole proprietor established in 2002. It principally engages in the manufacture of refrigeration accessories	Foshan, Guangdong Province	Tin cans and tinplate sheets	By bank transfer within 30 days after delivery of goods
Customer D	2011	Customer D is a limited liability company established in 2006. It principally engages in the manufacture of paint and coatings	Zhaoqing, Guangdong Province	Tin cans and steel pails	By bank transfer within 45 days after monthly statement
Customer E	2015	Customer E is a limited liability company established in 2015. It principally engages in the mixing of paint composition	Foshan, Guangdong Province	Tin cans and steel pails	By bank transfer within 60 days after delivery of goods
Customer F	2014	Customer F is a limited liability company established in 2010. It principally engages in the manufacture of metal containers	Shenzhen, Guangdong Province	Tin cans, steel pails, tinplate sheets and can covers and bottoms	By bank transfer within 60 days after delivery of goods
Customer G	2014	Customer G is a limited liability company established in 2014. Its scope of business includes (i) the research and development and the manufacture and sale of paper and plastic products, packaging materials, metal accessories, resin and construction materials; and (ii) the sale of chemical products (excluding dangerous chemical products)	Dongguan, Guangdong Province	Tin cans and steel pails	By bank transfer on COD basis
Customer Group H	2014	Customer H1 is a limited liability company established in 2012. It principally engages in the manufacture of paint and coatings	Dongguan, Guangdong Province	Tin cans and steel pails	By bank transfer within 75 days after delivery of goods
	2014	Customer H2 is a branch office established in 1998. It principally engages in the manufacture of paint and coatings	Dongguan, Guangdong Province	Tin cans and steel pails	By bank transfer within 60 days after delivery of goods

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Name of customer	Year of commencement of business relationship with our Group	Background information	Location	Principal products sold by our Group during the Track Record Period	Typical payment terms
Customer I	2015	Customer I is a limited liability company established in 2003. It principally engages in the manufacture of chemical products	Guangzhou, Guangdong Province	Tin cans and steel pails	By bank transfer within 60 days after delivery of goods
Customer J	2015	Customer J is a company established in 2009 and listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統). It principally engages in the research and development, manufacture and sale of coatings, paint additives, surfactants, detergents and related products	Nanxiong, Guangdong Province	Tin cans and steel pails	By bank transfer within 60 days after delivery of goods

None of our Directors, their respective close associates or any of our Shareholders, whom to the best knowledge of our Directors owned more than 5% of the Shares in issue as at the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

Selection criteria

Our sales department is responsible for assessing and selecting our customers. We assess our customers with reference to factors such as background, nature of enterprise, size of operation, reputation and/or scope of business. We conduct site visits to their offices or factories.

Sales contracts

We do not enter into any long-term written sales agreements with purchase obligations with our customers. During the Track Record Period, we entered into written sales agreements with no purchase obligations with most of our major customers. Our customer's orders are confirmed by purchase orders placed with us, which include terms such as the product required, quantity, price and delivery date. Our Directors consider that it is an industry practice that our customers generally engage manufacturers through placing purchase orders instead of entering into long-term agreements with purchase obligations.

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Salient terms and features of our sales agreements with our five largest customers for the Track Record Period (except for Customer C and another one of our five largest customers (the “**Relevant Customer**”)) effective as at the Latest Practicable Date are as follows:

Contract term	:	Ranging from around one year to three years
Placing of order	:	We will produce sample products after seven to 10 days upon receipt of the customer’s design and complete the production within two to three days after receipt of order.
Price	:	The agreement sets out the agreed unit prices for a list of products. If the parties desire to amend the prices after signing of the contracts, the revised prices will be conclusive if agreed in writing.
Payment terms	:	See “— Customers — Five largest customers”. For any delay in payment to us, we have the right to suspend our supply or reject new orders and impose interest on each delayed payment. If the customers do not take delivery of the ordered products, it will pay us compensation in a sum equivalent to the value of such products.
Delivery	:	We are responsible for delivery of the products. If the customer postpones the date of delivery, we have the right to impose daily interest.
Quality and acceptance	:	The PRC Standard GB/T 17343-1998 is adopted as the technical standard. Any product quality issues must be raised by the customer within 15 days of delivery. The customer generally accepts agreed deviation in product colour and agrees that the accepted effects of printing will be based on the initial batch of products. The agreements generally set out certain protocols on the handling of product quality issues including monthly review of leakage rates, leakage tests, standard procedures on discovery of leakage, receipt of complaints, shape distortion and printing problems etc.
Warranty period	:	We do not offer warranty.
Termination	:	We have the right to terminate the agreement for delay in payment to us.

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With respect to Customer C, we entered into a short term written sales agreement annually with it during the Track Record Period. The agreement made in the year ended 31 December 2015 was entered into in July 2015 for delivery of products by September 2015. It contains terms such as agreed unit price, quality standards and payment terms. Actual orders are made by Customer C with purchase orders pursuant to the terms of the sales agreements.

Salient terms and features of our sales agreements with the Relevant Customer effective as at the Latest Practicable Date are as follows:

- Contract term : No fixed term.
- Placing of order : The customer will provide monthly tinsplate printing plans and we will ensure the tinsplate printing process will complete in seven days, except for urgent orders based on such plans, we will store the printed tinsplate sheets in our warehouse until we arrange for delivery based on the customer's order. The customer will place orders before 24 hours of delivery and we will notify it if we cannot achieve the timing requirement for urgent orders.
- Price : The agreement sets out price quotations (per unit basis) for a list of products. Actual price of order will be agreed by the parties in the purchase order. If the fluctuation of the market price of tinsplate exceeds a specified percentage, the customer and us shall negotiate for price adjustment.
- Payment terms : See “— Customers — Five largest customers”.
- Delivery : We will deliver the products to the customer's designated location and bear delivery cost and the risks associated with transportation before acceptance of products. We will provide our factory inspection report at delivery. For delay in delivery not caused by force majeure events, we will pay compensation at an agreed specified percentage of the value of the relevant orders and be responsible for the loss of customer.

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- Quality and acceptance : We will follow the agreed quality and acceptance standards. The customer may conduct sampling checks at our factory or arrange such checks by a third party with the relevant capability at our cost. Our products are subject to acceptance sampling check at delivery. We will replace the products if the passing rate of sampling check is lower than the customer's acceptance quality level. The customer may return products failing the quality test in the course of their usage of products and reject the delivered products if they are not consistent with the description in the delivery note. In these scenarios, we are liable to compensation at an agreed specified percentage of the relevant orders. We give warranty on our products covering surface smoothness, rustiness, scratches, creases etc. If we use substandard raw materials, reduce manufacturing processes for reasons not related to technological improvements or our products fail the required quality standards, the customer may suspend or cease our supply, request for rectification and be entitled to compensation.
- Warranty period : We offer a warranty period of two years (in respect of products for water-based latex paint) and of one year (in respect of products for solvent-based paint) from the date of delivery to the Relevant Customer's own customers. If the products are damaged during transportation or storage, we will pay compensation according to the customer's product selling price.
- Intellectual property and other property : The intellectual property in any design, trademark, logo or word description provided by the customer belongs to the customer and cannot be used for other purposes unless permitted. We will return to the customer any other property belonging to the customer. We will pay compensation to the customer at an agreed specified amount for breach of these provisions.
- Priority for consideration : The customer may give us priority in considering a supplier for its new products.
- Outsourcing : We will not outsource the manufacturing processes to third parties except for the manufacture of certain ancillary components, such as handles and can caps. We will pay compensation to the customer at an agreed specified amount of RMB500,000 for breach of this provision. *(Note)*

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Restriction : We will not provide the products which are the subject of the agreement to third parties and will not manufacture or process products which are the same or similar to such products for third parties.

Termination : The agreement may be terminated by mutual agreement in writing with 15 days' notice. The customer may terminate the agreement if it is not satisfied with the quality of our products and service or changes the specifications of the products.

Note: Our Directors confirm that the Relevant Customer is aware that we outsource tinplate scroll-cutting, tinplate printing and tinplate laminating processes. Our Directors also confirm that we have not received any indication from the Relevant Customer that (i) we have breached the agreements; (ii) it would terminate the agreements; (iii) we need to stop outsourcing tinplate scroll-cutting, tinplate printing and tinplate laminating processes; or (iv) we need to pay any compensation to it.

Our PRC Legal Advisers confirm that the above sales agreements are legally binding. Our Directors confirm that there has not been any material breach of the terms of the above sales agreement by the parties thereto during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we were not involved in any legal or arbitration proceedings with any of our customers; and (ii) we had not had any material order deferrals or cancellations by our customers. Our Directors also confirm that we did not have any material dispute with any of our major customers during the Track Record Period and up to the Latest Practicable Date.

Pricing policy and credit terms

We use cost-plus pricing to set the agreed unit prices of our products in our customer agreements. Under this cost-based pricing method, we add together certain direct costs, such as costs of materials, labour and overhead, and add to it a markup percentage to create a profit margin in order to derive a price of the product satisfactory to us. In setting a markup percentage, we would consider various factors including the product specifications from our customers, our costs of production, our intended profit margins and market conditions such as intensity of competition, spending power of the end customers and economic conditions.

During the Track Record Period, all of our sales were denominated in RMB. For payment terms with our five largest customers, see “— Customers — Five largest customers”. The general payment terms offered to our other major customers range from COD to a credit term of 75 days after monthly statement. For customers who settle our receivables with bank acceptance bills, the maturity of the bills receivables generally range from 30 days to 120 days. As at 31 December 2014, 31 December 2015 and 31 December 2016, we did not have any impairment of trade and bills receivables.

Internal control measures in relation to the management and collection of trade receivables

During the Track Record Period, we experienced delays in receiving our trade receivables. With an aim to strengthen our management of trade receivables, by January 2016, we have enhanced our internal control measures over the following areas: (i) grant of credit term to customers; (ii) collection of trade receivables; and (iii) impairment assessment of trade receivables. The established policies and procedures in relation to the grant of credit to customers are as follows:

- upon acceptance of a new customer, our sales department will complete a contract approval form with details of our customer, key contact person, product type, contract reference number, quantity and unit price;
- based on the background information of our customer and its reputation in the industry, our general manager and deputy general manager will approve the terms set out in the contract approval form. Credit term may be granted on a case-by-case basis. New customers may be required to pay upfront a 30% deposit and upon receipt of the products, the balances; and
- assessment will be performed on all customers annually, taking into consideration past repayment records and transaction volume, and credit term might be revised accordingly. Our sales department will complete a contract approval form to document updates, if applicable. Our general manager and deputy general manager will approve the contract approval form, if applicable, with the revised credit term stated.

The above policies and procedures were implemented in May 2015.

The established policies and procedures in relation to the collection and impairment assessment of trade receivables are as follows:

- our accounting department and our sales department will be responsible for the collection of trade receivables. Our accounting department will perform impairment assessment according to the delivery date, credit term as prescribed under the relevant sales contracts or purchase orders payment status of the relevant customer. This measure was implemented in April 2015;
- our sales department will prepare a monthly statement summary and cross-check the balances against the accounting records with our accounting department. Our sales department will perform reconciliation with our customers. Inconsistency in balances, if any, will be resolved by the relevant customer and our sales department (with the assistance of our accounting department) to ensure the balances are correct. Our customers are required to stamp on the monthly statement summary to indicate approval. This measure was implemented in January 2016;

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- our accounting department will prepare the monthly trade receivables ageing analysis. Balances that are falling due or already past due will be highlighted for management discussion. Our financial controller will review, and our general manager will approve, the monthly trade receivables ageing analysis and the follow-up actions, including possible legal actions to be carried out by our sales department. This measure was implemented in January 2016;
- for any past due trade receivables, we will set a three-month observation period to discuss and follow up the payment status with the relevant customer and understand the reason for delay. In the event that the relevant customer fails to make the payment after the three-month period, our sales department will physically visit or telephone such customers at least once on a monthly basis and report to our financial controller and accounting department, so that they can (i) closely monitor such customer's business status; and (ii) discuss payment arrangement with such customers from time to time based on their latest business status. This measure was implemented in January 2016;
- in the event that the relevant customer fails to make payment for more than 12 months, our financial controller will notify our general manager. Our general manager will contact the relevant customer directly to demand payment and/or discuss repayment schedule with such customer and, where necessary, consider taking possible legal actions. This measure was implemented in January 2016;
- our accounting department will prepare quarterly report of impairment assessment based on the trade receivables ageing analysis and the latest follow-up status of past due trade receivables. The impairment assessment will be reviewed by our financial controller and general manager. This measure was implemented in April 2015; and
- when impairment occurs, we shall make investigation on the responsible sales personnel to ascertain whether there is any conflict of interests between the said sales personnel and the relevant customer, such as requiring the relevant sales personnel to report to our Group whether there is any relationship between the relevant sales personnel and the customer. This measure was implemented in January 2016.

Our Directors consider that the above enhancement has effectively strengthened our management of trade receivables, as evidenced by the extent of subsequent settlements. Based the testing samples collected and reviewed by our Internal Control Consultant, our Internal Control Consultant is satisfied, and the Sponsor concurs, that these established policies and procedures are effective.

For details regarding our trade receivables, including subsequent settlements after the Track Record Period, see "Financial Information — Description and analysis of principal items in the consolidated statements of financial position — Trade and bills receivables".

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Logistics

We deliver our finished products to our customers through our own logistics team. As at the Latest Practicable Date, our logistics team comprised 13 staff (including drivers) and we owned seven trucks to support our operations.

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

Product returns and warranty

Our customers can approach and contact our sales department if they are not satisfied with the quality of our products or make complaints on our tinsplate packaging products. The staff of our quality control team will visit the customer to understand the quality issue and arrange the defective goods to be delivered back to our factory. Our quality control team will inspect the goods in question. If the defect reported is genuine, our production department will arrange for a replacement to be sent back to the customer. We will bear the transportation costs associated with the product return and delivery.

We generally do not offer any warranty for our tinsplate packaging products in contractual terms to our major customers except the Relevant Customer. Our Directors confirm that we did not receive any material complaint from our customers and did not encounter any material incident of product return during the Track Record Period and up to the Latest Practicable Date. For the three years ended 31 December 2016, we had incurred additional costs of approximately RMB41,000, RMB33,000 and RMB80,000, respectively, regarding the product return incidents.

QUALITY CONTROL

As at the Latest Practicable Date, the quality control team of our production department comprised 13 staff. Mr. Ye Zhijian, who is the chief officer of such quality control team and joined us in November 2004, is responsible for our Group's overall quality control. Mr. Ye has approximately 12 years of experience in the tinsplate packaging industry and oversees the quality control aspects of our operation. We have a quality control manual which has been prepared with reference to the requirements under applicable national and industry standards in place and adopt and implement quality control measures covering raw materials, subcontracting process, production process and finished products.

Quality control on raw materials

Tinsplate coil is our major raw material. We normally require our suppliers to supply tinsplate coil that meets the PRC Standard GB/T 2520-2008. Such standard specifies, among others: (i) the specifications of cold-reduced electrolytic tinsplate, such as dimensions, shape, weight and allowable

deviation; (ii) technical requirements of cold-reduced electrolytic tinplate, such as tin coating weight, hardness of the surface, surface condition, method of the chromate treated and surface oiling; and (iii) methods of inspection and testing of cold-reduced electrolytic tinplate.

Our quality control staff conducts testing on tinplate coil in accordance with our quality control manual. Our testing procedures include: (i) examining the hardness of the tinplate coil with a Vickers hardness tester (銻氏硬度計); (ii) checking the strength of the tinplate coil through a film impact tester machine (漆膜衝擊器) which will show whether the sample tinplate coil is prone to cracks and damage; and (iii) conducting visual inspection to determine if there is any surface defect and rusting and weighing the tinplate coil. We generally return any substandard and defective tinplate coil to our suppliers for replacement. Our Directors confirm that no material replacement incident has occurred which had affected our production schedule to a material extent during the Track Record Period and up to the Latest Practicable Date.

We also conduct tests on other ancillary materials and supplies. For instance, for PVC handles and steel handles, we examine the tensile strength of the handles by a tensile tester machine (拉力儀).

Quality control on subcontracting process

We normally require our subcontractors to supply printed tinplate sheets that meet the PRC Standard QB/T 1877-1993 which specifies, among others, the requirements on printing and laminating such as appearance, colour aberration, overprint deviation, shininess, whiteness, impact resistance and scratch resistance. We require the printed tinplate sheets and laminated tinplate sheets to meet our internal standard, which, as confirmed by our Directors, is a higher standard compared to the recommended industry standard as we have additional requirements on the specific functionality of our tinplate packaging products.

Our quality control staff conducts testing on the printed tinplate sheets and the laminated tinplate sheets in accordance with our quality control manual. We conduct tests in relation to shininess, colour aberration, scratch resistance and rustiness of the printed tinplate sheets and the laminated tinplate sheets by various testing equipment, as well as visual inspection. Our testing procedures include: (i) examining scratch resistance of printed tinplate sheets and laminated tinplate sheets with an automatic scratch tester (自動劃痕儀); (ii) examining concentration of rust resistance coatings of our tinplate packaging products with a thickness gauge metre (測厚儀); (iii) examining the degree of alkaline resistance of the interior of our tinplate packaging products by placing it into chemically salted and soapy water; (iv) conducting visual inspection to determine the degree of shininess; and (v) for testing colour aberration, creating colour plate samples according to our customers' requests for their confirmation; and checking colour aberration against the same samples when our customers make subsequent orders. We generally return any substandard products sheets to our subcontractors for rework or replacement in accordance with the relevant subcontracting agreements. Our Directors confirm that no material replacement incident has occurred which had affected our production schedule to a material extent during the Track Record Period and up to the Latest Practicable Date.

Quality control during production process

Our tin cans and steel pails are generally subject to air pressure testing under a leakage detection machine (檢漏機). Tinplate packaging products which fail such tests (e.g. cans with pinholes or with cracks) are rejected. During the Track Record Period, unsatisfactory tinplate packaging products were sold to scrap metal recycling companies which are Independent Third Parties.

Quality control of the finished products

Our written sales agreements with no purchase obligations with the Relevant Customer require us to meet their specific requirements. For other customers, we are generally under the contractual obligation to meet the PRC Standard GB/T 17343-1998 which applies to tin cans in rectangular shape with volume less than or equal to 18 L, and specifies, among others, technical requirements, including structural dimensions, appearance quality, raw materials, and functional requirements. We are also required to meet the PRC Standard GB/T 15170-2007 which applies to the steel pails with volume of 16 L or below, and specifies, among others, the classification of the steel pails, the basic requirements (including, among others, the appearance requirements, the structural dimensions and the sanitary requirements) and the functional requirements (including, among others, airtight test, hydraulic test, dropping test and stacking test), the measures of testing and the inspection rules. We are also required to meet the PRC Standard GB 12463-2009 which applies to the transport of dangerous goods packaged costumes, and specifies, among others, the classification of the transport packages, the packaging requirements (i.e. the basic requirements and the packaging containers), the protective materials and the packaging tag code. We are also required to meet the PRC Standard GB 13042-2008 which applies to aerosol cans made of thin tinplate steel sheet with the mouth diameter of 25.4 mm with a volume of no less than 1000 ml, and specifies, among others, the classification, inspection rules, marking, packaging, transportation and storage. Additionally, we have included the PRC Standard GB/T 13252-2008 in our quality control manual and check our steel pails against the relevant requirements.

Our quality control staff conducts testing on our finished products in accordance with our quality control manual. For tin cans in cylindrical shape and steel pails, we conduct sample check and fill them up with liquid, and the products will be sealed and put aside for a period of time to check for any leakage. For tin cans in rectangular shape, we examine the tightness of the plastic cap with an airtight test machine (罐蓋氣密檢驗機).

Furthermore, AQSIQ and AQTS (Guangdong Province) has entrusted Guangzhou Quality Supervision and Testing Institute* (廣州質量監督檢測研究院) (the “GQT”) to conduct random sample check on dangerous chemical packaging or containers to ensure the products meet the relevant quality standards. The GQT, established in 1951, is the first independent product quality inspection agency in the PRC. The GQT has passed the 3-in-1 China National Accreditation Service for Conformity Assessment* (國家實驗室認可委員會), namely metrology accreditation, inspection and collection, and accredited laboratory. The GQT conducts testing on areas including food products, packaging, electronics and construction. Our Directors confirm that during the Track Record Period, AQSIQ and AQTS (Guangdong Province) conducted sampling checking through

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GQT on our tinsplate packaging products on three occasions. The sample testing results announced by the relevant government authorities indicate that our products have met the relevant quality standards.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) our products were generally accepted by our customers; (ii) we did not receive any material claims or complaints from our customers in respect of the quality of our products; and (iii) there was no incident of failure of our quality control systems which had a material and adverse impact on our business operation.

INVENTORY CONTROL

We have an inventory control policy in place to monitor our inventory levels and to minimise obsolete inventory. We perform the following inventory management procedures to keep track of incoming and outgoing inventories and to monitor our inventory levels:

- sales orders received by our sales department have to be recorded in our computer system;
- purchases of raw materials have to be approved by the head of our procurement department and recorded in our computer system;
- outsourcing of tinsplate scroll-cutting, tinsplate printing and tinsplate laminating have to be authorised by the head of our procurement department;
- raw materials to be applied for production use have to be approved by our production department and recorded in our computer system;
- deliveries of final products have to be recorded in our computer system; and
- monthly and annual stock takes are performed by the inventory team of our production department. Random checking is performed by our accounting department to (i) check the accuracy and correctness of stock-in and stock-out information on record; and (ii) inspect the conditions of the inventories and identify slow-moving or obsolete inventories.

We generally maintain one month of tinsplate coil inventory for use to ensure that we can meet our major customers' requirements, taking into account our production time and the delivery requirements stated in the agreements with our customers.

Our inventory turnover days for the three years ended 31 December 2016 were approximately 118.3 days, 51.0 days and 63.5 days, respectively. Based on the results of stock takes and review on the ageing of inventories at the end of each financial reporting period, we assess the adequacy of impairment provision on obsolete and slow-moving inventory items which are identified as no longer saleable or usable in accordance with our accounting policy. As at 31 December 2014, 31 December 2015 and 31 December 2016, our Group did not have any impairment on inventories.

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See “Financial Information — Description and analysis of principal items in the consolidated statements of financial position — Inventories” for detailed analysis of our inventory balances and inventory turnover days during the Track Record Period.

PRODUCT DESIGN AND DEVELOPMENT

As at the Latest Practicable Date, we had a team of nine technicians in our production department who are responsible for product design and development. Such team is led by Mr. Lu Yongheng, the deputy general manager of our production department, who joined us in 2000. He has over 16 years of experience in the production management of tinplate packaging products. Our technician team designs and develops tinplate packaging products in terms of different dimensions and volumes to reduce leakage and damage during transportation as well as according to our customers’ specific industrial use.

In 2008, the AQSIQ and the SAC issued the PRC Standard GB/T 13252-2008 for steel pails with capacities of 17 L to 24 L used for the transportation and storage of liquid and solid hazardous and non-hazardous objects. Such new standard sets out, among others, technical requirements, test methods and inspection rules. Wancheng Shunde was appointed as one of the three members of the Participating Drafting Unit* (參加起草單位) for the PRC Standard GB/T 13252-2008 and Mr. JC Liang was one of the main draftsmen. Notwithstanding that we did not participate in the subsequent updating of the standard, we believe that such appointment is a recognition of our product design and development efforts. As at the Latest Practicable Date, we held the GB/T 19001-2008/ISO 9001:2008 certification.

During the Track Record Period, other than the staff costs for our technician team, we did not incur any material expenses in relation to product design and development.

MARKET COMPETITION

According to the CIC Report, the industry of tinplate packaging products for paint and coatings in Guangdong Province is relatively concentrated and that competition in this market is regional and intense, since there are nearly 200 manufacturers of tinplate packaging products in Guangdong Province.

According to the CIC Report, in 2016, there were (i) over 450 manufacturers of tinplate packaging products for paint and coatings in the PRC; and (ii) approximately 140 to 190 manufacturers of tinplate packaging products for paint and coatings in Guangdong Province. The industry of tinplate packaging products for paint and coatings in the PRC was slightly concentrated with the top 10 participants accounting for approximately 24.1% of the total market share in terms of sales revenue in 2016, and we ranked sixth with a market share of approximately 1.2% in terms of sales revenue in 2016. On the other hand, the industry of tinplate packaging products for paint and coatings in Guangdong Province was relatively concentrated with the top five participants accounting for approximately 39.8% of the total market share in terms of sales revenue in 2016, and we ranked fifth with a market share of approximately 4.7% in terms of sales revenue in 2016.

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According to the CIC Report, there are entry barriers into the tinplate packaging industry for paint and coatings in the PRC, namely (i) the setting up of the manufacturing bases close to the customers' production bases to facilitate efficient communication and delivery of final products; (ii) the maintenance of mass production by managing steady supply of raw materials and sale of final products in order to take full advantage of economies of scale; and (iii) the maintenance of a well-established quality control system in order to eliminate inferior products and satisfy customers' requirements. For further details of the entry barriers into the tinplate packaging industry of paint and coatings in the PRC, see "Industry Overview — Competitive landscape and competitive advantages — Entry barriers into the tinplate packaging industry of paint and coatings in the PRC". We believe that (i) our geographical proximity to our major suppliers and major customers; (ii) our committed long term investment in the manufacture of tinplate packaging products; and (iii) our well-established quality control process, have enabled and will continue to enable us to compete effectively.

INSURANCE

Property insurance

We maintain comprehensive property insurance coverage against risks of loss or damage in respect of, among other things, our Foshan Factory and equipment therein. We do not have insurance coverage for product liability, business interruptions and environmental liability. As advised by our PRC Legal Advisers, such insurance coverage is not required under the current PRC laws and regulations and we believe our practice in this regard is consistent with the industry practice in the PRC. Please also see "Risk Factors — Risks relating to our business — Our insurance may not be sufficient to cover the risks connected with our operations and potential losses.". We also maintain insurance coverage against risks of loss or damage to our motor vehicles, including for comprehensive commercial and accident liability insurance. The risks we have insured against include those caused by accidents or natural disasters, including fire or flood. Our PRC Legal Advisers confirm our Group's insurance contracts are legally binding and valid as at the Latest Practicable Date.

Employees' social insurance

According to the relevant PRC laws and regulations, we are required to make contributions to our employees' social security insurance and housing provident fund. For details, see "— Employees — Staff benefits — PRC".

We consider that our insurance coverage is adequate for our operation and is in line with industry practice in the PRC. Our Directors confirm that we had not made, or been the subject of, any material insurance claim during the Track Record Period and up to the Latest Practicable Date.

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ENVIRONMENTAL PROTECTION

Our Directors believe that the design of our existing facilities and the nature of the products which we manufacture do not cause material environmental pollution. The solid waste produced therefrom, for example, scrap tinplate, had been sold to other companies.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with all the applicable laws and regulations in the PRC relating to environmental protection in all material respects, and no penalty was imposed on our Group by any PRC governmental authorities in relation to any environmental matters.

For the three years ended 31 December 2016, our cost of compliance with the applicable environmental rules and regulations was approximately RMB54,000, RMB118,000 and RMB185,000, respectively. We expect that the annual cost of compliance with such rules and regulations will amount to approximately RMB185,000 for the year ending 31 December 2017.

HEALTH AND OCCUPATIONAL SAFETY

We provide safety education and trainings to employees and have in place safety guidelines and operating manuals for our production process. We also provide our employees with training programmes on work safety in connection with matters such as the operation of our equipment with a view to enhancing the occupational safety and to minimising the possibility of work-related accidents and injuries as well as occupational illness. We have established a policy in recording and handling accidents. Upon occurrence of accidents, the staff will report to the relevant sub-team head to handle the case. The relevant sub-team head will prepare a report detailing the accidents and submit to human resources department and production department to carry out investigation. Human resources department will assess the impact of the accidents and consider appropriate measures to improve occupational safety. For details of relevant laws and regulations relating to production safety, see “Regulatory Overview — PRC laws and regulations relating to our business — Production safety”.

Our Directors confirm that we did not encounter material work safety accidents during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC Legal Advisers, we had complied with all applicable production safety laws and regulations in the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

As at 31 December 2014, 2015, 2016 and the Latest Practicable Date, we had 283, 285, 294 and 284 employees, respectively.

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Number of staff

The following table shows a breakdown of our staff by function and by geographical location as at the Latest Practicable Date:

<u>Function</u>	<u>Number of employees</u>
<i>PRC</i>	
Management	2
Production	236
Sales	22
Accounting	8
Human resources	7
Procurement	5
<i>Hong Kong</i>	
Management	<u>4</u>
Total	<u><u>284</u></u>

Remuneration

In accordance with PRC labour law, we have entered into written employment contracts with our employees. The remuneration packages include salaries, overtime pay and performance related bonuses, as well as our contributions to the statutory social security insurance. In general, we determine the remuneration package based on qualifications and performance, and conduct an annual review and appraisal for our employees. We believe the remuneration package of our employees is competitive when compared with the prevailing market rates.

Training and recruitment policies

We have a staff handbook which sets out the responsibilities of our staff, the code of conduct for them, and our safety and hygiene requirements in the production site. Our newly recruited employees are required to attend a safety training course so that they can get familiar with the safety standards which they are required to meet during the production process and the operation of the production facilities. We also provide regular in-house safety education and training to our employees or recommend them to attend the trainings held by outside authorities relating to the operation of production facilities, fire safety and work safety. We generally recruit our workforce through posting recruitment advertisements outside our Foshan Factory.

Staff relation

We recognise the importance of having good relationship with our staff. Our staff turnover rate was approximately 33.7%, 25.4% and 7.6% for each of the three years ended 31 December 2016, respectively. Most of our staff who left were workers on the production lines. We have established a labour union in July 2013 to protect the labour rights and interests of our employees in accordance with the relevant PRC laws and regulations. Our current Qualification Certificate of Trade Union Social Legal Entity (工會社會團體法人資格證) is valid from 6 June 2016 to 5 June 2021. Our Directors confirm that we had not experienced any significant disputes with our staff and our labour union or material disruption to our operations due to labour disputes during the Track Record Period and up to the Latest Practicable Date.

Staff benefits***Hong Kong***

We participate in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our employees.

PRC

In the PRC, our Group has participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance prescribed by the Social Insurance Law of the PRC (中華人民共和國社會保險法) which was promulgated on 28 October 2010 and became effective on 1 July 2011.

Our Directors, as advised by our PRC Legal Advisers, have confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant labour and social insurance laws and regulations in the PRC in all material respects, and no penalty was imposed on our Group by any PRC governmental authorities in relation to any labour and social insurance matters.

We have conditionally adopted the Share Option Scheme on 23 June 2017 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in “D. Share Option Scheme” in Appendix V to this prospectus.

For the three years ended 31 December 2016, our staff costs (including Directors’ remuneration) amounted to approximately RMB11.8 million, RMB13.2 million and RMB14.0 million, respectively.

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INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had registered four trademarks, and one domain name which is material to our business. For details of our intellectual property rights, see “B. Further information about our business — 2. Our intellectual property rights” in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not involved in any proceedings with regard to, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved either as a claimant or respondent.

PROPERTY

As at the Latest Practicable Date, we owned (i) a parcel of land at No. 3 Huada Road, Bianjiao Juweihui, Ronggui Jiedao Banshichu, Shunde District, Foshan, Guangdong Province, the PRC, with a site area of approximately 35,936.2 sq.m.; and (ii) the buildings with a total gross floor area of approximately 19,368.2 sq.m. built on the above parcel of land. Wancheng Shunde has obtained a Certificate of Real Estate Ownership (房地產權證) for the aforesaid land and buildings for a term expiring on 4 November 2052.

Based on the abovementioned land use rights and building ownership certificate obtained and held by Wancheng Shunde, our PRC Legal Advisers are of the view that (i) Wancheng Shunde has the valid title on the aforementioned land and buildings; and (ii) Wancheng Shunde is entitled to use the aforementioned land and buildings in accordance with the Certificate of Real Estate Ownership (房地產權證) and the applicable laws and regulations in the PRC.

For further details about our properties, see “Property Valuation Report” in Appendix III to this prospectus.

CERTIFICATES

The following table sets out the major certificate granted to us as at the Latest Practicable Date:

<u>Certificates</u>	<u>Date of issue</u>	<u>Date of expiry</u>	<u>Issuing organisation</u>
GB/T 19001-2008/ISO 9001:2008 (quality management system for design and manufacture of metal packaging can)	12 September 2016	15 September 2018	China Quality Mark Certification Group

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LICENCES AND PERMITS

Set out below are the key licences and permits required under the relevant PRC laws and regulations for us to carry on our tinplate packaging business which we have obtained:

<u>Licence/Permit</u>	<u>Date of issue</u>	<u>Date of expiry</u>	<u>Issuing authority</u>
PRC industrial product manufacturing permit* (全國工業產品生產許可證)	10 April 2017	2 March 2022	Foshan City Shunde District Market Supervision and Administration Bureau* (佛山市順德區市場監督管理局)
The operation licence for road transport* (道路運輸經營許可證)	10 July 2015	30 September 2019	Foshan City Shunde District Environmental, Transport and Municipal Management Bureau* (佛山市順德區環境運輸和城市管理 局)
Guangdong Province pollutants discharge permit* (廣東省污染物排放許可證)	19 April 2016	18 April 2021	Foshan City Shunde District Environmental, Transport and Municipal Management Bureau Ronggui Branch* (佛山市順德區環 境運輸和城市管理 局容桂分局)

As advised by our PRC Legal Advisers, (i) we had obtained all licences, permits and approvals in all material respects for our business operations in the PRC during the Track Record Period and up to the Latest Practicable Date; (ii) our business operations were generally carried out in compliance with the relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date; and (iii) based on the current applicable PRC laws and regulations, there will not be any material legal impediment for us to renew our existing licences, permits and approvals.

LEGAL COMPLIANCE AND PROCEEDINGS

As all of our operations are in the PRC, we are required to conduct our business in compliance with the relevant PRC laws and regulations. A summary of the material PRC laws and regulations applicable to our operations in the PRC is set out in “Regulatory Overview”. As advised by our PRC Legal Advisers and as confirmed by our Directors, during the Track Record Period and as at the Latest Practicable Date, we had (i) obtained all the material approvals, consents, certificates, licences and permits required to conduct our operations in the PRC; and (ii) complied with all applicable laws and regulations in the PRC in all material aspects.

As at the Latest Practicable Date, neither we nor any of our Directors were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, or any of our Directors, that would have a material adverse effect on our results of operations or financial condition.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognise the need for risk management and internal control in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives. For details on risks faced by our Group, see “Risk Factors”. All such risks may arise from time to time in connection with the operations of our Group.

Our Board and senior management are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. For details on the qualifications and experiences of the members of our audit committee and our Board, see “Directors, Senior Management and Staff”.

We have established the following structures and measures to manage our risks:

- (i) our Board conducts a thorough examination of any material risks associated with any material business decision before making or approving such decision;
- (ii) our senior management monitors daily operations and any associated operational risks of our Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks;
- (iii) our audit committee review the internal control system and procedures for compliance with the requirements of applicable laws, rules and regulations;
- (iv) our accounting department frequently monitors and tracks the ageing of our trade receivables to ensure prompt billings and hence encourage prompt settlements. The status of any outstanding/unsettled payments owed to us is updated periodically to ensure that timely and necessary steps are taken, including issuing written reminders, telephone calls and legal actions, so as to recover the outstanding trade receivables;
- (v) our Directors and senior management attended training sessions conducted by our PRC Legal Advisers in April 2016 regarding the material PRC laws and regulations applicable to our Group’s business operations;
- (vi) we have appointed Lego Corporate Finance Limited as our compliance adviser to advise our Group on GEM Listing Rules compliance matters upon Listing;

BUSINESS

(vii) we have engaged our Internal Control Consultant in 2015 to perform a detailed evaluation of our Group's internal control system including the areas of financial, operation, compliance and risk management. As at the Latest Practicable Date, we had implemented the relevant internal control measures based on the recommendation of our Internal Control Consultant; and

(viii) we provide training to our employees in order to enhance their industry knowledge to manage our operational risks.

In addition, we will appoint (i) an internal control consultant to provide advice and review our internal control system regarding internal control matters on a regular basis after Listing; and (ii) external Hong Kong and PRC legal advisers after Listing to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable Hong Kong and PRC laws, rules and regulations from time to time and as required. With the assistance of our external Hong Kong and PRC legal advisers, the compliance adviser, internal control consultant, compliance officer and company secretary, we aim to maintain effective internal control system and corporate governance measures upon Listing, as well as ensure that our Group's operations are in compliance with the applicable laws, rules and regulations with respect to our business operations in the PRC and Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of our business. The following table sets forth certain information concerning our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Time of joining our Group</u>	<u>Date of appointment as a Director</u>	<u>Major roles and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Mr. Liang Juncheng (梁俊誠)	66	Chief executive officer and executive Director	June 1997	21 April 2016	Overall management of the business operations of our Group	Brother of Mr. JQ Liang and uncle of Mr. JH Liang
Mr. Liang Jianheng (梁建恒)	35	Chairman and executive Director	November 2006	6 May 2016	Overall strategic development and planning of our Group	Nephew of Mr. JC Liang and son of Mr. JQ Liang
Mr. Liang Junqian (梁俊謙)	69	Executive Director	June 2003	14 November 2016	Overall strategic development and planning, and customer relationship management of our Group	Brother of Mr. JC Liang and father of Mr. JH Liang
Mr. Chan Kit Lung Andy (陳杰隆)	36	Executive Director	May 2016	6 May 2016	Strategic development and overall management of the business operations and compliance functions of our Group	None
Mr. Wong Sui Chi (黃瑞熾)	49	Independent non-executive Director	February 2017	14 February 2017	Overseeing the management independently, providing independent advice to our Board and serving as chairman of audit committee and member of each of remuneration committee and nomination committee	None
Ms. Hua Min (華敏)	33	Independent non-executive Director	February 2017	14 February 2017	Overseeing the management independently, providing independent advice to our Board and serving as chairman of remuneration committee and member of each of audit committee and nomination committee	None
Ms. Xiao Ping (肖平)	34	Independent non-executive Director	February 2017	14 February 2017	Overseeing the management independently, providing independent advice to our Board and serving as chairman of nomination committee and member of each of audit committee and remuneration committee	None

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The following table sets forth certain information concerning our other senior management members:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Date of appointment for current position</u>	<u>Roles and responsibilities</u>
Mr. Chan Tsang Mo (陳增武)	32	Financial controller	May 2016	May 2016	Overall management of the financial matters of our Group
Mr. He Jieming (何結明)	46	Deputy general manager of Wancheng Shunde	August 1997	June 2015	Overall day-to-day administration and management of our Group
Mr. Ye Zhijian (葉志堅)	33	Chief officer of the quality control team of production department of Wancheng Shunde	November 2004	April 2014	Overall quality control of our Group
Ms. Feng Yanqun (馮艷群)	48	Accounting manager of Wancheng Shunde	January 2002	October 2014	Financial administration and inventory management of our Group

DIRECTORS

Executive Directors

Mr. Liang Juncheng (梁俊誠), aged 66, is one of the founders of our Group, our chief executive officer and executive Director. He is and is expected to continue to be mainly responsible for the overall management of the business operations of our Group after the Listing. He is also a director of Wancheng Hong Kong and Wancheng Shunde. Mr. Liang has over 19 years of experience in the tinplate packaging industry. He has served as the general manager of Wancheng Shunde (being mainly responsible for the strategic development and planning of our Group) and has been participating in the day-to-day management of Wancheng Shunde's business and operations of our Group since 1997. Before founding our Group in June 1997, Mr. Liang had over 20 years of experience in the manufacturing industry, with particular responsibility in the production and sales of industrial machinery. Mr. Liang was a technician (being mainly responsible for technical product development, design and maintenance) of Hong Qi Electro-mechanical Factory* (紅旗機電廠) (principally engaged in production and sales of electrical machinery) from June 1967 to September 1979, a technician (being mainly responsible for technical product development, design and maintenance) of Zhen Hua Petroleum Machinery Factory* (振華石油汽具廠) (principally engaged in the production and sales of petroleum machinery) from October 1980 to July 1986, a technician (being mainly responsible for technical product development, design and maintenance) of Sheng Jiang Si Wang Printing Machinery Factory* (勝江絲網印刷機械廠) (principally engaged in the sales of silk screen printing products) from August 1986 to September 1990 and a technician (being

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mainly responsible for technical product development, design and maintenance) of Zhen Hua Gas Appliance Development Limited* (振華燃氣用具發展有限公司) (principally engaged in the sales and production of gas appliances) from October 1990 to January 1997.

Mr. Liang was a shareholder and legal representative of Shunde City Ronggui District Benqi Hardware Manufacturing Limited* (順德市容桂區本崎五金製造有限公司) (“**Shunde Benqi**”), a limited liability company established in the PRC in 2000 and principally engaged in the manufacture of pneumatic tools and hardware in the PRC. Mr. Liang, being one of the shareholders of Shunde Benqi, was also the legal representative and a director of Shunde Benqi from 2000 until 2004 when its business licence was revoked. Under the relevant PRC regulations, a PRC enterprise is required to undergo annual inspection within a prescribed time frame, failing which its business licence will be revoked by the Administration of Industry and Commerce (“**AIC**”). As advised by Mr. Liang, Shunde Benqi did not submit the annual inspection documents of Shunde Benqi within the prescribed time frame. As a result, the business licence of Shunde Benqi was revoked by Guangzhou AIC on 25 November 2004 due to its failure to undergo the requisite annual inspection. According to the PRC Company Law and the Provisions on Administration of Enterprise Legal Person’s Legal Representative Registration (《企業法人法定代表人登記管理規定》) (the “**Provisions**”), in the event that the legal representative of a PRC enterprise (the “**First Enterprise**”) also serves as the legal representative of another PRC enterprise (the “**Second Enterprise**”) whose business licence was revoked due to violation of the applicable law, and three years have not passed since the date of revocation of the business licence, and such person is personally liable for the Second Enterprise’s violation, the First Enterprise shall apply to change the registration of its legal representative within the three-year period since the date of the said business licence revocation. If the First Enterprise does not apply to change its legal representative, the relevant enterprise registration authority shall order it to complete the said procedure within a prescribed time frame, and if the First Enterprise fails to complete the said procedure within the prescribed time frame, a penalty ranging from RMB10,000 to RMB100,000 will be imposed (the “**Relevant Penalty**”). Accordingly, Mr. Liang was prohibited under the relevant PRC laws and regulations from acting as the legal representative, director, supervisor or senior executive of any other PRC enterprises for a period of three years from 25 November 2004 (being the date of revocation of the business licence of Shunde Benqi). Mr. Liang had been the director and legal representative of Wancheng Shunde from 27 September 2003 to 13 April 2015. Notwithstanding that it is the responsibility of Wancheng Shunde to file for the change of legal representative, Mr. Liang should have informed Wancheng Shunde of the revocation of business licence of Shunde Benqi. As confirmed by Mr. Liang, due to his unfamiliarity with the relevant laws and regulations and lack of proper and timely legal advice, he was not aware of the implications under the relevant laws and regulations that he should not act as a legal representative and should have informed Wancheng Shunde to file for the change of legal representative as a result of the said revocation, and therefore he did not inform Wancheng Shunde of the said revocation in a timely manner. Wancheng Shunde had not been requested by the relevant AIC to change its legal representative or its director and it had passed the annual inspection during the aforesaid three-year period. As advised by our PRC Legal Advisers, the time limit for imposing penalty for the aforesaid violation has passed, and our PRC Legal Advisers are of the view that neither Wancheng Shunde nor Mr. Liang will be subject to any penalty due to the aforesaid violation.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

As (i) Wancheng Shunde had not received any order issued by the relevant AIC authority to change its legal representative within a prescribed time frame; (ii) according to the Law of the PRC on Administrative Penalty (《中華人民共和國行政處罰法》), administrative penalty will no longer be imposed if the violation has not been discovered within two years (the “**Limitation Period**”) unless otherwise stipulated by the specific law; and (iii) the three-year period commencing from 25 November 2004 (being the date of revocation of business licence of Shunde Benqi) as well as the Limitation Period have long expired, our PRC Legal Advisers are of the view that no penalties will be imposed on our Group for Mr. Liang’s acting as the legal representative and director of Wancheng Shunde from 25 November 2004 to 24 November 2007 in violation of the relevant PRC laws, rules and regulations. Accordingly, Wancheng Shunde will not be subject to any legal consequence due to Mr. Liang’s acting as the legal representative and director of Wancheng Shunde from 25 November 2004 to 24 November 2007. Notwithstanding the aforesaid, our Controlling Shareholders have given indemnities (further details of which are set out in the paragraph headed “E. Other information — 1. Estate duty, tax and other indemnities” in Appendix V to this prospectus) (“**Indemnity**”) in favour of our Group which cover, among other things, any non-compliance with the applicable laws, rules or regulations of Hong Kong and the PRC on all matters and any non-compliance disclosed in the document by any member of our Group which took place before the Listing Date. Accordingly, the Relevant Penalty in connection with the aforesaid violation is covered by the Indemnity.

During the aforesaid three-year period, except for being the director and legal representative of Wancheng Shunde as disclosed, Mr. Liang did not serve as the legal representative, director, supervisor or senior executive of any other PRC companies according to the relevant industrial and commerce archives. PRC laws and regulations do not have any mandatory provisions that prohibit Mr. Liang to act as the director of our Company which is not a PRC company. More importantly, our PRC Legal Advisers take the view that, considering the prohibition under the Provisions as more particularly set out above, as Shunde Benqi’s business license was revoked more than three years ago, Mr. Liang is currently qualified to act as a director of a PRC company despite the aforesaid violation.

Mr. Liang Jianheng (梁建恒), aged 35, is our chairman and executive Director. Mr. Liang is one of our Controlling Shareholders. He is mainly responsible for the overall strategic development and planning of our Group. He has also been a director of Wancheng Hong Kong since 27 November 2014. Mr. Liang has approximately ten years of experience in the tinplate packaging industry. Mr. Liang was a director (being mainly responsible for business development) of West Decor UK Limited (principally engaged in the sales of wall decoration products) from June 2007 to August 2013. He is a founder of Hotcha Group Limited and has been its director since August 2016 (and of its subsidiary, Hotcha Limited (together with Hotcha Group Limited, “**Hotcha Group**”), since March 2011). Hotcha Group is principally engaged in the restaurant business and Mr. Liang is mainly responsible for its overall business strategy and development but not its day-to-day management. The business operation of Hotcha Group is stable and Mr. Liang does not expect any material change in its business strategy and the business does not require his heavy involvement. The business development skills he gained through the aforesaid experience also contribute to our Group in terms of his responsibilities for our overall corporate management, strategic development

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and planning. Since joining our Group in November 2006 as a shareholder of Wancheng Hong Kong, Mr. Liang generally took part in all major management meetings and sales and marketing meetings of our Group and has participated in the overall strategic development and decision making of our Group, by virtue of which he has acquired management experience in the tinplate packaging industry. Mr. Liang, in the role of chairman and executive Director of our Group, intends to take an active role in the management and oversight of the affairs of our Group. Taking into account of his residency in the UK and other aforesaid ongoing business, Mr. Liang will communicate with senior management members on a regular basis, and will be physically present in the PRC monthly meetings to manage our Group's business. Our Directors believe that Mr. Liang, with support from the senior management based in the PRC, will have the capacity to effectively manage our Group's business going forward. Mr. Liang received a master degree in chemistry with management studies from University College London in the United Kingdom in August 2004.

Mr. Liang was the director of the following company which was incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance. It is confirmed by Mr. Liang that the following deregistration was made voluntarily by way of submitting an application to the Companies Registry of Hong Kong because this company had ceased to carry on business or operation for more than three months immediately before the relevant application.

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of deregistration</u>
West Decor Hong Kong Limited (香港西方裝飾有限公司)	Glass wares and metal works	10 May 2013

Mr. Liang confirms that there is no fraudulent act or misfeasance on his part leading to the deregistration of such company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration of such company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Liang was the director of the following companies which were incorporated in the United Kingdom and were dissolved and struck off the Companies Register of the United Kingdom. Mr. Liang confirms that all the following dissolutions were made either voluntarily by way of submitting applications to the Companies House of the United Kingdom because these companies had either never commenced business or operation or ceased to carry on business or operation or by the registrar of companies who has the power to strike off a company not carrying on business or in operation. Mr. Liang also confirms that the following companies were solvent at the time of dissolution.

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of dissolution</u>
West Marketing Limited	Trading of stationery	17 July 2007
West Beauty UK Ltd	Trading of cosmetics	8 January 2013
West Decor UK Limited	Sales of wall decoration products	6 August 2013
Liang Brothers & Co Limited	Never commenced business	14 October 2014
Hotcha Franchise Ltd.	Never commenced business	26 January 2016

Mr. Liang confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of such companies.

Mr. Liang Junqian (梁俊謙), aged 69, is our executive Director. He is and is expected to continue to be mainly responsible for the overall strategic development and planning, and customer relationship management of our Group after the Listing. He is also a director of Wancheng Hong Kong and Wancheng Shunde. Mr. Liang has over 13 years of experience in the tinsplate packaging industry and around 19 years of experience in paint and coatings industry. He has been a director of Wancheng Hong Kong since June 2003. He has also served as a director of Wancheng Shunde (being mainly responsible for overseeing the manufacture and sales, and customer relationship management) since December 2003. Previously, he worked at Huarun (principally engaged in the manufacture of coatings) and left in the position of chairman of the board and the general manager (being mainly responsible for the overall operation and management) from August 1994 to June 2011.

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Mr. Liang was the director of the following companies which were incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance. It is confirmed by Mr. Liang that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application.

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of deregistration</u>
West Decor Hong Kong Limited (香港西方裝飾有限公司)	Glass wares and metal works	10 May 2013
Champion Regal Limited (駿業有限公司)	Never commenced business	19 August 2011
Inktech Chemical (HK) Co. Limited (盈得化工(香港)有限 公司)	Chemical raw material products	24 October 2003
Transal Limited (駿瑞有限公司)	Never commenced business	16 February 2007

Mr. Liang confirms that there is no fraudulent act or misfeasance on his part leading to the deregistration of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration of such companies.

Mr. Liang was the director of the following companies which were incorporated in the PRC and cancelled pursuant to section 180 of the PRC Company Law. It is confirmed by Mr. Liang that all the following cancellations were made voluntarily by way of submitting applications to the AIC because these companies had ceased to carry on business or operation.

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of cancellation</u>
Foshan City Shunde District Huarun Xisiting Paint Co., Ltd.* (佛山市順德區華潤西斯廷 漆業有限公司)	Production and sale of painting products	6 June 2008
Foshan City Shunde District Fengyicheng Culture and Art Co., Ltd.* (佛山市順德區 逢藝成文化藝術有限公司)	Culture and art performance	26 August 2014

Mr. Liang confirms that there is no fraudulent act or misfeasance on his part leading to the cancellation of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the cancellation of such companies.

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Mr. Chan Kit Lung Andy (陳杰隆), aged 36, is our executive Director. Mr. Chan is mainly responsible for the strategic development and overall management of the business operations and compliance functions of our Group. Since joining our Group, he has been involved in the making of strategic development plans of our Group by using his business network and expertise in the field of chemical products to provide insights on the trend of our customers' paint and coatings industry and analysis on the our customers' needs on the paint and coatings packaging product. He has approximately 11 years of experience in the cosmetic production industry. He has been a director (being mainly responsible for procurement of raw materials of Hotcha Limited (principally engaged in the restaurant business) since October 2011. Before joining our Group in May 2016, Mr. Chan assumed various positions including as a senior research and development manager (being mainly responsible for cosmetic formulation development and quality assurance) of Opal Cosmetics (Hong Kong) Limited (principally engaged in cosmetics) from January 2004 to January 2008, as a director (being mainly responsible for product development) of West Beauty UK Ltd. (principally engaged in the trading of cosmetics) from June 2010 to January 2013. Mr. Chan received a bachelor degree of science in chemistry from University College London in the United Kingdom in August 2003, a master degree of science in chemical research from Queen Mary and Westfield College (currently known as Queen Mary University of London) in the United Kingdom in November 2005, and a diploma in cosmetic science (by online long distance learning) from the Society of Cosmetic Scientists in the United Kingdom in January 2008. Mr. Chan has been a member of the Royal Society of Chemistry in the United Kingdom since April 2016. Mr. Chan has also been President of the Hong Kong Industrial and Commercial Association Youth Link since March 2015.

Mr. Chan was the director of the following companies which were incorporated in the United Kingdom and were dissolved and struck off the Companies Register of the United Kingdom. Mr. Chan confirms that all the following dissolutions were made voluntarily by way of submitting applications to the Companies House of the United Kingdom because these companies had either never commenced business or operation or ceased to carry on business or operation.

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of dissolution</u>
West Beauty UK Ltd	Trading of cosmetics	8 January 2013
Hotcha Franchise Ltd.	Never commenced business	26 January 2016

Mr. Chan confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of such companies.

Independent non-executive Directors

Mr. Wong Sui Chi (黃瑞熾), aged 49, is an independent non-executive Director. He is also the chairman of our audit committee and a member of each of our remuneration committee and nomination committee. Mr. Wong has over 20 years of finance and accounting experience. He has been serving as the financial controller (being mainly responsible for planning and directing the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

finance and accounting functions) of Shine Vision Investments Limited (principally engaged in retailing and wholesaling of eyewear products) since March 2012. He has also been serving as an independent non-executive director of BCI Group Holdings Limited (a company listed on the Stock Exchange (stock code: 8412) and principally engaged in the operation of two night entertainment clubs and three restaurants focusing on Japanese-style curry dishes) since March 2017. Mr. Wong was an independent non-executive director of U Banquet Group Holding Limited (a company listed on the Stock Exchange (stock code: 1483) which is principally engaged in the operation of full-services Chinese restaurants in Hong Kong) from November 2013 to October 2016. He was also an independent non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Stock Exchange (stock code: 1355) and principally engaged in the budget hotel operations and provision of hotel consultancy and management services in the PRC) from December 2012 to July 2015. He was a finance manager (being mainly responsible for financial planning and reporting) of Padico Trading (HK) Limited (principally engaged in the trading and manufacture of iron and steel products) from April 2004 to January 2008 and a finance and administration manager (being mainly responsible for financial planning and reporting) of Mainland Navigation (HK) Co. Limited (principally engaged in shipping business) from February 2008 to May 2010. Mr. Wong received a bachelor degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1991, a master degree of science in financial management from the University of London (as an external student) in December 2003 and a certificate in taxation and accounting in PRC from The Hong Kong Polytechnic University China Business Centre in August 2004. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008 and an associate of the Institute of Chartered Accountants in England and Wales since July 2008.

Ms. Hua Min (華敏), aged 33, is an independent non-executive Director. She is also the chairman of our remuneration committee and a member of each of our audit committee and nomination committee. Ms. Hua has been a practicing lawyer and partner of Guangdong Benwu Law Firm (廣東本務律師事務所) since March 2017 and of Guangdong Tong Jian Law Firm* (廣東通建律師事務所) from November 2013 to March 2017. Ms. Hua was accredited as a PRC lawyer by the Ministry of Justice of the PRC in October 2008. She served as a practicing lawyer of Guangdong Tong Fa Zheng Cheng Law Firm (廣東通法正承律師事務所) from October 2008 to September 2010 and from June 2011 to November 2013. Ms. Hua received a bachelor degree in law from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2005 and a master degree in law majoring in international law from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2007.

Ms. Xiao Ping (肖平), aged 34, is an independent non-executive Director. She is also the chairman of our nomination committee and a member of each of our audit committee and remuneration committee. Ms. Xiao has been a practicing lawyer and partner of Guangdong Shangyao Law Firm (廣東尚堯律師事務所) since April 2017 and was a practicing lawyer of Guangdong Guolong Law Firm (廣東國龍律師事務所) from October 2013 to April 2017. Ms. Xiao was accredited as a PRC lawyer by the Ministry of Justice of the PRC in January 2013. She was an assistant lecturer in law of Technological Vocational College of Dezhou (德州科技職業學院) from October 2006 to October 2008. Ms. Xiao received a bachelor degree in law from Harbin University

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of Commerce (哈爾濱商業大學) in the PRC in July 2005 and a master degree in law majoring in civil and commercial law from Guangdong University of Business (廣東商學院) (currently known as Guangdong University of Finance and Economics (廣東財經大學)) in June 2011.

Save as disclosed in this prospectus (if any), each of our Directors confirms with respect to himself/herself that: (i) apart from our Company, he/she has not held any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus; (ii) save as disclosed in “C. Disclosure of interests — 1. Directors” in Appendix V to this prospectus, he/she does not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself/herself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Chan Tsang Mo (陳增武), aged 32, is the financial controller of our Group and is responsible for the overall management of the financial matters of our Group. Mr. Chan has approximately nine years of finance, accounting and treasury experience. He was an executive director of Areas Asia Limited (a company listed on the Stock Exchange (stock code: 645) and principally engaged in the investment and trading of coal) from June 2014 to March 2016. Prior to joining our Group in May 2016, Mr. Chan assumed various positions in professional accounting and financial firms including as a senior auditor (being mainly responsible for accounting, auditing and taxation assignments) of RSM Nelson Wheeler (principally engaged in the provision of accounting services) from December 2009 to January 2011, as a supervisor (being mainly responsible for accounting, payroll, treasury and audit assignments) of Intertrust Resources Management Limited (principally engaged in the provision of legal and financial administrative services) from June 2011 to June 2013, and as an accounting manager (being mainly responsible for the management and supervision of tax and financial matters) of Reignwood International Investment (Group) Co. Ltd. (principally engaged in investment services) from October 2013 to April 2016. Mr. Chan received a bachelor of business administration degree in accountancy from the City University of Hong Kong in November 2006. Mr. Chan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010.

Mr. He Jieming (何結明), aged 46, is the deputy general manager of Wancheng Shunde and responsible for the overall day-to-day administration and management of our Group. Mr. He has over 19 years of experience in the tinplate packaging industry. Mr. He joined our Group in August 1997 as the sales manager of Wancheng Shunde (being mainly responsible for sales and marketing). He was promoted to the current position in June 2015.

Mr. Ye Zhijian (葉志堅), aged 33, is the chief officer of the quality control team of our production department of Wancheng Shunde, which is responsible for the overall quality control of our Group. Mr. Ye has approximately 12 years of experience in the tinplate packaging industry. Mr.

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Ye joined our Group as a production assistant of Wancheng Shunde (being mainly responsible for assisting the production management) in November 2004. He was promoted to the current position in April 2014.

Ms. Feng Yanqun (馮艷群), aged 48, is the accounting manager of Wancheng Shunde and responsible for the overall financial administration and inventory management of Wancheng Shunde. Ms. Feng has approximately 14 years of experience in accounting and inventory management. Ms. Feng joined our Group as an accounting officer (being mainly responsible for financial and accounting matters) of Wancheng Shunde in January 2002. She was promoted to the current position in October 2014. Ms. Feng received the certificate of accounting professional from the Shunde Finance Bureau in September 2004.

COMPLIANCE OFFICER

Mr. Chan Kit Lung Andy is the compliance officer of our Company. For details of his biography, see “— Directors — Executive Directors”.

Although Mr. Chan had no prior direct relevant experience in the compliance field, he has attended the training sessions conducted by our Company’s legal advisers and PRC Legal Advisers in April 2016 regarding GEM Listing Rules compliance and the material PRC laws and regulations applicable to our Group’s business operations, respectively. He will also attend the relevant directors training session to be conducted by our Company’s legal advisers from time to time after Listing which will cover compliance matters. As such, our Directors are of the view that Mr. Chan is competent to act as the compliance officer of our Company after Listing. In addition, Mr. Chan will be assisted by the compliance adviser, external Hong Kong and PRC legal advisers to be appointed after Listing.

COMPANY SECRETARY

Mr. Wong Chi Wai (黃志威), aged 32, was appointed as our company secretary on 6 May 2016 and is responsible for our secretarial affairs. He has been serving as the company secretary of BCI Group Holdings Limited (a company listed on the Stock Exchange (stock code: 8412) and principally engaged in the operation of two night entertainment clubs and three restaurants focusing on Japanese-style curry dishes) since August 2016. He was the company secretary of Tic Tac International Holdings Company Limited (a company listed on the Stock Exchange (stock code: 1470) and principally engaged in watch retailing business) from February 2015 to November 2015. He was a manager (being mainly responsible for supervising and conducting client engagements) at Samuel H. Wong & Co. (principally engaged in the provision of audit, secretarial, tax and other services for Hong Kong and overseas clients) from December 2008 to March 2014. Mr. Wong received a bachelor degree in business administration with a major in accountancy and a minor in financial services from the Hong Kong Polytechnic University in Hong Kong in October 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2012.

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Mr. Wong has been appointed as our company secretary pursuant to our engagement of an external company secretarial services company, BNP Consultants Company Limited, to provide company secretarial services to us. Mr. Chan Tsang Mo, our financial controller, will be the key contact person with whom Mr. Wong can contact.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We place high value on our corporate governance practice and our Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. Our Board has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 15 to the GEM Listing Rules as our code on corporate governance. The Board will also review and monitor the practices of our Company from time to time with an aim to maintain and improve high standards of corporate governance practices. We intend to comply with the code provisions of the CG Code upon Listing.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group’s activities.

Audit committee

We established an audit committee on 14 February 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. The duties of our audit committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of three independent non-executive Directors, namely Mr. Wong Sui Chi, Ms. Hua Min and Ms. Xiao Ping. Mr. Wong Sui Chi is the chairman of the audit committee.

Remuneration committee

We established a remuneration committee on 14 February 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 of the CG Code. The duties of our remuneration committee, under the principle that no Director should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our overall remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits

DIRECTORS, SENIOR MANAGEMENT AND STAFF

in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Directors.

Our remuneration committee consists of three independent non-executive Directors, namely Ms. Hua Min, Mr. Wong Sui Chi and Ms. Xiao Ping. Ms. Hua Min is the chairman of the remuneration committee.

Nomination committee

We established a nomination committee on 14 February 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code. The duties of our nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations to the Board on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors.

Our nomination committee consists of three independent non-executive Directors, namely Ms. Xiao Ping, Mr. Wong Sui Chi and Ms. Hua Min. Ms. Xiao Ping is the chairman of the nomination committee.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our executive Directors are also employees and receive, in their capacity as employees, compensation in the form of salaries and other allowances and benefits in kind. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group. Our Directors and senior management may also receive options to be granted under the Share Option Scheme.

For the three years ended 31 December 2016, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately RMB474,000, RMB598,000 and RMB611,000, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

For the three years ended 31 December 2016, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately RMB214,000, RMB382,000 and RMB669,000, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of the three years ended 31 December 2016 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately RMB933,000.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

EMPLOYEES

For details of the employees of our Group, including staff benefits and incentive plans provided by our Group, see “Business — Employees”.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Lego Corporate Finance Limited as our compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties, to advise us in the following circumstances in accordance with Rule 6A.23 of the GEM Listing Rules:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (d) where the Stock Exchange makes an inquiry of our Company of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 17.11 of the GEM Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be, directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

<u>Name of shareholders</u>	<u>Capacity and nature of interests</u>	<u>Immediately following completion of the Share Offer</u>	
		<u>Number of Shares directly and/or indirectly held</u> <i>(Note 2)</i>	<u>Approximate percentage of shareholding</u>
Fortune Time <i>(Note 3)</i>	Beneficial owner	277,500,000 (L)	69.375%
Mr. JH Liang <i>(Note 3)</i>	Interest in a controlled corporation	277,500,000 (L)	69.375%
Mr. JX Liang <i>(Note 3)</i>	Interest in a controlled corporation	277,500,000 (L)	69.375%
Ms. Sharina Liang <i>(Note 4)</i>	Interest of spouse	277,500,000 (L)	69.375%
Ms. Liang Yingjun <i>(Note 5)</i>	Interest of spouse	277,500,000 (L)	69.375%
Century Great <i>(Note 6)</i>	Beneficial owner	22,500,000 (L)	5.625%
Mr. Law <i>(Note 6)</i>	Interest in a controlled corporation	22,500,000 (L)	5.625%

Notes:

1. The letter “L” denotes a long position in the shareholder’s interest in the share capital of our Company.
2. Fortune Time is owned as to 50% by each of Mr. JH Liang and Mr. JX Liang. Each of Mr. JH Liang and Mr. JX Liang is deemed to be interested in the Shares held by Fortune Time pursuant to the SFO. Mr. JH Liang, Mr. JX Liang and Fortune Time are regarded as a group of Controlling Shareholders acting in concert to exercise their voting rights in our Company and they together will be interested in a total of 69.375% of the issued share capital of our Company upon completion of the Share Offer.
3. Ms. Sharina Liang is the spouse of Mr. JH Liang. Therefore, Ms. Sharina Liang is deemed to be interested in the Shares in which Mr. JH Liang is interested for the purpose of the SFO.
4. Ms. Liang Yingjun is the spouse of Mr. JX Liang. Therefore, Ms. Liang Yingjun is deemed to be interested in the Shares in which Mr. JX Liang is interested for the purpose of the SFO.
5. Century Great is wholly-owned by Mr. Law. Mr. Law is deemed to be interested in the Shares held by Century Great pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any persons who will, immediately following the completion of the Share Offer (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights at general meetings of any member of our Group, and are therefore, regarded as substantial shareholders under the GEM Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Our Controlling Shareholders

Immediately following completion of the Share Offer (without taking into 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), our Company will be owned as to approximately 69.375% by Fortune Time, which is in turn owned as to 50% by each of Mr. JH Liang and Mr. JX Liang.

Mr. JH Liang and Mr. JX Liang executed the Acting in Concert Confirmation, whereby, among other things, they (i) confirmed that during the period comprising the three financial years ended 31 December 2016 and up to the date of the Acting in Concert Confirmation, they have been acting in concert with each other in controlling the members of our Group; and (ii) have further undertaken that, during the period when they were/are contemporaneously the shareholders of any members of our Group, until entering into a deed of termination at any time after the Listing, they will maintain the acting-in-concert relationship.

As such, Mr. JH Liang and Mr. JX Liang, through Fortune Time, will act in concert to exercise their voting rights in our Company and they together will be interested in a total of 69.375% of the issued share capital of our Company upon completion of the Share Offer.

Hence, Fortune Time, Mr. JH Liang and Mr. JX Liang will be our Controlling Shareholders upon the Listing, within the meaning of the GEM Listing Rules.

Mr. JX Liang, who is one of our Controlling Shareholders, is not actively involved in the day-to-day operations of our Group other than the expansion of the customer base of our Group through sharing his business experience and connections acquired through his other businesses.

Certain companies of which Mr. JX Liang is/was a shareholder, director and/or legal representative (the “**Relevant Companies**”) were involved in some ongoing litigation cases (the “**Litigations**”), details of which are as follows:

- (a) the Litigations relate to monetary disputes but not criminal offences;
- (b) Mr. JX Liang was only involved in some of the disputes leading to the Litigations and such involvement was solely due to his capacity as a shareholder, director, supervisor and/or legal representative of the Relevant Companies, whereas:
 - (i) in the majority of the Litigations, the plaintiffs had initiated such claims against the Relevant Companies merely due to their personal disputes with a fellow shareholder of the Relevant Companies (the “**Fellow Shareholder**”). To the best knowledge and information of our Directors, according to the Fellow Shareholder, as the Relevant Companies are also the related companies of the Fellow Shareholder, the plaintiffs also took legal actions against the Relevant Companies to increase the chance of recovery from the Fellow Shareholder, notwithstanding that the Relevant Companies may not be relevant to the claims;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) some Litigations had occurred before Mr. JX Liang joined the Relevant Companies; and
- (iii) some Litigations resulted from the actions of the Fellow Shareholder who was principally responsible for the daily operations of most of the Relevant Companies;
- (c) the underlying claims under the Litigations do not involve significant amounts (i.e. less than RMB5.0 million) and the Litigations are not expected to cause material adverse financial impact on Mr. JX Liang personally; and
- (d) Mr. JX Liang had resigned from being the director and/or legal representative and/or the management positions of some of the Relevant Companies.

Mr. JX Liang had been listed on the PRC List of Dishonest Persons Subject to Enforcement (失信被執行人名單) (the “**Enforcement List**”) due to the enforcement of certain civil actions in the PRC (the “**Civil Actions**”) against him. As confirmed by Mr. JX Liang, the Civil Actions relate to equity transfer disputes between the transferor as plaintiff and the transferee as defendant. Mr. JX Liang acted as a guarantor to the transferee when requested by the transferee due to his friendly relationship with the transferee and confidence in the transferee’s financial ability. However, as a result of the default by the transferee, who was then encountering cashflow problems, the transferor initiated the Civil Actions against the transferee and also Mr. JX Liang in view of his capacity as a guarantor. Therefore, Mr. JX Liang was also included as a defendant in the Civil Actions. Apart from acting as a guarantor, Mr. JX Liang did not have any interest nor involvement in the said equity transfer and the subject disputes.

As advised by our PRC Legal Advisers, where a person has the capacity to enforce obligations pursuant to a valid legal document but failed to do so, the PRC courts may include such person on the Enforcement List as a credit disciplinary measure in order to urge such person to honour the relevant obligations. Our PRC Legal Advisers have further advised that the judgment, court decision or other executable legal documents of the Civil Actions issued by the PRC Courts in Mr. JX Liang’s case constitute valid legal documents. As confirmed by Mr. JX Liang, he has not received any judgment, court decision or other executable legal documents of the Civil Actions and therefore had no knowledge of the fact that he had been included as a defendant in the Civil Actions until he was notified of the relevant results of the due diligence search conducted against him in April 2016, and of the obligations imposed on him pursuant to such judgment, court decision or other executable legal documents. Persons listed on the Enforcement List may be subject to certain credit and expenditure restrictions, however as further confirmed by Mr. JX Liang, no such restrictions have been enforced on him during the period he was named on the Enforcement List.

For this reason, notwithstanding being named on the Enforcement List, such disputes did not involve any dishonesty or integrity issues on the part of Mr. JX Liang. The plaintiff had subsequently issued a confirmation agreeing to withdraw his claims against Mr. JX Liang. As confirmed by our PRC Legal Advisers, Mr. JX Liang was no longer listed on the Enforcement List as at the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates does not have any interest in any business apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors do not expect any significant transactions to be entered into between our Group, our Controlling Shareholders and their respective close associates upon or shortly after the Listing.

Our Directors consider that our Group is capable of carrying on its business independent of our Controlling Shareholders and their respective close associates after the Listing on the following reasons:

1. Management independence and operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate the businesses independently from our Controlling Shareholders.

Our Company's management and operational decisions are made by the executive Directors and senior management, most of whom have served our Company and/or its subsidiaries for a long time and all have substantial relevant experience in the industry in which our Company is engaged. Each of our Directors is aware of his or her fiduciary duties as a Director whose duties require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event of any conflict of interest or duty, such Director shall abstain from voting when a conflicted resolution is to be discussed and voted on. Further, our Company's three independent non-executive Directors will bring independent judgement to the decision-making process of the Board.

2. Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and product design and development. The company secretary and senior management staff are independent of our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

3. Financial independence

Our Group has its own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Our Directors also confirm that as at the Latest Practicable Date, our Group was not indebted to our Controlling Shareholders.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares to our Company, the Sponsor, the Joint Lead Managers and the Underwriters, details of which are set out in “Underwriting — Underwriting arrangements, commissions and expenses — Lock-up undertakings — Undertakings pursuant to the Public Offer Underwriting Agreement — Undertakings by our Controlling Shareholders”.

DEED OF NON-COMPETITION

Our Controlling Shareholders confirm that, other than their interests in our Company, none of them or any of their respective close associates is engaged or interested in any Restricted Business as defined in the paragraph immediately below or any business which has any existing or potential competition with the business of our Group.

On 23 June 2017, our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies, from time to time) entered into the Deed of Non-competition with each of our Controlling Shareholders. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders irrevocably and unconditionally, jointly and severally, covenants and undertakes with our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies, from time to time) that, during the period commencing from the date of Listing and expiring on the occurrence of the earliest of the date on which (i) such Controlling Shareholder and/or his/its close associates, whether individually or taken together, ceases to beneficially own more than 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder) of the issued share capital of our Company or ceases to be deemed as a Controlling Shareholder of our Company under the GEM Listing Rules; or (ii) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of Shares due to any reason) (the “**Restricted Period**”), each of our Controlling Shareholders shall not, and shall procure that none of his/its close associates (whether on their own account or with others or in conjunction with or on behalf of other persons/entities/organisations or through their companies or entities (other than a company within our Group) in which a Controlling Shareholder is or together with any other Controlling Shareholder are, directly or indirectly interested so as to exercise 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors, and any other company which is a subsidiary (the “**Controlled Companies**”), whether direct or indirect) shall, directly or indirectly (other than through our Group) (whether as an investor, shareholder, partner, agent or otherwise or whether for profit, reward or otherwise) establish, invest, involve in,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

engage in, manage, operate, (including through one or more interposed entities) or otherwise hold any right or interest, directly or indirectly, in any business which, directly or indirectly, competes or may compete with the business of our Group including the business of manufacturing and sale of tinsplate packaging products, and other products of our Group, and such other business conducted or carried on by any member of our Group from time to time (the “**Restricted Business**”) within the PRC, Hong Kong and such other places as our Group may conduct or carry on business from time to time (the “**Restricted Areas**”).

Each of our Controlling Shareholders has also irrevocably and unconditionally, jointly and severally, covenanted and undertaken with our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies, from time to time) that during the Restricted Period and for a term of 12 months thereafter, upon he/it or his/its close associates receiving or becoming aware of any business or investment opportunities in the Restricted Business in any part of the world (including, *inter alia*, the Restricted Areas) (the “**Business Opportunity**”), whether on his/its own or with others or in conjunction with or on behalf of other persons/entities or through his/its Controlled Companies, whether directly or indirectly, he/it shall notify, and shall procure that his/its close associates shall, notify our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies, from time to time) in writing within ten (10) days such Business Opportunity, upon the same terms and conditions, including but not limiting to, the price offered by third parties, as soon as practicable after such Business Opportunity arises in order for our Company to make an informed assessment of the same. Our Group shall have a right of first refusal to such Business Opportunity. Our Group shall only exercise such right of first refusal upon the approval of all independent non-executive Directors (who do not have any interest in such Business Opportunity). Any relevant Controlling Shareholder and any Director who has an actual or potential material interest in the Business Opportunity shall abstain from attending (unless his/its attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted as quorum for, any meeting or part of a meeting convened to consider such Business Opportunity. The Controlling Shareholder shall only engage in the Business Opportunity if the principal terms of the Business Opportunity are no more favourable than those made available to our Company provided that (i) a notice is received by him/it from our Company confirming that the Business Opportunity is not accepted and/or does not constitute Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Controlling Shareholder within ten (10) days (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time) after the proposal of the Business Opportunity is received by our Company.

Notwithstanding aforesaid, the Deed of Non-competition as set out above shall not prevent our Controlling Shareholders and their respective close associates from (i) holding of shares or other securities issued by our Company or any members of our Group from time to time; and (ii) acquiring a direct or an indirect shareholding interest or interest in other securities of not more than 5% (individually or taken together with their close associates) in a company listed on a recognised stock exchange anywhere in the world and engaged in any Restricted Business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The covenants and undertakings given by the Controlling Shareholders under the Deed of Non-competition are conditional and shall become effective upon Listing having taken place.

CORPORATE GOVERNANCE MEASURES

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

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertaking by our Controlling Shareholders;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition (including the basis for not taking up any Business Opportunity referred by our Controlling Shareholders) in the annual reports of our Company or by way of announcement to the public;
- (4) our Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Controlling Shareholders and his close associates have not breached the terms of the undertakings contained in the Deed of Non-competition; and
- (5) our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Business and the Business Opportunity.

UNDERTAKINGS

Each of our Controlling Shareholders has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has further voluntarily undertaken to our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that for an additional 48 months commencing on the date on which the undertaking under Rule 13.16A(1)(b) of the GEM Listing Rules expires, he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it shall not, without the prior written consent of our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder of our Company. For further details, see “Underwriting — Underwriting arrangements, commissions and expenses — Lock-up undertakings — Undertakings pursuant to the Public Offer Underwriting Agreement — Undertakings by our Controlling Shareholders”.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised:

	<u>HK\$</u>
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>100,000,000</u>

Issued and to be issued, fully paid or credited as fully paid:

300,000,000 Shares in issue as at the date of this prospectus	3,000,000
<u>100,000,000</u> New Shares to be issued pursuant to the Share Offer	<u>1,000,000</u>
<u>400,000,000</u> Shares in total	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes the Share Offer becomes unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to Directors as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in “D. Share Option Scheme” in Appendix V to this prospectus. As at the Latest Practicable Date, no option has been granted under the Share Option Scheme.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares of not more than:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Share Offer (excluding the Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or the Articles of Association to hold its next annual general meeting; or
- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or options to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

Further details of this general mandate are set out in "A. Further information about our Company — 4. Written resolutions of our Shareholders passed on 23 June 2017" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Share Offer (excluding the Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the

SHARE CAPITAL

requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in “A. Further information about our Company — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or the Articles of Association to hold its next annual general meeting; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this repurchase mandate, please refer to “A. Further information about our Company — 4. Written resolutions of our Shareholders passed on 23 June 2017” and “A. Further information about our Company — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see “2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see “2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with our consolidated financial information as at and for the three years ended 31 December 2016, and the accompanying notes, included in the Accountant's Report, which has been prepared in accordance with HKFRSs.

The discussions and analysis in this section of the prospectus contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the relevant circumstances. However, whether our actual results reported in future periods differ materially from those discussed below depends on various factors which we do not have any control over. Factors that could cause or contribute to such differences include those discussed in "Forward-looking Statements", "Risk Factors" and "Business" as well as those discussed elsewhere in this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a manufacturer of tinplate packaging products based in Guangdong Province. Our major products are tin cans and steel pails, which are generally used for storing paint and coatings.

We derive our revenue principally from the sale of tinplate packaging products in the PRC. Our customer base during the Track Record Period mainly comprised paint and coatings suppliers and other manufacturers of packaging products. All of our five largest customers are located in Guangdong Province.

For the three years ended 31 December 2016, we recorded revenue of approximately RMB100.5 million, RMB114.6 million and RMB118.5 million, respectively, and net profit of approximately RMB8.0 million, RMB5.9 million and RMB7.3 million, respectively.

BASIS OF PRESENTATION

Our Company is an investment holding company and our Group is principally engaged in manufacturing and sales of tinplate packaging products in the PRC (the "**Listing Business**").

Prior to the incorporation of our Company and the completion of the Reorganisation, the Listing Business was carried on by Wancheng Shunde.

Pursuant to the Reorganisation as detailed in "History, Reorganisation and Corporate Structure — Reorganisation", in preparation for the Listing and for the purpose of rationalising our Group's structure, our Company became the holding company of Wancheng Shunde now comprising our

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Group on 4 May 2016 by way of transfer of equity interests in Able Hope to our Company in consideration of our Company's allotment and issue of Shares to Fortune Time and Century Great, being companies held by the then shareholders of Able Hope (the "**Share Transfer**").

Immediately prior to and after the Reorganisation, the Listing Business is held by Wancheng Shunde. Pursuant to the Reorganisation, Wancheng Shunde together with the Listing Business are transferred to and held by our Company through Able Hope and Wancheng Hong Kong. The Share Transfer has no substance and does not form a business combination, and accordingly, the financial information of our Company was combined with that of the operating subsidiaries using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Listing Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the Track Record Period or since the respective dates of incorporation/establishment of the entities now comprising our Group, whichever is the shorter period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period have been prepared using the principles of merger accounting, as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities now comprising our Group where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2014, 31 December 2015 and 31 December 2016 have been prepared to present the assets and liabilities of the entities now comprising our Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of our Group were consolidated using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on consolidation.

The functional currency of our Company is Hong Kong dollar. However, the financial information of our Group is presented in RMB instead of its functional currency as RMB is the principal currency of the economic environment on which our Group operates.

MAJOR FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our Group's financial conditions and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Price of products and product mix

The price of our products and our product mix have a direct impact on our results of operations and financial condition. We generally produce our products based on the product specifications as stipulated in our customers' orders and when we negotiate with our customers to set agreed unit prices in the agreements, we would apply a cost-plus methodology and consider various factors including the product specifications from our customers, our costs of production,

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our intended profit margins and conditions in different markets such as intensity of competition, spending power of the end customers and economic conditions. The unit selling price of our products generally increase with the carrying capacity.

The average selling price of our tin can products was approximately RMB2.64 per unit, RMB3.02 per unit and RMB2.96 per unit for the three years ended 31 December 2016, respectively. The average selling price of our steel pails was approximately RMB12.54 per unit, RMB12.34 per unit and RMB11.78 per unit for the three years ended 31 December 2016, respectively. During the year ended 31 December 2015, we recorded decrease in sales volume of our tin can products and increase in sales volume of our steel pail products as compared to prior year. For the year ended 31 December 2016, our sales volume of tin cans was relatively stable while our sales volume of steel pails increased as compared to the prior year. As a result of such change in product mix, we recorded a moderate growth in total revenue with improved gross profit margin during the Track Record Period. In the event that there is any material change in the price of our products and our product mix, our financial results will be affected.

For further details, see “— Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Revenue”.

Price of major raw materials

Tinplate coil is our major raw material for the production of tinplate packaging products. The price of tinplate coils may fluctuate, depending on the market supply and demand conditions and the price of steel, being the raw material for tinplate coil. Fluctuations in the price of tinplate coil may increase our cost of sales and reduce our gross profit and gross profit margin. During the Track Record Period, the aggregate cost of tinplate coil accounted for approximately 62.2%, 61.1% and 59.2% of our cost of sales for the three years ended 31 December 2016, respectively. Should there be any increase in purchase cost of tinplate coil which cannot be passed on to our customers, our Group's profitability will be adversely affected.

Economic conditions and demands from our end-use industries

All of our revenue is generated from products manufactured and sold in the PRC, and our Company expects this situation to continue in the near future. As a result, our Company's business, financial condition, results of operations and future prospects are and will continue to be subject to the economic and political policies of the PRC to a significant degree. If the PRC economy encounters serious downturns, our business results, operations and financial conditions could be adversely affected.

Our customer base during the Track Record Period mainly comprised paint and coatings suppliers and other manufacturers of packaging products. All of our five largest customers are

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located in Guangdong Province. As such, our business performance is affected by the general economic environment of our downstream industries, especially the paint and coatings industry in Guangdong Province, which may be affected by various factors beyond our control, including but not limited to, GDP growth rate, consumer confidence, levels of inflation, unemployment levels and interest rates. A slowdown in our downstream industries may in turn, result in decreased demand for our products and ultimately a material adverse effect on our business, financial position and results of operations.

Market competition

According to the CIC Report, the industry of tinplate packaging products for paint and coatings in Guangdong Province is relatively concentrated and that competition in this market is regional and intense, since there are nearly 190 manufacturers of tinplate package products in Guangdong Province. In the event of the industry of tinplate packaging products in Guangdong Province becomes more competitive and our competitors engage in aggressive pricing in order to increase their market share, or are capable of supplying products with superior performance, functions or efficiency, we could lose customers to our competitors and our business, financial condition and results of operations could be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgement, and could yield materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our Group's consolidated financial statements as set out in the Accountant's Report. Below is a summary of the accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial results and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies, judgements, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 and 5 to the Accountant's Report.

Revenue recognition

We derive our revenue principally from the sales of tinplate packaging products in the PRC. Our Group generally recognises revenue from the sales of tinplate packaging products upon delivery of our products to our customers with their acceptance of our products.

For the three years ended 31 December 2016, we recognised revenue of approximately RMB100.5 million, RMB114.6 million and RMB118.5 million, respectively, from the sales of tinplate packaging products. For details regarding our accounting policy relating to revenue recognition, see note 4.14 to the Accountant's Report.

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Inventories

As at 31 December 2014, 31 December 2015 and 31 December 2016, we had inventories of approximately RMB12.2 million, RMB11.6 million and RMB17.5 million, respectively, representing our raw materials, work-in-progress and finished goods. As at 31 December 2014, 31 December 2015 and 31 December 2016, we did not have any impairment on our inventories.

Please see note 4.5 and note 5 to the Accountant's Report for the accounting policy and estimate relating to our inventories.

Payments for leasehold land held for own use under operating lease

Payments for leasehold land held for own use under operating lease represents our Group's interest in the leasehold land on which our Foshan Factory is located. As at 31 December 2014, 31 December 2015 and 31 December 2016, the balance amounted to approximately RMB6.5 million, RMB6.3 million and RMB6.1 million, respectively. For the three years ended 31 December 2016, we recognised amortisation of payments for leasehold land held for own use under operating lease of approximately RMB166,000, RMB166,000 and RMB166,000, respectively, based on a straight-line basis of amortisation.

Please see note 4.4 to the Accountant's Report for our accounting policy on payments for leasehold land held for own use under operating lease.

Property, plant and equipment

Property, plant and equipment of our Group mainly represented our factory and office buildings, machinery, furniture, fittings and equipment and motor vehicles. As at 31 December 2014, 31 December 2015 and 31 December 2016, the balance amounted to approximately RMB13.7 million, RMB13.1 million and RMB12.1 million, respectively. For the three years ended 31 December 2016, we recognised depreciation on property, plant and equipment of approximately RMB1.6 million, RMB1.5 million and RMB1.6 million, respectively.

Please see note 4.3 and note 5 to the Accountant's Report for our accounting policy and estimate on property, plant and equipment and their depreciation.

Financial instruments

(i) *Financial assets*

During the Track Record Period, financial assets of our Group mainly represented trade and bills receivables, deposits and other receivables, amounts due from related parties, pledged bank deposits and cash and cash equivalents. During the Track Record Period, our Group did not recognise any impairment loss on financial assets.

Please see note 4.6 to the Accountant's Report for our accounting policies relating to, among others, classification, recognition, measurement and impairment of financial assets.

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(ii) *Financial liabilities*

Our Group's financial liabilities at amortised cost during the Track Record Period mainly included trade and bills payables, accruals and other payables, amount due to a Director and bank borrowings.

Please see note 4.6 to the Accountant's Report for our accounting policies relating to, among others, classification, recognition, measurement and derecognition of financial liabilities.

Derecognition of discounted bills receivables

During the Track Record Period, our Group discounted certain bills receivables accepted by banks in the PRC. As at 31 December 2014, 31 December 2015 and 31 December 2016, the carry amount of the discounted and derecognised bills receivables were approximately RMB20.4 million, RMB14.8 million and RMB17.5 million, respectively.

Please see notes 5 and 31 to the Accountant's Report for our accounting policies on derecognition of discounted bills receivables and further details of the relevant accounting implications.

Income taxes

Income taxes comprise current tax and deferred tax. For the three years ended 31 December 2016, we recognised income tax expense of approximately RMB2.8 million, RMB4.6 million and RMB6.0 million, respectively, which were current tax. Our Group had no material unrecognised deferred tax as at 31 December 2014, 31 December 2015 and 31 December 2016.

Please see note 4.13 to the Accountant's Report for our accounting policies on income taxes, including current tax and deferred tax.

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SUMMARY RESULTS OF OPERATIONS

Set forth below is our consolidated statements of profit or loss for the Track Record Period as derived from the Accountant's Report.

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	100,458	114,566	118,510
Cost of sales	<u>(80,593)</u>	<u>(85,354)</u>	<u>(83,865)</u>
Gross profit	19,865	29,212	34,645
Other income and gains	733	386	1,161
Selling expenses	(2,199)	(1,893)	(1,813)
Administrative and other expenses	(6,034)	(15,354)	(18,279)
Finance costs	<u>(1,624)</u>	<u>(1,848)</u>	<u>(2,331)</u>
Profit before income tax	10,741	10,503	13,383
Income tax expense	<u>(2,768)</u>	<u>(4,578)</u>	<u>(6,039)</u>
Profit for the year	<u><u>7,973</u></u>	<u><u>5,925</u></u>	<u><u>7,344</u></u>

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue principally from the sale of tinsplate packaging products in the PRC. Set out below is the breakdown of our revenue derived from different product categories and the sales volume and average selling price per unit of tin can and steel pail for the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Tin can	67,001	66.7	59,624	52.0	60,300	50.9
Steel pail	23,570	23.5	45,587	39.8	47,986	40.5
Others <i>(Note)</i>	<u>9,887</u>	<u>9.8</u>	<u>9,355</u>	<u>8.2</u>	<u>10,224</u>	<u>8.6</u>
Total	<u><u>100,458</u></u>	<u><u>100</u></u>	<u><u>114,566</u></u>	<u><u>100</u></u>	<u><u>118,510</u></u>	<u><u>100</u></u>

Note: Others mainly represented the revenue from the trading of raw materials (including tinsplate coil and tinsplate sheet) and sales of parts of a can (including can cover, can top and can bottom) and used moulds.

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	Year ended 31 December					
	2014		2015		2016	
	<i>Sales volume</i> ('000 units)	<i>Average selling price</i> (RMB)	<i>Sales volume</i> ('000 units)	<i>Average selling price</i> (RMB)	<i>Sales volume</i> ('000 units)	<i>Average selling price</i> (RMB)
Tin can	25,386	2.64	19,759	3.02	20,353	2.96
Steel pail	1,879	12.54	3,694	12.34	4,075	11.78

Our Group's revenue is mainly affected by (i) the selling price of each type of our products; and (ii) demand from our customers on different types of our products. Our Group's revenue is also subject to seasonality. During the Track Record Period, our Group generally experienced lower sales demand and recorded lower sales in January and February. Our Directors believe that it was mainly due to the long holiday period during the Chinese New Year, which typically results in decrease in customer orders.

For the three years ended 31 December 2016, our Group recorded revenue of approximately RMB100.5 million, RMB114.6 million and RMB118.5 million, respectively, which represented a year-over-year growth of approximately 14.0% for 2015 and approximately 3.4% for 2016.

The increase in revenue for the year ended 31 December 2015 as compared to the prior year was mainly driven by the increase in revenue from the sales of steel pails from approximately RMB23.6 million for the year ended 31 December 2014 to approximately RMB45.6 million for the year ended 31 December 2015, and partially offset by the decrease in revenue from the sales of tin cans from approximately RMB67.0 million for the year ended 31 December 2014 to approximately RMB59.6 million for the year ended 31 December 2015.

The increase in revenue for the year ended 31 December 2016 as compared to the prior year was mainly due to the increase in revenue from the sales of steel pails from approximately RMB45.6 million for the year ended 31 December 2015 to approximately RMB48.0 million for the year ended 31 December 2016, coupled with the slight increase in revenue from the sales of tin cans and the increase in revenue from sales of other products such as can tops and can bottoms. The reasons for the above fluctuations are further discussed as follows:

Steel pail

The increase in revenue from the sales of steel pails, which have relatively higher average selling price per unit than tin cans, for the year ended 31 December 2015 as compared to the prior year was mainly driven by the significant increase in sales volume of steel pails from approximately 1.9 million units in the year ended 31 December 2014 to approximately 3.7 million units in the year ended 31 December 2015 notwithstanding the slight decrease in average selling price per unit of steel pails primarily due to the decrease in costs of tinplate coil. The significant increase in the sales volume of steel pails was primarily attributable to the sales of approximately 1.5 million units of steel pails to over 40 new customers in the year ended 31 December 2015, which contributed revenue of approximately RMB19.4 million for such period.

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The increase in revenue from the sales of steel pails for the year ended 31 December 2016 as compared to the prior year was mainly driven by the increase in the sales volume of steel pails from approximately 3.7 million units during the year ended 31 December 2015 to approximately 4.1 million units during the year ended 31 December 2016 notwithstanding a decrease in the average selling price per unit of steel pails primarily due to the downward trend of price of tinplate coils during the year ended 31 December 2015 up to February 2016 which drove down the average selling price of steel pails, while we only increased the selling prices of some products sold to a number of our customers since July 2016 in view of the rebound in price of tinplate coils from March 2016 to May 2016. In light of the further increase in price of tinplate coils in the fourth quarter of 2016, we have also agreed with certain customers to increase the selling prices of some products with effect from January or February 2017. The continuous increase in the sales volume of steel pails was primarily attributable to the sales and marketing strategies adopted by our Group starting from the year ended 31 December 2015. In addition, according to the CIC Report, driven by a series of environmental policies implemented by the PRC government (for details, see “Industry Overview — Competitive landscape and competitive advantages — Market drivers for the tinplate packaging industry of paint and coatings in the PRC — Increasing demand from the paint and coatings industry”), the market size of water-based paint and coatings in the PRC and Guangdong Province has grown and is expected to continue to grow between 2017 and 2021. Since steel pails generally have larger openings compared with tin cans, it is an industry norm for manufacturers of paint and coatings to prefer to use steel pails to package odourless water-based paint and coatings, while solvent-based paint and coatings with odour are generally stored in tin cans. Steel pails which have larger openings compared to tin cans are more suitable for odourless water-based paint and coatings as they allow a large volume to be poured in quickly, which expedites the packaging process, and whether the container can minimise odour emission is not relevant in case of odourless water-based paint and coatings. On the contrary, tin cans are more suitable for solvent-based paint and coatings with odour as any leakage from a smaller opening during storage, distribution and handling will cause a lesser impact. Therefore, with the expanding water-based paint and coatings market in the PRC and Guangdong Province, the market size of the steel pail industry of paint and coatings in the PRC and Guangdong Province is expected to grow accordingly. Our increase in sales volume of steel pails is also in line with such market trend.

During the Track Record Period, we noted the trend that steel pails and tin cans of higher capacities would generate relatively higher gross profit margin and thus our sales department had increased their effort in acquainting new customers who are likely to purchase steel pails and tin cans of higher capacities from us. For the sales and marketing strategy adopted by our Group during the Track Record Period, see “Business — Sales and marketing”. To the best knowledge and belief of our Directors, these new customers are mainly paint and coatings manufacturing companies that manufacture and sell paint and coatings for industrial and construction use, and hence they would primarily purchase and use steel pails or tin cans of higher capacities (i.e. 10 L or above) due to the demands from their end customers, which are mainly construction companies that generally purchase paint and coatings in bulk for their own use in construction for cost efficiency. Benefited from the market trend of expansion in water-based paint and coatings market in the PRC and Guangdong Province as well as our increased sales and marketing efforts to broaden our

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customer base, our revenue and sales volume of steel pails significantly increased during the year ended 31 December 2015 and such increasing trend continued during the year ended 31 December 2016.

Tin can

Set out below are the breakdown of our revenue as derived from different types of tin cans and their sales volume and average selling price per unit for the Track Record Period:

	Year ended 31 December											
	2014			2015			2016					
	<i>Sales volume (‘000 RMB’000)</i>	<i>Average selling price (RMB)</i>	<i>units</i>	<i>Sales volume (‘000 RMB’000)</i>	<i>Average selling price (RMB)</i>	<i>units</i>	<i>Sales volume (‘000 RMB’000)</i>	<i>Average selling price (RMB)</i>	<i>units</i>	<i>Sales volume (‘000 RMB’000)</i>	<i>Average selling price (RMB)</i>	<i>units</i>
Tin cans of lower capacities (i.e. below 10 L)	59,619	89.0	19,893	3.00	46,364	77.8	15,680	2.96	50,025	83.0	17,624	2.84
Tin cans of higher capacities (i.e. 10 L or above)	2,570	3.8	241	10.66	10,795	18.1	1,064	10.15	9,189	15.2	939	9.79
Aerosol cans	4,812	7.2	5,252	0.92	2,465	4.1	3,015	0.82	1,086	1.8	1,790	0.61
Total	67,001	100	25,386		59,624	100	19,759		60,300	100	20,353	

Revenue from the sales of tin cans decreased from approximately RMB67.0 million for the year ended 31 December 2014 to approximately RMB59.6 million for the year ended 31 December 2015. Such decrease was mainly a combined result of (i) the decrease in sales of tin cans of lower capacities, mainly representing tin cans of capacities below 10 L, from approximately RMB59.6 million for the year ended 31 December 2014 to approximately RMB46.4 million for the year ended 31 December 2015 primarily due to the decrease in sales to Valspar Group (Valspar Group refers to Huarun and/or Valspar, see “Business — Customers”), which was our largest customer during the Track Record Period, and other customers, and the decrease in average selling price per unit; and (ii) the offsetting effect from the significant increase in sales of tin cans of higher capacities, mainly representing tin cans of capacities of 10 L or above, from approximately RMB2.6 million for the year ended 31 December 2014 to approximately RMB10.8 million for the year ended 31 December 2015. The increase in sales of tin cans of higher capacities was mainly attributable to the sales of approximately 0.8 million units of such type of tin cans to around 30 new customers in the year ended 31 December 2015, which contributed revenue of approximately RMB8.4 million for such period.

Revenue from the sales of tin cans increased slightly to approximately RMB60.3 million for the year ended 31 December 2016, primarily due to the combined effect of the overall increase in sales volume, offset by the general decrease in average selling price per unit for both tin cans of lower capacities and higher capacities. On the other hand, our revenue generated from aerosol cans significantly decreased from approximately RMB2.5 million to approximately RMB1.1 million, which was mainly due to the continued reduction in our scale of production and sales of aerosol cans which generally lack profitability.

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During the Track Record Period, we observed that steel pails and tin cans of higher capacities would generate relatively higher gross profit margin and hence our sales department had increased their effort in acquainting new customers who are likely to purchase steel pails and tin cans of higher capacities from us. For the sales and marketing strategy adopted by our Group during the Track Record Period, see “Business — Sales and marketing”. To the best knowledge and belief of our Directors, these new customers are mainly paint and coatings manufacturing companies that manufacture and sell paint and coatings for industrial and construction use, and hence they would primarily purchase and use steel pails or tin cans of higher capacities (i.e. 10 L or above) as containers due to the demands from their end customers, which are mainly construction companies that generally purchase paint and coatings in bulk for their own use in construction for cost efficiency.

The overall average selling price of our tin cans slightly increased from approximately RMB2.64 per unit for the year ended 31 December 2014 to approximately RMB3.02 per unit for the year ended 31 December 2015. It was mainly due to the increase in sales of tin cans of higher capacities, which generally have higher average selling price. However, the average selling prices of each of the above categories of tin can products actually declined due to the decrease in the costs of tinplate coils. The declines in the average selling prices of tin can products had also contributed to the overall decrease in our revenue from the sales of tin cans. During the year ended 31 December 2016, the average selling price of our tin cans slightly decreased to approximately RMB2.96 per unit, which was primarily due to the comparatively lower average selling price of each category of our tin can products mainly due to the downward trend of price of tinplate coils during the year ended 31 December 2015 up to February 2016 which drove down the average selling price of tin cans, while we increased the selling prices of some products sold to a number of our customers since July 2016 in view of the rebound in price of tinplate coils from March 2016 to May 2016.

During the Track Record Period, our sales to Valspar Group amounted to approximately RMB46.7 million, RMB40.0 million and RMB42.3 million, representing approximately 46.5%, 34.9% and 35.7% of our total revenue for the three years ended 31 December 2016, respectively. To the best of our Directors’ knowledge and belief, the decrease in sales to Valspar Group for the year ended 31 December 2015 is mainly a result of the dispersion of production operations of Valspar Group over a wider area in the PRC, as evidenced by the opening of a new paint and coatings manufacturing centre in Tianjin by the holding company of Valspar Group in 2015.

Notwithstanding the decrease in revenue contribution from Valspar Group, our total revenue for the year ended 31 December 2015 increased as compared to the prior year as we had broadened our customer base particularly for steel pails and tin cans of higher capacities by actively acquiring new customers starting from the year ended 31 December 2015. In addition, our sales to Valspar Group also recovered during the year ended 31 December 2016. According to the CIC Report, the growth in the market size of tinplate packaging products of higher capacities (including tin cans of capacities of 10 L or above and steel pails) is expected to outperform that of lower capacities in the coming years. In addition, we also plan to continue to expand our customer base. For details, see “Future Plans and Use of Proceeds — Our business strategies”.

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Cost of sales

During the Track Record Period, our Group's cost of sales mainly comprised cost of tinplate coil, tinplate processing costs, ancillary materials and consumables, staff costs, depreciation, utilities and repair and maintenance costs. The following table sets out the breakdown of our Group's cost of sales for the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Cost of tinplate coil	50,090	62.2	52,211	61.1	49,650	59.2
Tinplate processing costs	10,754	13.3	12,956	15.1	13,553	16.2
Ancillary materials and consumables	10,020	12.4	10,826	12.7	10,674	12.7
Staff costs	6,929	8.6	6,709	7.9	7,166	8.5
Depreciation	1,455	1.8	1,351	1.6	1,424	1.7
Utilities	1,292	1.6	1,255	1.5	1,300	1.6
Repair and maintenance	53	0.1	46	0.1	98	0.1
Total	80,593	100	85,354	100	83,865	100

For the three years ended 31 December 2016, our Group recorded cost of sales of approximately RMB80.6 million, RMB85.4 million and RMB83.9 million, respectively, representing approximately 80.2%, 74.5% and 70.8% of our Group's revenue for the corresponding year. Notwithstanding the increase in our Group's revenue by approximately 14.0% for the year ended 31 December 2015, our Group's cost of sales increased by a lesser extent of approximately 5.9% for the same year, and therefore our Group's cost of sales as a percentage of revenue decreased by approximately 5.7 percentage points from the year ended 31 December 2014 to the year ended 31 December 2015. Notwithstanding the increase in our revenue by approximately 3.4% for the year ended 31 December 2016, our cost of sales decreased approximately 1.7% for the same year primarily due to the decrease in cost of tinplate coil and the comparatively lower price of consumables during the year ended 31 December 2016, mitigated by the increment in the salaries and wages of our employees.

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Cost of tinplate coil

During the Track Record Period, our cost of tinplate coil formed the largest part of our cost of sales, amounted to approximately RMB50.1 million, RMB52.2 million and RMB49.7 million, representing approximately 62.2%, 61.1% and 59.2% of our total cost of sales for the three years ended 31 December 2016, respectively. According to the CIC Report, the average price of tinplate coil demonstrated a downward trend from January 2012 to February 2016 and rebounded from March 2016 to May 2016, generally stabilised thereafter up to November 2016 and increased from December 2016 to January 2017, stabilised again up to March 2017 and has been slightly decreasing since April 2017 up to May 2017. Hence, although the total revenue of our Group increased by approximately 14.0% for the year ended 31 December 2015 as compared to the prior year, our cost of tinplate coil only increased to a lesser extent by approximately 4.2%. For the year ended 31 December 2016, cost of tinplate coil decreased by approximately RMB2.6 million as compared to the prior year while our revenue increased by approximately 3.4% during the year, which was partly due to (i) the comparatively lower average cost of tinplate coil consumed for the first half of 2016; (ii) increase in our sales volume of steel pails with the use of thicker (e.g. 0.35 mm) tinplate coils which are of lower average price than those thinner (e.g. 0.25 mm) tinplate coils used for tin cans of lower capacities; and (iii) increase in our sales volume of parts of a can, including can tops and can bottoms, which generally consume less tinplate coil compares to the production of our tin cans and steel pails. For reference, according to the CIC report, the average price of 0.25 mm tinplate coil and 0.35 mm tinplate coil in Guangdong Province were approximately RMB6,809.4 per tonne and RMB5,196.3 per tonne for the year ended 31 December 2015, respectively, and approximately RMB7,042.9 per tonne and RMB4,728.8 per tonne for the year ended 31 December 2016, respectively.

The decrease in cost of tinplate coil as a percentage to revenue from approximately 49.9% for the year ended 31 December 2014 to approximately 45.6% for the year ended 31 December 2015 and further decrease to approximately 41.9% for the year ended 31 December 2016 were also due to the fact that thicker (e.g. 0.35 mm) tinplate coils are normally applied for the production of tin cans of higher capacities and steel pails, and the price of thicker tinplate coils per tonne was generally lower than that of the thinner (e.g. 0.25 mm) tinplate coils which are normally applied for the production of tin cans of lower capacities. For details of the historical price trend of tinplate coil, see “Industry Overview — Price trend of major raw materials”.

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Tinplate processing costs

During the Track Record Period, we outsourced certain production processes of our tinplate packaging products, including (i) tinplate printing; (ii) tinplate laminating; and (iii) tinplate scroll-cutting, to our subcontractors. Our tinplate processing costs during the Track Record Period represented the subcontracting fees incurred for the above services. The table below sets out a breakdown of our Group's tinplate processing costs during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Tinplate printing service	9,029	84.0	10,594	81.8	11,411	84.2
Tinplate laminating and scroll-cutting services	1,725	16.0	2,362	18.2	2,142	15.8
Total	10,754	100	12,956	100	13,553	100

For the three years ended 31 December 2016, our tinplate processing costs amounted to approximately RMB10.8 million, RMB13.0 million and RMB13.6 million, representing approximately 13.3%, 15.1% and 16.2% of our total cost of sales, respectively. According to the CIC Report, the price for tinplate printing service was relatively stable from 2012 to 2016. During the Track Record Period, the subcontracting fees for tinplate printing and tinplate laminating services were generally charged by our subcontractors based on the area of tinplate sheets to be processed, and the subcontracting fees for tinplate scroll-cutting service were charged based on the weight of tinplate sheets to be processed. The increase in our tinplate processing costs for the year ended 31 December 2015 as compared to the prior year was mainly due to the increase in sales volume of tin cans of higher capacities and steel pails, which in turn incurred more tinplate processing costs given the larger surface area and higher weight of tinplate sheets required to be processed.

For the year ended 31 December 2016, our tinplate processing costs slightly increased to approximately RMB13.6 million mainly as a result of the increase in our sales volume.

Ancillary materials and consumables

Ancillary materials and consumables mainly represented other ancillary raw materials such as (i) PVC handles, steel handles, can caps and copper wires for the production of our tinplate packaging products; and (ii) consumables such as aluminum tap, packaging boxes and wraps, screws and glues.

Our costs of ancillary materials and consumables amounted to approximately RMB10.0 million, RMB10.8 million and RMB10.7 million, and accounted for approximately 12.4%, 12.7% and 12.7% of our total cost of sales for the three years ended 31 December 2016, respectively. The slight increase in the costs of ancillary materials and consumables for the year ended 31 December 2015 was mainly due to the increase in sales volume of steel pails, which require the use of steel

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handles of higher cost than PVC handles. The effect was mitigated by the decrease in cost of other ancillary materials and consumables, including aluminum tap, packaging boxes and wraps, screws and glues, mainly as a result of the decrease in our overall sales volume. The slight decrease in the costs of ancillary materials and consumables for the year ended 31 December 2016 as compared to the prior year was primarily due to decreases in unit cost of certain consumables, including seals, nitrogen, glue, packing tape.

Staff costs

Staff costs mainly represented the salaries, wages and other benefits of our employees directly engaged in production activities. Our staff costs in cost of sales slightly decreased by approximately 3.2% from approximately RMB6.9 million for the year ended 31 December 2014 to approximately RMB6.7 million for the year ended 31 December 2015. The slight decrease was mainly due to the fact that the wages of most of our production staffs were calculated based on the unit of product produced by them, which decreased as compared to the year ended 31 December 2014. The effect was mitigated by the upward adjustment of salaries of our production staffs during the Track Record Period. For the year ended 31 December 2016, staff costs increased to approximately RMB7.2 million due to the salary increment of our production staffs as well as the increase in unit of production.

Other costs

Depreciation recognised in cost of sales mainly represented the depreciation recognised for the buildings and machineries in relation to our production. Utilities represented the costs of electricity and water used in our production process. Repair and maintenance costs represented the cost on performing the regular repair and maintenance for our machineries and equipment during the Track Record Period. These costs incurred for the three years ended 31 December 2016 generally remained stable.

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Gross profit and gross profit margin

For the three years ended 31 December 2016, our gross profit amounted to approximately RMB19.9 million, RMB29.2 million and RMB34.6 million, respectively, and our gross profit margin was approximately 19.8%, 25.5% and 29.2%, respectively. The following table sets forth the breakdown of gross profit and gross profit margin by product category for the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Gross profit/(loss) <i>RMB'000</i>	Gross profit margin (%)	Gross profit/(loss) <i>RMB'000</i>	Gross profit margin (%)	Gross profit/(loss) <i>RMB'000</i>	Gross profit margin (%)
Tin cans						
— Tin cans of lower capacities (i.e. below 10 L)	8,284	13.9	3,791	8.2	4,429	8.9
— Tin cans of higher capacities (i.e. 10 L or above)	1,146	44.6	5,939	55.0	4,621	50.3
— Aerosol cans	<u>(2,026)</u>	(42.1)	<u>(1,512)</u>	(61.3)	<u>(258)</u>	(23.8)
Sub-total	7,404	11.1	8,218	13.8	8,792	14.6
Steel pails	5,986	25.4	18,157	39.8	19,324	40.3
Others	<u>6,475</u>	65.5	<u>2,837</u>	30.3	<u>6,529</u>	63.9
Total	<u><u>19,865</u></u>	19.8	<u><u>29,212</u></u>	25.5	<u><u>34,645</u></u>	29.2

Our overall gross profit increased by approximately RMB9.3 million, or approximately 47.1%, from approximately RMB19.9 million for the year ended 31 December 2014 to approximately RMB29.2 million for the year ended 31 December 2015, and our gross profit margin increased from approximately 19.8% for the year ended 31 December 2014 to approximately 25.5% for the year ended 31 December 2015. For the year ended 31 December 2016, our overall gross profit further increased by approximately RMB5.4 million, or approximately 18.6%, to approximately RMB34.6 million, and our gross profit margin increased to approximately 29.2% for the year ended 31 December 2016.

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Such overall increases in our gross profit and gross profit margin were primarily attributable to (i) the comparatively lower average costs of tinplate coils consumed for our production during the year ended 31 December 2015 and the first half of 2016; and (ii) the increase in revenue and sales volume of steel pails which generally have higher gross profit margin than tin cans mainly due to their different cost structure and use of tinplate coils of different thickness.

Tin can

The overall gross profit margin of tin cans slightly increased from approximately 11.1% for the year ended 31 December 2014 to approximately 13.8% for the year ended 31 December 2015, which was mainly due to (i) the increase in sales volume of tin cans of higher capacities which have higher gross profit margin; (ii) the decrease in sales volume of aerosol cans which recorded gross loss; and (iii) the comparatively lower average cost of tinplate coils consumed during the years ended 31 December 2015, which constitutes approximately 55.8%, 49.3% and 47.2% of the cost of sales of tin cans for the three years ended 31 December 2016, respectively. The effect was mitigated by the increase in tinplate printing costs for year ended 31 December 2015. For the year ended 31 December 2016, the overall gross profit margin slightly increased to approximately 14.6%, which was mainly due to the further reduction in sales volume of aerosol cans which continued to record gross loss and the decrease in the costs of ancillary materials and consumables, mitigated by the increase in sales volume of tin cans of lower capacities which have lower gross profit margin, as well as the increase in salaries of our production staffs for the year ended 31 December 2016.

The gross profit margin of tin cans of lower capacities decreased from approximately 13.9% for the year ended 31 December 2014 to approximately 8.2% for the year ended 31 December 2015, which was mainly due to the decrease in average selling price. The gross profit margin slightly bounced back to approximately 8.9% for the year ended 31 December 2016, which was mainly due to the decrease in costs of ancillary materials and consumables due to decreases in unit cost of certain consumables.

The gross profit margin of tin cans of higher capacities increased from approximately 44.6% for the year ended 31 December 2014 to approximately 55.0% for the year ended 31 December 2015, which was mainly due to the comparatively lower average cost of tinplate coils consumed for our production during the year ended 31 December 2015 which constituted a majority part of the cost of tin cans of higher capacities, mitigated by the decrease in average selling price for the same period. For the year ended 31 December 2016, the gross profit margin decreased to approximately 50.3%, which was mainly due to the salary increment of our production staffs and the decrease in our average selling price. While we increased the selling prices of some products sold to a number of our customers since July 2016, such increase had not yet fully reflected in the average selling price for the year ended 31 December 2016. In light of the further increase in price of tinplate coils in the fourth quarter of 2016, we have also agreed with certain customers to increase the selling prices of some products with effect from January or February 2017.

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Aerosol cans escalated in gross loss for the year ended 31 December 2015 and continued to record gross loss for the year ended 31 December 2016, primarily due to the decrease in average selling price. Despite recording gross loss from the sale of aerosol cans for the Track Record Period, we continued to sell aerosol cans mainly because we (i) manufactured and sold aerosol cans to some newly acquainted customers in anticipation that they would further purchase other types of products from us; and (ii) continued to produce aerosol cans for some of our existing customers to maintain our business relationship with them. For the two years ended 31 December 2015, 11 out of 18 customers and four out of seven customers who had purchased aerosol cans from us had also purchased tin cans and/or steel pails, and generated revenue from sale of tin cans and/or steel pails of approximately RMB3.1 million and RMB4.9 million, respectively. Nonetheless, due to the lack of profitability of the aerosol cans, we had reduced the scale of production and sale of aerosol cans during the Track Record Period from approximately 5.3 million units for the year ended 31 December 2014 to approximately 3.0 million units for the year ended 31 December 2015 and further to approximately 1.8 million units for the year ended 31 December 2016.

Steel pail

The gross profit margin of steel pails increased from approximately 25.4% for the year ended 31 December 2014 to approximately 39.8% for the year ended 31 December 2015, primarily attributable to the comparatively lower average cost of tinplate coils consumed for our production during the year ended 31 December 2015 which constituted approximately 76.4%, 74.2% and 75.7% of the cost of sales of steel pails for the three years ended 31 December 2016, respectively. The effect for the year ended 31 December 2015 was mitigated by an increase in the tinplate printing costs and the costs of ancillary and consumables as discussed in “— Description and analysis of principal items in the consolidated statements of profit or loss and other comprehensive income — Cost of sales”. The gross profit margin remained relatively stable at approximately 40.3% for the year ended 31 December 2016. In light of the further increase in price of tinplate coils in the fourth quarter of 2016, we have also agreed with certain customers to increase the selling prices of some products with effect from January or February 2017.

Others

For others, the gross profit margin of which was approximately 65.5%, 30.3% and 63.9% for the three years ended 31 December 2016, respectively. The higher gross profit margin for the year ended 31 December 2014 was mainly due to the higher sales of used moulds of approximately RMB1.7 million for the same year as compared to that of approximately RMB0.4 million for the year ended 31 December 2015. The increase in gross profit margin to approximately 63.9% for the year ended 31 December 2016 was mainly due to the increase in sales of parts of a can, including can tops and can bottoms, whereas the gross profit margin from the sale of parts of a can is higher than that of the trading of raw materials.

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Other income and gains

Other income and gains of our Group amounted to approximately RMB0.7 million, RMB0.4 million and RMB1.2 million for the three years ended 31 December 2016, respectively, which was mainly derived from the sales of scrap materials and interest income from bank deposits. The following table sets forth the breakdown of our Group's other income and gains for the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of scrap materials	583	82	581
Interest income from bank deposits	42	46	302
Bad debt recovered	—	—	81
Others	<u>108</u>	<u>258</u>	<u>197</u>
Total	<u><u>733</u></u>	<u><u>386</u></u>	<u><u>1,161</u></u>

Sales of scarp materials represented the sales of scrap tinplate generated during the production process. For the three years ended 31 December 2016, income from the sales of scrap materials amounted to approximately RMB0.6 million, RMB0.1 million and RMB0.6 million, respectively. The lower income from the sales of scrap material for the year ended 31 December 2015 as compared to the year ended 31 December 2014 was mainly due to the bulk sales of scrap materials accumulated from previous years during the year ended 31 December 2014. For the year ended 31 December 2016, income from the sales of scrap materials increased to approximately RMB0.6 million, which was mainly because the scrap materials we sold during the year mainly comprised tinplate that are not printed, which are of higher scrap value.

We recovered trade receivable which we have previously impaired before the Track Record Period of approximately RMB81,000 during the year ended 31 December 2016.

Selling expenses

During the Track Record Period, our Group's selling expenses amounted to approximately RMB2.2 million, RMB1.9 million and RMB1.8 million for the three years ended 31 December 2016, respectively, representing approximately 2.2%, 1.7% and 1.5% of our Group's total revenue for the corresponding years. Our Group's selling expenses mainly included transportation costs for our logistic team, staff costs, entertainment expenses and consumables.

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The following table sets forth the breakdown of selling expenses of our Group during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Transportation costs	1,189	54.1	925	48.9	813	44.9
Staff costs	632	28.7	711	37.5	724	39.9
Entertainment	121	5.5	158	8.3	202	11.1
Consumables	231	10.5	56	3.0	45	2.5
Depreciation	12	0.6	11	0.6	16	0.9
Others	14	0.6	32	1.7	13	0.7
Total	<u>2,199</u>	<u>100</u>	<u>1,893</u>	<u>100</u>	<u>1,813</u>	<u>100</u>

Transportation costs mainly comprised of highway fee, parking fee, diesel fuel charge, repair and maintenance costs for the motor vehicles of our logistic team.

Staff costs mainly represented the salaries to our sales and marketing staffs comprising mainly salaries, performance bonuses, allowances and employee benefits and retirement benefit costs.

Entertainment expenses mainly comprised of expenditure for business lunch and dinner.

Consumables mainly comprised of the costs of packaging materials and wraps for our tinsplate packaging products.

Depreciation recognised in selling expenses mainly represented depreciation recognised for the motor vehicles of our logistic team.

Our selling expense decreased by approximately RMB0.3 million from approximately RMB2.2 million for the year ended 31 December 2014 to approximately RMB1.9 million for the year ended 31 December 2015, primarily as a result of the decrease in transportation expenses in 2015 due to the decrease in diesel price and the decrease in consumables mainly due to the more effective usage of our wrapping materials on tinsplate packaging products after we changed our wrapping procedure in 2015. The decrease was mitigated by the increase in staff costs due to salary increment of our sales and marketing staffs.

For the year ended 31 December 2016, our selling expenses slightly decreased by approximately RMB80,000 or approximately 4.2% to approximately RMB1.8 million, which was mainly due to the slight decrease in transportation expenses as a result of the comparatively lower diesel price and the decrease in consumables, and mitigated by the slight increase in staff costs and entertainment expenses, as well as the increase in depreciation as we purchased motor vehicle during the year ended 31 December 2015.

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Administrative and other expenses

During the Track Record Period, our Group recorded administrative and other expenses of approximately RMB6.0 million, RMB15.4 million and RMB18.3 million for the three years ended 31 December 2016, respectively. Our Group's administrative and other expenses mainly included staff costs, building administrative fees, other tax expenses, depreciation and amortisation, travelling and entertainment, office consumables and supplies, legal and professional fees, Listing expenses and other miscellaneous administrative expenses.

The following table sets forth the breakdown of administrative and other expenses of our Group during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	4,215	69.9	5,769	37.6	6,140	33.6
Building administrative fees	561	9.3	814	5.3	833	4.6
Other tax expenses	472	7.8	500	3.2	427	2.3
Depreciation and amortisation	303	5.0	307	2.0	312	1.7
Traveling and entertainment	18	0.3	274	1.8	449	2.5
Office consumables and supplies	209	3.5	195	1.3	195	1.1
Legal and professional fees	158	2.6	126	0.8	580	3.2
Listing expenses	—	—	7,171	46.7	8,823	48.3
Others	98	1.6	198	1.3	520	2.7
Total	6,034	100	15,354	100	18,279	100

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Our administrative and other expenses increased by approximately RMB9.4 million from approximately RMB6.0 million for the year ended 31 December 2014 to approximately RMB15.4 million for the year ended 31 December 2015, and increased by approximately RMB2.9 million to approximately RMB18.3 million for the year ended 31 December 2016. The increases were primarily attributable to the Listing expenses which incurred during the years ended 31 December 2015 and 31 December 2016 and the increase in administrative staff costs.

Staff costs mainly represented the salaries, employee benefits and retirement benefit costs to our administrative employees and Directors' remuneration.

Building administrative fees mainly represented building management fee, factory security expenses, utilities, repair and maintenance cost and cleaning cost.

Other tax expenses mainly represented land use tax, property tax and stamp duty and vehicle and vessel use tax in the PRC.

Depreciation and amortisation represented the amortisation of our Group's interest in the leasehold land on which our Foshan Factory is located and the depreciation of our buildings, furniture, fittings and equipment for administrative purposes.

Traveling and entertainment represented expenditure for business travel and cost incurred for social gathering and refreshment for our staff.

Office consumables and supplies mainly represented office supplies, consumables and sundries for administrative functions.

Legal and professional fees mainly represented auditors' remuneration, other professional fees, business registration fees and vehicle annual inspection fee.

Listing expenses primarily comprised of fees paid to professional parties in relation to the Share Offer which is non-recurring in nature. For further details, see "— Listing expenses".

Excluding the Listing expenses of approximately RMB7.2 million and RMB8.8 million recognised for the years ended 31 December 2015 and 2016, respectively, administrative and other expenses of our Group for the corresponding years would be approximately RMB8.2 million and RMB9.5 million, respectively. For the three years ended 31 December 2016, our Group's administrative and other expenses (excluding the Listing expenses) represented approximately 6.0%, 7.2% and 8.0% of our revenue, respectively, such increases was primarily attributable to the increase in number of administrative staff for the years ended 31 December 2015 and 2016 in preparing for the Listing and the salary increment of administrative staff in 2015 and 2016.

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Finance costs

Our Group's finance costs mainly comprised of interest expenses on bank borrowings and discounted bills receivables and bank charges during the Track Record Period. The following table sets forth the breakdown of our finance cost during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Interest expenses on bank borrowings	734	1,316	1,834
Interest expenses on discounted bills receivables	855	487	447
Bank charges	35	45	50
Total	<u>1,624</u>	<u>1,848</u>	<u>2,331</u>

Our finance costs increased by approximately RMB0.2 million from approximately RMB1.6 million for the year ended 31 December 2014 to approximately RMB1.8 million for the year ended 31 December 2015, and further increased by approximately RMB0.5 million to approximately RMB2.3 million for the year ended 31 December 2016, mainly as a result of the increase in drawdown from our banking facilities during the year ended 31 December 2015 and the entering into of a new loan agreement during the year ended 31 December 2016, mitigated by the decrease in interest expenses on discounted bills receivables primarily as a result of the comparatively lower discount rate during the years ended 31 December 2015 and 2016.

Income tax expense

Our Group is subject to the enterprise income tax of the PRC, being its principal place of business. The PRC enterprise income tax was calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC during the Track Record Period.

For the years ended 31 December 2014 and 2015, our Group recorded income tax expense of approximately RMB2.8 million and RMB4.6 million, respectively. Such increase was primarily attributable to the Listing expenses incurred, which were non-deductible, for the year ended 31 December 2015.

For the year ended 31 December 2016, income tax expense amounted to approximately RMB6.0 million. The increase in income tax expense was mainly attributable to the increase in non-deductible Listing expenses recognised for the year as well as the increase in profit before income tax for the year as compared to the prior year.

Our Group had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authorities.

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LISTING EXPENSES

The financial results of our Group for the years ended 31 December 2015 and 2016 were adversely affected by, among others, the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB28.2 million (or approximately HK\$31.5 million, based on HK\$0.60, being the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share to HK\$0.70 per Offer Share and 100,000,000 Offer Shares). Among the estimated total Listing expenses, (i) approximately RMB7.2 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB21.0 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB7.2 million and RMB8.8 million have been recognised for the years ended 31 December 2015 and 2016, respectively. It is expected that Listing expenses of approximately RMB5.0 million will be further recognised for the year ending 31 December 2017.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Our Group's principal liquidity and capital requirements primarily relate to our operating expenses and capital expenditures. Historically, we have met our working capital and other liquidity requirements principally from cash generated from our operations, advances from related parties and banking facilities. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, banking facilities, the net proceeds from the Share Offer as well as other external equity and debt financing when the needs come.

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The following table summarises our Group's cash flows for the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	33,460	(11,875)	33,022
Net cash generated from/(used in) investing activities	285	(178)	(902)
Net cash (used in)/generated from financing activities	<u>(29,440)</u>	<u>19,686</u>	<u>3,209</u>
Net increase in cash and cash equivalents	4,305	7,633	35,329
Cash and cash equivalents at beginning of year	1,577	5,882	13,720
Effect on exchange rate changes on cash and cash equivalents	<u>—</u>	<u>205</u>	<u>1,056</u>
Cash and cash equivalents at end of year	<u><u>5,882</u></u>	<u><u>13,720</u></u>	<u><u>50,105</u></u>

Operating activities

During the Track Record Period, our Group derived its cash inflows from operating activities primarily from the receipt of payments from the sales of tinplate packaging products in the PRC and our cash used in operating activities mainly included payments for the purchase of raw materials, subcontracting fees, staff costs and other operating expenses and income tax payments.

Despite we generated stable profit before income tax of approximately RMB10.7 million and RMB10.5 million for the years ended 31 December 2014 and 2015, respectively, we recorded net cash used in operating activities of approximately RMB11.9 million for the year ended 31 December 2015 as compared to net cash generated from operating activities of approximately RMB33.5 million for the prior year, primarily due to (i) the decrease in cash receipts from our customers mainly attributable to the delays by certain customers in settling our trade receivables during the year ended 31 December 2015 as a result of the relatively loose management of our trade receivables, which was remediated by the subsequent implementation of our enhanced internal control measure in January 2016, as evidenced by the increase in our trade receivable balance as at 31 December 2015 as compared to 31 December 2014 and the longer trade receivable turnover days for the year ended 31 December 2015 as compared to the prior year. For details, see “— Description and analysis of principal items in the consolidated statements of financial position — Trade and bills receivables”; (ii) payment of Listing expenses of approximately RMB5.7 million during the year ended 31 December 2015; and (iii) the release of cash flows from our inventories

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by deploying the aged raw materials in our inventory during the year ended 31 December 2014 as a result of the strengthening of our inventory control policy in the same year. For details, see “Business — Inventory control”.

We recorded net cash inflows from operating activities of approximately RMB33.0 million for the year ended 31 December 2016 as compared to net cash outflows of approximately RMB11.9 million for the year ended 31 December 2015, primarily due to (i) the significant amount of outstanding trade receivables collected by our Group during the year ended 31 December 2016 following the implementation of our enhanced internal control measures on trade receivables during the year. For details, see “Business — Customers — Internal control measures in relation to the management and collection of trade receivables”; and (ii) the increase in our operating profits for the year ended 31 December 2016 (excluding Listing expenses recognised for the year which were mainly included in accruals as at 31 December 2016) as compared to the prior year mainly as a result of our increased revenue and gross profit.

Investing activities

For the years ended 31 December 2015 and 2016, our Group’s cash flows in investing activities mainly consisted of (i) cash outflows for the purchases of property, plant and equipment; (ii) cash inflow from the decrease in pledged bank deposits; (iii) advances to a Director; and (iv) bank interest received. The decrease in pledged bank deposits was in line with the decreasing trend of our balance of bills payable as from 31 December 2014 to 31 December 2015.

The cash outflows in investing activities of approximately RMB0.9 million for the year ended 31 December 2016 was primarily attributable to the increase in pledged bank deposits as a result of the increase in bills payable as at 31 December 2016 as compared to 31 December 2015.

Financing activities

During the Track Record Period, our Group’s cash flows in financing activities mainly consisted of (i) payment of interest expenses; (ii) repayment of amount due to a Director; and (iii) changes in balance of bank borrowings. The cash outflows in financing activities of approximately RMB29.4 million for the year ended 31 December 2014 was primarily attributable to the decrease in amount due to a Director. The cash inflows from financing activities of approximately RMB19.7 million for the year ended 31 December 2015 was mainly attributable to the net increase in bank borrowings and the proceeds from the Pre-IPO Investment during the year, mitigated by the decrease in amount due to a Director during the year.

For the year ended 31 December 2016, net cash inflows in financing activities of approximately RMB3.2 million was mainly attributable to the proceeds from new bank borrowings during the year and the decrease in amount due to a Director, mitigated by the interest paid during the year.

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WORKING CAPITAL

During the Track Record Period, we met our working capital and other liquidity requirements principally from cash generated from our operations, advances from related parties and banking facilities. After taking into account the cash flows from the operating activities and the existing financial resources available to our Group as follows:

- the amount of cash flows generated from operating activities of our Group during the Track Record Period;
- our cash and cash equivalents on hand of approximately RMB50.1 million as at 31 December 2016 and approximately RMB45.9 million as at 30 April 2017 based on our unaudited management accounts;
- the unutilised banking facilities of approximately RMB1.0 million as at 30 April 2017; and
- the estimated net proceeds from the Share Offer of approximately HK\$28.5 million to be received by our Group,

our Directors are of the opinion that, taking into account the net proceeds from the Share Offer, our internal resources and banking facilities, our Group has sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus and the Sponsor concurs.

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NET CURRENT ASSETS

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, our Group had net current assets of approximately RMB13.4 million, RMB20.2 million, RMB29.9 million and RMB31.7 million, respectively. Details of the components are set out as follows:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current assets				
Inventories	12,219	11,618	17,503	20,393
Trade and bills receivables	40,952	58,846	46,180	54,876
Prepayments, deposits and other receivables	565	6,495	8,610	8,866
Amount due from a Director	—	540	—	—
Amount due from a Shareholder	4,800	—	—	—
Pledged bank deposits	3,801	2,515	3,193	2,287
Cash and cash equivalents	5,882	13,720	50,105	45,909
	<u>68,219</u>	<u>93,734</u>	<u>125,591</u>	<u>132,331</u>
Current liabilities				
Trade and bills payables	25,560	30,230	43,902	49,405
Accruals and other payables	9,216	7,932	10,605	10,580
Bank borrowings	10,000	34,000	39,000	39,000
Amount due to a Director	7,266	—	—	—
Income tax payable	2,768	1,333	2,220	1,661
	<u>54,810</u>	<u>73,495</u>	<u>95,727</u>	<u>100,646</u>
Net current assets	<u>13,409</u>	<u>20,239</u>	<u>29,864</u>	<u>31,685</u>

Our current assets as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017 amounted to approximately RMB68.2 million, RMB93.7 million, RMB125.6 million and RMB132.3 million, respectively, with inventories, trade and bills receivables, prepayments, deposits and other receivables, amounts due from related parties and cash and cash equivalents being the major components. Our current liabilities as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017 amounted to approximately RMB54.8 million, RMB73.5 million, RMB95.7 million and RMB100.6 million, respectively, with trade and bills payables, accruals and other payables, bank borrowings and income tax payable being the major components.

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Despite our Group's current liabilities increased from approximately RMB54.8 million as at 31 December 2014 to approximately RMB73.5 million as at 31 December 2015 primarily as a result of the increase in bank borrowings by RMB24.0 million, our current assets increased by a larger extent from approximately RMB68.2 million as at 31 December 2014 to approximately RMB93.7 million as at 31 December 2015 mainly due to (i) the increase in trade and bills receivables by approximately RMB17.9 million mainly due to increase in revenue in the fourth quarter of 2015, carry forward of certain past due trade receivables and delays in settlement by certain customers; (ii) the increase in cash and cash equivalents by approximately RMB7.8 million; and (iii) the increase in prepayments, deposits and other receivables by approximately RMB5.9 million. As a result, our net current assets position improved from approximately RMB13.4 million as at 31 December 2014 to approximately RMB20.2 million as at 31 December 2015.

As at 31 December 2016, our Group had net current assets of approximately RMB29.9 million, representing an increase of approximately RMB9.6 million as compared to those of approximately RMB20.2 million as at 31 December 2015. Such increase in our net current asset was mainly attributable to (i) increase in our cash and cash equivalents by approximately RMB36.4 million primarily resulted from the settlement of trade and bills receivables due to our enhanced internal control measures; and (ii) increase in prepayments, deposits and other receivables of approximately RMB2.1 million mainly due to the increase in prepaid Listing expenses, mitigated by the decrease in trade and bills receivables by approximately RMB12.7 million principally as result of our enhanced policy on the collection of trade receivables, as well as the increase in accruals and other payables as a result of the increased accruals of Listing expenses.

Our cash and cash equivalents increased significantly from approximately RMB13.7 million as at 31 December 2015 to approximately RMB50.1 million as at 31 December 2016 mainly because of our enhanced internal control measures on trade receivables implemented in January 2016, as evidenced by the decrease in past due trade and bills receivables from approximately RMB37.1 million as at 31 December 2015 to approximately RMB22.1 million as at 31 December 2016. Meanwhile, our bank borrowings as at 31 December 2016 were kept at a comparable level to such amount as at 31 December 2015 to ensure sufficient fund for our operations. Given the improvement in our trade receivables, we intend to repay the bank borrowings in the amount of RMB39.0 million as at 31 December 2016 with our cash on hand when or before they fall due after Listing. Since 31 December 2016 up to the Latest Practicable Date, we had repaid bank borrowings of RMB5.0 million in January and May 2017, respectively and drawdown bank borrowings of RMB5.0 million in March 2017. As at the Latest Practicable Date, our outstanding bank borrowings was RMB34.0 million. For details, see “— Description and analysis of principal items in the consolidated statements of financial position — Trade and bills receivables” and see “Business — Customers — Internal control measures in relation to the management and collection of trade receivables”.

Based on our unaudited management accounts, our net current assets increased to approximately RMB31.7 million as at 30 April 2017 as compared to approximately RMB29.9 million as at 31 December 2016. The increase in net current assets was mainly due to the increase in our trade receivables.

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For details regarding the major items affecting our net current assets during the Track Record Period, see “— Description and analysis of principal items in the consolidated statements of financial position”.

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

As at 31 December 2014, 31 December 2015 and 31 December 2016, our Group had inventories of approximately RMB12.2 million, RMB11.6 million and RMB17.5 million, respectively.

The following tables set out the breakdown of our inventory balance as at 31 December 2014, 31 December 2015 and 31 December 2016 and our inventory turnover days for the Track Record Period:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	9,312	9,429	15,744
Work-in-progress	1,385	791	582
Finished goods	1,522	1,398	1,177
Total	12,219	11,618	17,503
	Year ended 31 December		
	2014	2015	2016
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Inventory turnover days ^(Note)	118.3	51.0	63.5

Note: Inventory turnover days are calculated by dividing the average inventory balance by cost of sales multiplied by the number of days during the relevant period (i.e. 365 days for the two years ended 31 December 2015 and 366 days for the year ended 31 December 2016). Average inventory balance is the average of the beginning and ending inventory balances for the relevant period.

As at 31 December 2014, 31 December 2015 and 31 December 2016, inventory of raw materials amounted to approximately RMB9.3 million, RMB9.4 million and RMB15.7 million, respectively, which represented the largest component of our Group’s inventory balance. Our inventory of raw materials mainly represented tinplate coils and ancillary materials and consumables. The balance remained stable as at 31 December 2014 and 31 December 2015 as our Group generally maintain one month of tinplate coil inventory for use to ensure that we can meet our major customers’ requirements, taking into account our production time and the delivery requirements stated in the agreements with our customers. For details, see “Business — Inventory

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control”. The balance of raw materials increased from approximately RMB9.4 million as at 31 December 2015 to approximately RMB15.7 million as at 31 December 2016 mainly because our inventory balance as at 31 December 2016 consisted of more tinplate coils purchased at higher price after the price rebound of tinplate coil since May 2016 and the increase in purchase of tinplate coils in view of the increase trend noted in price of tinplate coils in the fourth quarter of 2016.

Work-in-progress mainly include can cover, handle, can top and can bottom manufactured by us using tinplate pending for production process. Finished goods are tin can and steel pail manufactured by us awaiting shipment or delivery.

Our inventory turnover days were approximately 118.3 days, 51.0 days and 63.5 days for the three years ended 31 December 2016, respectively. The longer inventory turnover days for the year ended 31 December 2014 as compared to the year ended 31 December 2015 was mainly due to the higher inventory balance at the beginning of 2014. After we have strengthened our inventory control policy to monitor our inventory levels in 2014, our inventory balance was substantially lowered as at 31 December 2014 and remained relatively stable as at 31 December 2015 and 31 December 2016. The inventory control policies we implemented in 2014 included, among others, the daily and monthly warehouse record reporting system, recording of raw material and inventory location and inter-department checking of inventory record. For details, see “Business — Inventory control”. Accordingly, our inventory turnover days for the year ended 31 December 2015 were also shortened to approximately 51.0 days.

Our inventory turnover days increased to approximately 63.5 days for the year ended 31 December 2016, which was primarily as a result of our inventory balance as at 31 December 2016 consisted of more tinplate coils and were purchased at higher price as compared to as at 31 December 2015.

As at 30 April 2017, approximately 94.4% of our Group’s inventories as at 31 December 2016 were subsequently utilised or sold.

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Set out is the ageing analysis of our inventory balance as at 31 December 2014, 31 December 2015 and 31 December 2016:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	7,944	9,500	13,835
31–90 days	2,225	1,449	3,011
91–365 days	657	376	277
Over 1 year	1,393	293	380
 Total	 12,219	 11,618	 17,503

As at 31 December 2014, 31 December 2015 and 31 December 2016, approximately 88.6%, 97.5% and 97.8% of our inventory were aged within 1 year. As at 31 December 2014, 31 December 2015 and 31 December 2016, we did not have any impairment on our inventories.

Trade and bills receivables

As at 31 December 2014, 31 December 2015 and 31 December 2016, trade and bills receivables of our Group amounted to approximately RMB41.0 million, RMB58.8 million and RMB46.2 million, respectively. The following tables set out the breakdown of our trade and bills receivables as at 31 December 2014, 31 December 2015 and 31 December 2016 and trade receivable turnover days for the Track Record Period:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	40,401	58,316	45,327
Bills receivables (<i>Note</i>)	551	530	853
 Total	 40,952	 58,846	 46,180

Note: During the Track Record Period, our Group discounted certain bills receivables accepted by banks in the PRC to a bank. As at 31 December 2014, 31 December 2015 and 31 December 2016, the carrying amounts of the discounted bills receivables amounted to approximately RMB20.4 million, RMB14.8 million and RMB17.5 million, respectively. Please refer to note 31 to the Accountant's Report for details.

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	Year ended 31 December		
	2014	2015	2016
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivable turnover days			
<i>(Note)</i>	130.2	159.0	162.2

Note: Trade receivable turnover days are calculated by dividing the average trade and bills receivables balance by revenue for the relevant period multiplied by the number of days during the period (i.e. 365 days for the two years ended 31 December 2015 and 366 days for the year ended 31 December 2016). Average trade and bills receivables balance is the average of the beginning and ending trade and bills receivables balances for the relevant period.

The following is an ageing analysis of our trade and bills receivables, based on the invoice date, as at 31 December 2014, 31 December 2015 and 31 December 2016:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	11,047	12,882	11,732
More than 1 month but not more than 3 months	8,113	19,441	21,172
More than 3 months but not more than 6 months	9,582	14,476	9,044
More than 6 months but not more than 1 year	10,926	5,292	4,148
More than 1 year	1,284	6,755	84
Total	40,952	58,846	46,180

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As at 31 December 2014, 31 December 2015 and 31 December 2016, trade and bills receivables of approximately RMB25.5 million, RMB37.1 million and RMB22.1 million were past due but not impaired, of which approximately RMB1.3 million, RMB6.4 million and RMB84,000 or approximately 3.1%, 10.9% and 0.2% were past due over 1 year, respectively. The ageing analysis of our past due trade and bills receivables based on past due date is set out as follow:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	15,495	21,741	24,054
Not more than 3 months past due	9,627	18,987	13,681
More than 3 months but less than 6 months past due	8,209	8,949	6,078
More than 6 months but less than 1 year past due	6,338	2,757	2,283
Over 1 year past due	1,283	6,412	84
Total	40,952	58,846	46,180

During the Track Record Period, the general payment terms offered to our major customers ranged from COD to a credit term of 75 days after monthly statement. For customers who settled our receivables with bank acceptance bills, the maturity of the bills receivables generally ranged from 30 days to 120 days. For payment terms with our five largest customers, see “Business — Customers — Five largest customers”. As a result of our relatively long payment terms offered to our major customers, our balance of trade and bills receivables were relatively significant. As at 31 December 2014, 31 December 2015 and 31 December 2016, our balance of trade and bills receivables amounted to approximately RMB41.0 million, RMB58.8 million and RMB46.2 million, respectively, which represented approximately 40.8%, 51.4% and 39.0% of our revenue for the respective year. The fluctuation of our trade and bills receivables balance during the Track Record Period is further discussed below.

The balance of our trade and bills receivable increased from approximately RMB41.0 million as at 31 December 2014 to approximately RMB58.8 million as at 31 December 2015. Our trade receivable turnover days also increased from approximately 130.2 days for the year ended 31 December 2014 to approximately 159.0 days for the year ended 31 December 2015.

The increases in the balance and turnover days of trade and bills receivables as at 31 December 2015 as compared to 31 December 2014 were mainly due to (i) the increase in revenue in the fourth quarter of 2015 as compared to the same period in the prior year by approximately RMB9.2 million; (ii) carry forward of certain trade receivables aged over one year of approximately RMB6.8 million from the year ended 31 December 2014; and (iii) delays by certain customers in settling our trade receivables during the years ended 31 December 2014 and 2015 mainly due to the relatively loose management of our trade receivables. Due to the delays by certain customers in

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settling our trade receivables during the years ended 31 December 2014 and 2015 as evidenced by the amount of past due trade receivables as at 31 December 2014 and 31 December 2015, our trade receivable turnover days for the years ended 31 December 2014 and 2015 were longer than the general credit terms offered to our customers.

In response to the delays in receiving our trade receivables during the years ended 31 December 2014 and 2015 and with an aim to strengthen our management of trade receivables, subsequent to the year ended 31 December 2015, we have enhanced our internal control measures over the following areas: (i) grant of credit term to customers; (ii) collection of trade receivables; and (iii) impairment assessment of trade receivables. Please see “Business — Customers — Pricing policy and credit terms” for details. Our Directors consider that such enhancement has effectively strengthened our management of trade receivables as evidenced by the extent of subsequent settlement.

As a result of the implementation of the enhanced internal control measures during the year ended 31 December 2016, the balance of our trade and bills receivable decreased from approximately RMB58.8 million as at 31 December 2015 to approximately RMB46.2 million as at 31 December 2016. In particular, approximately 52.1% of trade and bills receivables as at 31 December 2016 were neither past due nor impaired, as compared to approximately 36.9% as at 31 December 2015 and only approximately 0.2% of trade and bills receivables as at 31 December 2016 were over one year past due, as compared to approximately 10.9% as at 31 December 2015.

In view of the significant trade receivables during the Track Record Period and to manage the liquidity of the Group, particularly during the years ended 31 December 2014 and 2015, we utilised bank borrowings and discounted certain bills receivables with maturity dates of less than six months, to a bank for working capital. The bills would be discounted to the bank based on the discount rate determined by the bank from time to time, of which the discount rate for bills with a carrying value greater than RMB1.0 million are generally lower. Our Directors consider the finance cost for discounting the bills to be relatively insignificant and justifiable in view of (i) the immediate liquidity offered by the discounting; (ii) the comparatively lower discounting rate as compared to our Group’s borrowing rate; and (iii) our Group’s policy to maintain sufficient liquidity at all times to meet any expected cashflow requirements. During the three years ended 31 December 2016, we discounted bills receivables with the carrying amount of approximately RMB59.5 million, RMB45.6 million and RMB51.9 million, respectively, for cash of approximately RMB58.7 million, RMB45.1 million and RMB51.5 million, respectively. Subsequent to the implementation of the enhanced internal control measures and the improvement in trade receivables in 2016, our working capital improved and accordingly we will repay our bank borrowings as they fall due. Nonetheless, in view of the reasons as stated in the above, we generally maintain the policy on discounting bills with aggregate carrying amount exceeding RMB1.0 million for a comparatively lower discount rate as a method to manage the liquidity of our Group.

Our trade receivable turnover days remained stable at approximately 162.2 days for the year ended 31 December 2016, as compared to approximately 159.0 days for the year ended 31 December 2015.

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As at the Latest Practicable Date, approximately 82.1% of our Group's trade and bills receivables as at 31 December 2016 were subsequently settled. Set out below is the ageing analysis of the outstanding balance of our trade receivables as at 31 December 2016 and not yet settled as at the Latest Practicable Date:

	<u>As at the Latest Practicable Date</u> <i>RMB'000</i>
Neither past due nor impaired	3,933
Not more than 3 months past due	3,918
More than 3 months but less than 6 months past due	313
More than 6 months but less than 1 year past due	98
Over 1 year past due	<u>6</u>
 Total	 <u><u>8,268</u></u>

For the three years ended 31 December 2016, we did not make impairment for trade receivables. Our Directors and the Reporting Accountant are of the view, and the Sponsor concurs, that no impairment loss is required in respect of the past due trade receivables in view of the subsequent recoverability of these receivables as evidenced by the extent of subsequent settlement.

Prepayment, deposits and other receivables

As at 31 December 2014, 31 December 2015 and 31 December 2016, our Group had prepayments, deposits and other receivables of approximately RMB0.6 million, RMB6.5 million and RMB8.6 million, respectively. The following table sets out a breakdown of prepayments, deposits and other receivables of our Group as at 31 December 2014, 31 December 2015 and 31 December 2016:

	<u>As at 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	557	6,437	6,856
Deposits	3	3	3
Other receivables	<u>5</u>	<u>55</u>	<u>1,751</u>
 Total	 <u><u>565</u></u>	 <u><u>6,495</u></u>	 <u><u>8,610</u></u>

As at 31 December 2014, 31 December 2015 and 31 December 2016, prepayments, deposits and other receivables of our Group mainly represented prepayment to suppliers, prepayment for the purchase of equipment, prepaid insurance and prepayment for Listing expenses. The balance increased from approximately RMB0.6 million as at 31 December 2014 to approximately RMB6.5

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million as at 31 December 2015 was mainly attributable to (i) the prepayment of Listing expenses of approximately RMB1.7 million as at 31 December 2015 for deduction from equity upon Listing; and (ii) the increase in the prepayment to our suppliers for the purchase of tinplate coil and consumables by approximately RMB3.8 million at the year end of 2015.

The balance increased from approximately RMB6.5 million as at 31 December 2015 to approximately RMB8.6 million as at 31 December 2016 mainly attributable to the combined result of (i) the increase in the prepayment of Listing expenses from approximately RMB1.7 million as at 31 December 2015 to approximately RMB4.3 million for deduction from equity upon Listing; (ii) the increase in other receivables to approximately RMB1.8 million as at 31 December 2016, which mainly represented value-added tax (“VAT”) recoverable; and (iii) the decrease in the prepayment to our suppliers for the purchase of tinplate coil and consumables by approximately RMB2.2 million as at 31 December 2016.

Trade and bills payables

Our Group’s trade and bills payables amounted to approximately RMB25.6 million, RMB30.2 million and RMB43.9 million as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. The following tables set out the breakdown of our trade and bills payables as at 31 December 2014, 31 December 2015 and 31 December 2016 and trade payable turnover days for the Track Record Period:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	12,889	21,848	33,258
Bills payable	12,671	8,382	10,644
Total	25,560	30,230	43,902
	Year ended 31 December		
	2014	2015	2016
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade payable turnover days ^(Note)	134.8	119.3	161.8

Note: Trade payable turnover days are calculated by dividing the average trade and bills payables balance by cost of sales for the relevant period multiplied by the number of days during the period (i.e. 365 days for the two years ended 31 December 2015 and 366 days for the year ended 31 December 2016). Average trade and bills receivables balance is the average of the beginning and ending trade and bills payables balances for the relevant period.

During the Track Record Period, the payment terms offered by our suppliers and subcontractors were usually settlement by (i) bank transfer within 90 days after monthly statement; or (ii) bank acceptance bills (with maturity ranging from 60 days up to six months) to be issued

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within a period of up to 90 days after receiving supplier's monthly statement. For details of the typical payment term with our five largest suppliers during the Track Record Period, see "Business — Suppliers — Five largest suppliers".

Our balance of trade and bills payables increased from approximately RMB25.6 million as at 31 December 2014 to approximately RMB30.2 million as at 31 December 2015. Such increase was mainly due to the increase in our purchases in the last quarter of 2015 as compared to the same period in 2014, which was in line with the increase in our revenue.

As at 31 December 2016, our balance of trade and bills payables increased to approximately RMB43.9 million. Such increase was mainly due to (i) the increased purchase price of tinplate coils since May 2016; and (ii) the increase in purchase of tinplate coils in the fourth quarter of 2016. For details, see "— Description and analysis of principal items in the consolidated statements of financial position — Inventories".

Bills payables represent bank acceptance bills issued by us to our suppliers. Our bills payables are secured by (i) the pledge of buildings held by our Group; (ii) the pledge of payments for leasehold land held for own use under operating lease by our Group; and (iii) restricted bank deposits. As at 31 December 2014, 31 December 2015 and 31 December 2016, the unutilised banking facilities in respect of bank acceptance bills amounted to approximately RMB13.3 million, RMB17.6 million and RMB1.0 million, respectively.

On the other hand, trade payable turnover days were relatively stable and only slightly decreased from approximately 134.8 days for the year ended 31 December 2014 to approximately 119.3 days for the year ended 31 December 2015, which was mainly due to the increase in proportion of purchases from suppliers with relatively shorter credit term during the year ended 31 December 2015 as compared to the prior year.

For the year ended 31 December 2016, our trade payable turnover days increased to approximately 161.8 days, which was mainly attributable to our increase in purchases of tinplate coils in the fourth quarter of 2016 and the increased purchase price of tinplate coils since May 2016.

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The following table sets out an ageing analysis of our Group's trade and bills payables as at 31 December 2014, 31 December 2015 and 31 December 2016 based on invoice date:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	5,336	4,510	10,631
More than 1 month but less than 3 months	9,465	12,438	24,200
More than 3 months but less than 6 months	7,580	8,844	4,901
More than 6 months but less than 1 year	1,486	3,005	1,733
Over 1 year	<u>1,693</u>	<u>1,433</u>	<u>2,437</u>
Total	<u>25,560</u>	<u>30,230</u>	<u>43,902</u>

As at the Latest Practicable Date, approximately 69.6% of our Group's trade and bills payables as at 31 December 2016 were subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade and bills payables during the Track Record Period.

Accruals and other payables

As at 31 December 2014, 31 December 2015 and 31 December 2016, our Group had accruals and other payables of approximately RMB9.2 million, RMB7.9 million and RMB10.6 million, respectively. The following table sets out a breakdown of the balance as at 31 December 2014, 31 December 2015 and 31 December 2016:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accruals	1,415	5,004	8,091
Other tax payables	5,685	624	385
Other payables	<u>2,116</u>	<u>2,304</u>	<u>2,129</u>
Total	<u>9,216</u>	<u>7,932</u>	<u>10,605</u>

Accruals mainly comprised of (i) accruals of Listing expenses; (ii) accrued salaries; and (iii) accrued fuel costs, utility costs, office supplies and other amenities costs. Accrual increased from approximately RMB1.4 million as at 31 December 2014 to approximately RMB5.0 million as at 31 December 2015, mainly due to (i) the accruals of Listing expenses of approximately RMB3.2

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million as at 31 December 2015; and (ii) the increase in accrued salaries as a result of the salary increment in 2015. Our accruals further increased to approximately RMB8.1 million as at 31 December 2016 primarily attributable to the increase in accruals of Listing expenses from approximately RMB3.2 million as at 31 December 2015 to approximately RMB6.5 million as at 31 December 2016.

Other tax payables mainly comprised of VAT payable and other tax payable including land use tax, property tax and urban maintenance and construction tax, which decreased from approximately RMB5.7 million as at 31 December 2014 to approximately RMB0.6 million as at 31 December 2015, and further decreased to approximately RMB0.4 million as at 31 December 2016. The amount of VAT payable was affected by the amounts of sales and purchases invoiced near the end of each reporting period.

The decrease in VAT payable as at 31 December 2015 as compared to 31 December 2014 was primarily because our Group did not issue sales invoices to our customers immediately upon the orders were delivered unless when requested by our customers after they agreed and confirmed with us the reconciliation of monthly statement summaries in respect of sale and purchase of goods. During the fourth quarter of 2014, most of our customers requested our Group to provide them with the sales invoices for their purchase which might be, to the best of the knowledge and belief of our Directors, as a result of our customers' need to finalise their purchase accounts before the commencement of their annual audit. Hence, our Group recorded significant amount of VAT payable as at 31 December 2014.

On the other hand, following the enhancement of our internal control measures during the first half of 2015, we have implemented certain internal control policies, including the establishment and systemisation of the sales procedure which require our sales department to issue invoices to our customers, with assistance of our accounting department, upon their purchases and maintain a proper sales record.

We engaged our Internal Control Consultant to conduct internal control review over our Group's internal control, including Wancheng Shunde's internal control policy and procedures over VAT reporting process, in March 2015. Based on our Internal Control Consultant's review and recommendation, we have implemented rectification and improvement measures. Our Internal Control Consultant has conducted reviews for the rectification and improvement measures on the internal control policy and procedures over VAT reporting process in June 2015, April 2016 and June 2016, and confirmed that nothing has come to their attention that causes them to believe that the internal control policy and procedures over VAT reporting process is ineffective in all material respects upon the conduct of the aforesaid reviews.

Hence, our balance of VAT payable was stabilised during the year ended 31 December 2015. As combined with the slight increase in purchases near the year end of 2015 as compared to the same period in 2014, the VAT payable as at 31 December 2015 decreased significantly as compared to 31 December 2014.

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The decrease in other tax payable as at 31 December 2016 was mainly due to the turnaround of VAT payable as at 31 December 2015 to VAT recoverable as at 31 December 2016.

Other payables mainly comprised of provisions for social insurance and housing provident fund and other payables such as diesel expense and auditors' remunerations. The balance remained relatively stable as at 31 December 2014, 31 December 2015 and 31 December 2016.

Our Directors confirm that our Group did not have any material default in payment of accruals and other payables during the Track Record Period.

Amounts due from and to related parties

The following table sets out for a summary of the amounts due from and to related parties as at the end of each reporting period during the Track Record Period:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from a Director	—	540	—
Amount due from a Shareholder	4,800	—	—
Total	4,800	540	—
Amount due to a Director	7,266	—	—

The amount due from a Shareholder represented the amount of Pre-IPO Investment which was committed in 2014 and was subsequently settled in 2015. The amount due from a Director was mainly for the personal funding requirement of the relevant Director. As at 31 December 2016, the amount due from a Director was fully settled. These amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

All the outstanding amounts due from and to related parties, if any, will be fully settled prior to Listing.

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INDEBTEDNESS

During the Track Record Period, our Group's indebtedness mainly included (i) secured bank borrowings; and (ii) amount due to a Director.

Bank borrowings and banking facilities

The following table sets forth our bank borrowings as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>
Secured bank borrowings	10,000	34,000	39,000	39,000

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, our bank borrowings were denominated in RMB, which are repayable on demand or within one year. They bear interest at a floating interest rate with reference to the benchmark lending rate as determined by the People's Bank of China. For the three years ended 31 December 2016, their effective interest rate was approximately 7.01%, 5.91% and 4.79% per annum, respectively.

We drawdown and repay our bank borrowings from time to time for the purchase of raw materials. The increase in our bank borrowings from RMB10.0 million as at 31 December 2014 as compared to RMB34.0 million as at 31 December 2015 was mainly due to the repayment of RMB24.0 million and the drawdown of RMB48.0 million during the year ended 31 December 2015 to enhance our liquidity position in view of the increase in outstanding trade receivables balance at the end of 2015.

As at 31 December 2016, our bank borrowings further increased to RMB39.0 million due to the additional bank borrowing of RMB5.0 million drawn down by our Group in March 2016 for purchases of raw materials to meet the production requirements for the sales order to be delivered in April 2016. Such bank borrowings of RMB5.0 million was repaid in May 2017.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, our Group had banking facilities in respect of bank borrowings of RMB35.0 million, RMB35.0 million, RMB40.0 million and RMB40.0 million, respectively, of which RMB10.0 million, RMB34.0 million, RMB39.0 million and RMB39.0 million had been utilised. The banking facilities and the bank borrowings thereunder are secured by (i) the pledge of buildings held by our Group; and (ii) the pledge of payments for leasehold land held for own use under operating lease by our Group. The banking facilities contain conditions and covenants that require us to obtain the bank's consents prior to certain activities and entering into certain transactions, such as reduction in registered capital and material investment or disposal of assets. The banking facilities also contain

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requirements in respect of financial ratios, such as loss to registered capital ratio, of Wancheng Shunde. In August 2016, we had renewed our banking facilities in respect of bank borrowings of RMB40.0 million with the same terms and conditions.

Our Directors confirm that there had not been any delay or default in repayment of borrowings or material breach with the covenants or requirements contained in our facility agreements that would affect the renewal of such agreements throughout the Track Record Period and up to the Latest Practicable Date.

Our Directors further confirm that there was no material delay or default in payment of bank borrowings and there was no material difficulties in obtaining banking facilities with terms that are commercially acceptable to us during the Track Record Period and up to the Latest Practicable Date.

Amounts due to a Director

The following table sets out the balance of the amount due to a Director as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Amount due to a Director	7,266	—	—	—

The above balance was non-trade nature, unsecured, interest-free and repayable on demand. For details, see “— Description and analysis of principal items in the consolidated statements of financial position — Amounts due from and to related parties”.

Contingent liabilities

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, we did not have any material contingent liabilities or guarantees.

Save as disclosed above, and apart from intra-group liabilities, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, foreign exchange liabilities or other material contingent liabilities as at 30 April 2017.

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Material indebtedness change

Our Directors confirm that, up to the Latest Practicable Date, there had been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 30 April 2017. As at the Latest Practicable Date, our Group did not have any plan to raise any material debt financing shortly after Listing.

The respective dates of maturity of our outstanding bank borrowings as at 30 April 2017 fall within October 2017, November 2017 and February 2018. We intend to repay the bank borrowings with our cash on hand when or before they fall due after Listing. We also plan to repay part of the bank borrowings with the net proceeds from the Share Offer. For details, see “Future Plans and Use of Proceeds”.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions regarding the sales of scrap materials and the remuneration for our key management personnel, details of which are set out in note 27 to the Accountant’s Report. Our Directors confirm that during the Track Record Period, the terms of these related party transactions were conducted on arm’s length basis based on normal commercial terms, and were no less favourable than terms available from Independent Third Parties which are considered fair and reasonable.

Having considered that the amounts of these related party transactions are immaterial as compared to the revenue generated by our Group, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

Our Directors confirm that, save for the related party transactions related to remuneration for our key management personnel, the related party transaction related to sales of scrap materials was an one-off transaction and our Company will not conduct such transaction after Listing.

OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

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ANALYSIS OF KEY FINANCIAL RATIOS

	Year ended 31 December		
	2014	2015	2016
Net profit margin before interest and tax (%) (Note 1)	12.3	10.8	13.3
Net profit margin (%) (Note 2)	7.9	5.2	6.2
Return on equity (%) (Note 3)	23.8	14.9	15.3
Return on total assets (%) (Note 4)	9.0	5.2	5.1
Interest coverage (times) (Note 5)	7.6	6.7	6.7
	As at 31 December		
	2014	2015	2016
Current ratio (Note 6)	1.2	1.3	1.3
Quick ratio (Note 7)	1.0	1.1	1.1
Gearing ratio (%) (Note 8)	51.5	85.7	81.1
Debt-to-equity ratio (%) (Note 9)	33.9	51.1	N/A

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax expense for the period divided by total revenue for the period multiplied by 100%.
2. Net profit margin is calculated based on the net profit for the period divided by total revenue for the period and multiplied by 100%.
3. Return on equity is calculated based on the net profit for the period divided by issued share capital and reserves at the end of the period and multiplied by 100%.
4. Return on total assets is calculated based on the net profit for the period divided by total assets at the end of the period and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax for the period divided by interest expenses for the period.
6. Current ratio is calculated based on the total current assets at the end of the period divided by the total current liabilities at the end of the period.
7. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the period divided by the total current liabilities at the end of the period.
8. Gearing ratio is calculated based on total debt at the end of the period divided by total equity at the end of the period and multiplied by 100%.
9. Debt-to-equity ratio is calculated based on net debt at the end of the period divided by total equity at the end of the period and multiplied by 100%. Net debt is defined to include all borrowings net of cash and cash equivalents.

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Net profit margin before interest and tax

Net profit margin before interest and tax decreased from approximately 12.3% for the year ended 31 December 2014 to approximately 10.8% for the year ended 31 December 2015. Such decrease was mainly due to the Listing expenses of approximately RMB7.2 million having been recognised for the year ended 31 December 2015, the effect of which was mitigated by the increase in revenue and gross profit margin. Excluding the Listing expenses, our Group's net profit margin before interest and tax would have improved to approximately 17.0% for the year ended 31 December 2015, which was mainly attributable to the increases in revenue and gross profit margin for the year ended 31 December 2015 as compared to the prior year.

Net profit margin before interest and tax for the year ended 31 December 2016 increased to approximately 13.3% mainly due to the increase in gross profit margin for the year as compared to the year ended 31 December 2015. Excluding the effect of Listing expenses, net profit margin before interest and tax for the year ended 31 December 2016 would be approximately 20.7%.

Net profit margin

Net profit margin decreased from approximately 7.9% for the year ended 31 December 2014 to approximately 5.2% for the year ended 31 December 2015. The relatively larger decrease in net profit margin as compared to the net profit margin before interest and tax was mainly due to (i) the increase in effective tax rate for the year ended 31 December 2015 as a result of the non-deductible Listing expenses; and (ii) the slight increase in finance cost for bank borrowings. Excluding the Listing expenses, our Group would have recorded net profit margin of approximately 11.4% for the year ended 31 December 2015, reflecting the increases in revenue and gross profit margin.

Net profit margin for the year ended 31 December 2016 remained relatively stable at approximately 6.2% as compared to that of approximately 5.2% for the year ended 31 December 2015. Excluding the effect of Listing expenses, net profit margin for the year ended 31 December 2016 would be approximately 13.6%, reflecting the higher gross profit margin for the same year.

Return on equity

Return on equity decreased from approximately 23.8% for the year ended 31 December 2014 to approximately 14.9% for the year ended 31 December 2015. Such decrease was mainly attributable to (i) the increase in our equity base as a result of the profit recognised for the year ended 31 December 2015; and (ii) the lower net profit for the year ended 31 December 2015 mainly due to the recognition of Listing expenses. Return on equity remained relatively stable at approximately 15.3% for the year ended 31 December 2016.

Return on total assets

Return on total assets decreased from approximately 9.0% for the year ended 31 December 2014 to approximately 5.2% for the year ended 31 December 2015. Such decrease was mainly due to (i) the increase in total assets as a result of the increases in trade and bills receivables, cash and

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cash equivalents and the prepayments, deposits and other receivables; and (ii) the lower net profit for the year ended 31 December 2015 mainly due to the recognition of Listing expenses. Return on total assets remained relatively stable at approximately 5.1% for the year ended 31 December 2016.

Current ratio and quick ratio

Current ratio and quick ratio slightly increased from approximately 1.2 and 1.0 as at 31 December 2014 to approximately 1.3 and 1.1 as at 31 December 2015, respectively, primarily due to increase in current assets as a result of the increases in trade and bills receivables, cash and cash equivalents and prepayments, deposits and other receivables.

Current ratio and quick ratio remained stable at approximately 1.3 and 1.1 as at 31 December 2016, respectively, as compared to those as at 31 December 2015.

Gearing ratio

Gearing ratio increased from approximately 51.5% as at 31 December 2014 to approximately 85.7% as at 31 December 2015 due to the increase in bank borrowings, mitigated by the decrease in amount due to a Director and the increase in equity base mainly attributable to the profit generated for the year ended 31 December 2015.

Gearing ratio slightly decreased to approximately 81.1% as at 31 December 2016 mainly due to the increase in equity base as a result of the profit recognised for the year ended 31 December 2016, mitigated by the additional bank borrowing of RMB5.0 million drawn down by our Group in March 2016.

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Debt-to-equity ratio

Debt-to-equity ratio increased from approximately 33.9% as at 31 December 2014 to approximately 51.1% as at 31 December 2015. Debt-to-equity ratio increased at a lesser extent than gearing ratio mainly due to the increase in our Group's cash and cash equivalents from approximately RMB5.9 million as at 31 December 2014 to approximately RMB13.7 million as at 31 December 2015.

Debt-to-equity ratio was not applicable to our Group as at 31 December 2016 since our Group recorded net cash position as at 31 December 2016.

Interest coverage

Interest coverage slightly decreased from approximately 7.6 times for the year ended 31 December 2014 to approximately 6.7 times for the year ended 31 December 2015. Such decrease was mainly due to the slight increase in finance costs for the year ended 31 December 2015 as compared to the prior year, while the net profit before interest and tax remained stable for the years ended 31 December 2014 and 2015.

Interest coverage for the year ended 31 December 2016 remained relatively stable at approximately 6.7 times mainly due to the combined effect of the proportionately higher interest expenses on bank borrowings incurred for the year as compared to the year ended 31 December 2015 as a result of the higher balance of outstanding bank borrowings during the year ended 31 December 2016 and the additional bank borrowing of RMB5.0 million drawn down by our Group during the year, mitigated by the increase in our net profit before interest and tax due to the increase in gross profit for the year.

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SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

During the Track Record Period, our largest operating cost components included cost of tinplate coil, tinplate processing costs and staff costs. For the year ended 31 December 2015, these three largest operating cost components amounted to approximately RMB52.2 million, RMB13.0 million and RMB13.2 million, respectively, which represented approximately 45.6%, 11.3% and 11.5% of our revenue of approximately RMB114.6 million for the same year, respectively. For the year ended 31 December 2016, these three largest operating cost components changed by approximately (4.9)%, 4.6% and 6.4%, respectively. For the year ended 31 December 2016, these three largest operating cost components amounted to approximately RMB49.7 million, RMB13.6 million and RMB14.0 million, respectively, which represented approximately 41.9%, 11.5% and 11.8% of our revenue of approximately RMB118.5 million for the same year, respectively. Any material fluctuation in these operating cost components may affect the results of our operations.

In this regard, we made a sensitivity analysis on the changes in the cost of tinplate coil, tinplate processing costs and staff costs based on the aforementioned historical fluctuation in such cost components of our Group in the future. This sensitivity analysis is for illustrative purposes only, and the actual results may differ from the sensitivity analysis below.

The following table sets forth the sensitivity analysis on our major operating cost components, namely cost of tinplate coil, tinplate processing costs and staff costs, based on their respective historical year-on-year fluctuations of 4.9%, 4.6% and 6.4%, respectively, for the year ended 31 December 2016 and their effects on our Group's net profit for each financial year end during the Track Record Period with all other variables held constant.

	Increase/(decrease) in percentage	Increase/(decrease) in net profit		
		Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
Cost of tinplate coil	4.9%	(2,454)	(2,558)	(2,433)
	(4.9)%	2,454	2,558	2,433
Tinplate processing costs	4.6%	(495)	(596)	(623)
	(4.6)%	495	596	623
Staff costs	6.4%	(754)	(844)	(898)
	(6.4)%	754	844	898

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Breakeven analysis

For the year ended 31 December 2014, it is estimated that, holding all other variables constant, with an increase in (i) cost of tinplate coil by approximately 21.4%; (ii) tinplate processing costs by approximately 99.9%; or (iii) staff costs by approximately 91.2%, our Group would achieve breakeven in profit or loss.

For the year ended 31 December 2015, it is estimated that, holding all other variables constant, with an increase in (i) cost of tinplate coil by approximately 20.1%; (ii) tinplate processing costs by approximately 81.1%; or (iii) staff costs by approximately 79.6%, our Group would achieve breakeven in profit or loss.

For the year ended 31 December 2016, it is estimated that, holding all other variables constant, with an increase in (i) cost of tinplate coil by approximately 27.0%; (ii) tinplate processing costs by approximately 98.7%; or (iii) staff costs by approximately 95.4%, our Group would achieve breakeven in profit or loss.

CAPITAL EXPENDITURES

Historical capital expenditures

During the Track Record Period, our Group's capital expenditures primarily comprised purchases of (i) machineries of approximately RMB0.2 million, RMB0.9 million and RMB0.5 million for the three years ended 31 December 2016, respectively; (ii) motor vehicles and furniture, fittings and equipment of less than RMB0.1 million for the three years ended 31 December 2016. Our Group principally funded its capital expenditures through internal resources.

Planned capital expenditures

Save for the planned usage of the net proceeds from the Share Offer as disclosed in "Future Plans and Use of Proceeds", the capital commitments as disclosed in "— Capital commitments" below and the additions of property, plant and equipment necessary for our Group's business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

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CAPITAL COMMITMENTS

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, our Group had the following capital commitments:

	As at 31 December			As at 30 April 2017
	2014	2015	2016	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Commitments for machineries:				
Contracted for but not provided	<u>183</u>	<u>200</u>	<u>90</u>	<u>216</u>

Capital commitments in respect of acquisition of machineries which were contracted for but not provided for in our Group's financial information as at 31 December 2015, 31 December 2016 and 30 April 2017 mainly represented the final instalment of machineries purchased which shall be paid after the warranty period.

PROPERTY

As at the Latest Practicable Date, we owned (i) a parcel of land at No. 3 Huada Road, Bianjiao Juweihui, Ronggui Jiedao Banshichu, Shunde District, Foshan, Guangdong Province, the PRC, with a site area of approximately 35,936.2 sq.m.; and (ii) the buildings with a total gross floor area of approximately 19,368.2 sq.m. built on the above parcel of land. For further details about our properties, see "Property Valuation Report" in Appendix III to this prospectus.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to Directors' decision and will depend on, among other things:

- our earnings;
- our financial condition;
- our cash and capital requirements and availability;
- our Shareholders' interests;
- our general business conditions and strategies;
- contractual and legal restrictions on the payment of dividends by us to our Shareholders or to receive dividends from our subsidiaries;
- taxation considerations;

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- possible effects on our creditworthiness; and
- statutory and regulatory restrictions.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Subject to the Companies Law and the Articles of Association, our Directors may under certain circumstances, recommend at its own discretion a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends we will receive from Wancheng Shunde, our operating subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from Wancheng Shunde may also be subject to any restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Currently, we do not have any predetermined dividend distribution ratio.

During the Track Record Period and up to the Latest Practicable Date, no dividend was paid or declared by any of our group entities.

FINANCIAL RISK MANAGEMENT

Credit risk

Our Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and cash at banks. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade receivables and other receivables, individual credit evaluations are performed on customers. These evaluations focus on their past history of making payments when due and current ability to pay, and take into account information specific to them as well as pertaining to the economic environment in which the customers operate. Trade receivables are normally due within 90 days. Normally, our Group does not obtain collateral

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from customers. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Our Group has concentration of credit risk with bills receivables from trade issued by bank. The credit risk on the bills receivables is limited because the counterparties are mainly banks with high credit-rating or with good reputation. For details of our trade and bills receivables, see “— Description and analysis of principal items in the consolidated statements of financial position — Trade and bills receivables”.

Liquidity risk

Our Group’s policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. Our Directors are satisfied that our Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business. Please refer to note 29(b) to the Accountant’s Report for details on the remaining contractual maturities of our Group at the end of each reporting period during the Track Record Period.

Foreign currency risk

As our Group’s revenue and expenses are mainly in RMB and most of our Group’s assets and liabilities are denominated in RMB, which is the functional currency of our Group’s operating subsidiary, Wancheng Shunde, the currency risk resulting from our Group’s daily operations is considered not significant. Our Group currently does not have a foreign currency hedging policy. However, our Directors monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Our Group’s exposure to interest rate risk relates principally to our bank deposits, pledged bank deposits and interest-bearing bank borrowings. Borrowings issued at floating rate expose our Group to cash flow interest-rate risk. Our Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk. Our Group’s policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

Please refer to note 29(d) to the Accountant’s Report for details on the interest rate profile of our Group’s financial instruments and the relevant sensitivity analysis.

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets prepared on the basis of the notes set out below for the purpose of illustrating the effect of the issue of new Shares pursuant to the Share Offer on the net tangible assets of our Group attributable to owners of our Company as if the Share Offer had taken place on 31 December 2016. This unaudited pro forma statement of adjusted consolidated 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 consolidated net tangible assets of our Group attributable to owners of our Company had the Share Offer been completed as of 31 December 2016 or at any future dates.

	Audited consolidated net tangible assets attributable to the owners of our Company as at 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on the Offer Price of HK\$0.50 per Share	<u>48,071</u>	<u>32,860</u>	<u>80,931</u>	<u>0.20</u>	<u>0.22</u>
Based on the Offer Price of HK\$0.70 per Share	<u>48,071</u>	<u>50,242</u>	<u>98,313</u>	<u>0.25</u>	<u>0.28</u>

Notes:

1. The audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2016 is extracted from the audited consolidated net assets of approximately RMB48.1 million as at 31 December 2016, as shown in the Accountant's Report in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.50 and HK\$0.70 per Share, being the lower end to higher end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme. The estimated net proceeds from the Share Offer are converted from Hong Kong dollars to Renminbi at an exchange rate of HK\$1.00 to RMB0.896.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Share Offer as set out in "Share Capital", but takes no account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

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4. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.896. No presentation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group enter into subsequent to 31 December 2016.
6. The property and land interests of our Group as at 31 March 2017 were valued by International Valuation Limited. Details of the valuation in respect of these property and land interests were set out in Appendix III to this prospectus.

The revaluation surplus of the property and land interests under buildings and payments for leasehold land held for own use under operating lease of approximately RMB60.7 million will not be included in our Group's financial statements as of 31 December 2016. Our Group's accounting policy is to state such buildings and payments for leasehold land held for own use at cost less accumulated depreciation and any impairment loss rather than at fair value.

Had all the property and land interests been stated at such valuations, the additional annual depreciation and amortisation would be approximately RMB3.7 million and RMB1.0 million, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that, in the case of dividends to be paid out of our share premium account, immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. As at 31 December 2016, our Company had reserve of approximately RMB38.1 million.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Save as disclosed in this prospectus, our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

POST BALANCE SHEET EVENTS

Please refer to “Summary and Highlights — Recent developments” and “Events after the reporting period” in note 34 to the Accountant's Report.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Please refer to “Summary and Highlights — Recent developments” for details.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVE

Our principal business objective is to further consolidate our market share in the tinplate packaging business and to continue to expand domestically by implementing the following business strategies:

OUR BUSINESS STRATEGIES

We will endeavour to achieve our business objective by implementing the following business strategies in accordance with the schedule set out in “— Implementation plan”. The respective scheduled completion times are based on certain bases and assumptions as set out in “— Bases and assumptions”. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors”. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

1. Purchase of one new production line for production of steel pails

As at the Latest Practicable Date, our Foshan Factory had 18 production lines, of which two were utilised for production of steel pails. Our Directors consider the purchase of one new production line for production of steel pails is important to the growth of our Group for the following reasons:

Historical sales performance and high gross profit margins

Our revenue from the sales of steel pails increased from approximately RMB23.6 million for the year ended 31 December 2014 to approximately RMB45.6 million for the year ended 31 December 2015. Such increase was mainly driven by a significant increase in the sales volume of steel pails from approximately 1.9 million units in the year ended 31 December 2014 to approximately 3.7 million units in the year ended 31 December 2015, representing a significant increase of approximately 96.6%, which was primarily attributable to the sales of approximately 1.5 million units of steel pails to over 40 new customers in the year ended 31 December 2015, which contributed revenue of approximately RMB19.4 million for the year ended 31 December 2015.

Our revenue from the sales of steel pails increased from approximately RMB45.6 million for the year ended 31 December 2015 to approximately RMB48.0 million for the year ended 31 December 2016. Such increase was mainly driven by an increase in the sales volume of steel pails from approximately 3.7 million units in the year ended 31 December 2015 to approximately 4.1 million units in the year ended 31 December 2016. The continuous increase in sales volume of steel pails was primarily attributable to the sales and marketing strategies adopted by our Group starting from the year ended 31 December 2015 and the growth of the market size of steel pail industry for paint and coatings in the PRC and Guangdong Province driven by a series of environmental policies implemented by the PRC government.

FUTURE PLANS AND USE OF PROCEEDS

During the Track Record Period, our gross profit margin of steel pails increased from 25.4% in the year ended 31 December 2014 to 39.8% in the year ended 31 December 2015 and further to 40.3% for the year ended 31 December 2016, as compared to the gross profit margin for tin cans of 11.1%, 13.8% and 14.6% for the same periods, respectively.

During the Track Record Period, revenue for steel pails from our five largest customers excluding Valspar Group generally increased. Combined with our Group's increased sales efforts to broaden our customer base by actively acquiring new customers for tinplate packaging products of higher capacities (i.e. 10 L or above), which include steel pails, our Directors believe there will be continued demand for steel pails from our existing and potential customers.

Continued increase in revenue for steel pails and potential growth

For steel pails, we recorded revenue of approximately RMB48.0 million for the year ended 31 December 2016, representing an increase of approximately 5.3% as compared to that of approximately RMB45.6 million for the prior year. Taking into consideration (i) our recent sales performance of steel pails during the year ended 31 December 2016 as compared to the prior year as mentioned above; (ii) the expected growth rate of the market size of the tinplate packaging industry for paint and coatings in the PRC and Guangdong Province, particularly for products with higher capacities (i.e. 10 L or above), based on the CIC Report; (iii) our increased sales efforts to broaden our customer base by actively acquiring new customers for tinplate packaging products of higher capacities (i.e. 10 L or above); and (iv) our plan to further expand our customer base as detailed in "Future Plans and Use of Proceeds", we expect to record an increase in our revenue from the sales of steel pails for the year ending 31 December 2017 based on the principal assumptions detailed in "Summary and Highlights — Recent developments".

Increasing demand for tinplate packaging products of higher capacities in the PRC

According to the CIC Report, it is expected that the market size of tinplate packaging products with higher capacities of 10 L or above in Guangdong Province will further grow at a CAGR of approximately 6.5% between 2017 and 2021, as compared to that of approximately 1.7% for the market size of tinplate packaging products with lower capacities of below 10 L. It is expected that the market size of tinplate packaging products with higher capacities of 10 L or above in the PRC will further grow at a CAGR of approximately 8.6% between 2017 and 2021, as compared to that of approximately 4.1% for the market size of tinplate packaging products with lower capacities of below 10 L. Among the products with higher capacities of 10 L or above, the market size of steel pails is expected to grow faster.

In addition, according to the CIC Report, driven by a series of environmental policies implemented by the PRC government, the market size of water-based paint and coatings in the PRC and Guangdong Province has grown and is expected to continue to grow between 2017 and 2021. Since steel pails generally have larger openings compared with tin cans, it is industry norm for manufacturers of paint and coatings to prefer to use steel pails to package

FUTURE PLANS AND USE OF PROCEEDS

odourless water-based paint and coatings, while solvent-based paint and coatings with odour are generally stored in tin cans. Steel pails which have larger openings compared to tin cans are more suitable for odourless water-based paint and coatings as they allow a large volume to be poured in quickly, which expedites the packaging process, and whether the container can minimise odour emission is not relevant in case of odourless water-based paint and coatings. On the contrary, tin cans are more suitable for solvent-based paint and coatings with odour as any leakage from a smaller opening during storage, distribution and handling will cause a lesser impact. Therefore, with the expanding water-based paint and coatings market in the PRC and Guangdong Province, the market size of the steel pail industry for paint and coatings in the PRC and Guangdong Province is expected to grow accordingly.

Our Directors believe, given our historical growth and the potential growth in the demand for steel pails, that the purchase of one new production line for production of steel pails is necessary to meet the increasing demand from customers and hence improve our profitability.

Historical utilisation rate of the production lines for steel pails

The utilisation rate of our production lines for steel pails increased from approximately 41.9% for the year ended 31 December 2014 to approximately 86.0% for the year ended 31 December 2015 and approximately 90.7% for the year ended 31 December 2016.

Maintaining our competitiveness by purchasing an imported, fully automatic production line

Valspar Group has written to us suggesting us to install an imported steel pail production line to improve production capacity and product quality, after considering the equipment and machinery of our competitor and their own needs. According to the CIC Report, the largest manufacturer of tinsplate packaging products for paint and coatings in the PRC in 2016 by sales revenue, which is also one of our major competitors, plans to build production lines of tinsplate packaging products for paints and coatings with foreign-imported machines by 2017. Another major competitor of ours, which according to the CIC Report was the third largest manufacturer of tinsplate packaging products for paint and coatings in the PRC in 2016 by sales revenue, stated in their prospectus published in 2009 that their production lines utilised advanced imported equipment with automated process. Our Directors have observed this trend towards the use of fully-automated imported production lines and believe that the use of such a production line is an important means for us to further improve our product quality, upgrade our Group, maintain our competitiveness and keep ahead of the competition, not only for Valspar Group's business but also in the market.

The new production line will be imported from Taiwan. It will be fully automatic and equipped with different machines. The new production line will increase our production capacity and product quality. Full automation is expected to bring (i) a reduction in our annual manpower costs of approximately RMB400,000; and (ii) an increase in our annual production capacity of steel pails to approximately 8.6 million units based on the assumptions as set out in Note 1 in "Business — Production — Production facilities", which will enable us to accept

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orders from more new customers. With such reduction in manpower costs and higher production capacity, we will have more resources to further improve our quality control. For example, we intend to hire additional quality control staff, including a quality control manager, with the amount of manpower costs saved with the new production line.

Our Directors, based on their best knowledge and industry experience, consider that constrained by the design of our existing tin can production lines, we are unable to modify any of them to a fully-automated steel pail production line with compatible production capacity and product quality with that our Group intends to purchase. Even if we can build a steel pail production line through the modification of the existing tin can production line, our Directors also consider the modification process will be unduly complicated, time consuming, resource-intensive, and the modified production line may not produce steel pail of desirable quality. Specifically, our Directors are of the view that such modification is not commercially justified for the following reasons:

- (i) lengthy procurement lead time: as certain of our existing machines are aged, some of the tools, parts and components suitable and required for modification will be difficult to be sourced. Therefore, it could be a lengthy process to source and locate such tools, parts and components across different suppliers;
- (ii) complex equipment conversion: since the production processes of tin cans and steel pails are not entirely similar, the modification may require mechanically changing the equipment configurations (for example, replacing certain tools and parts of our existing tin can production line to accommodate the modified steel pail production line) and that numerous test production runs and tuning are required to ensure that the modified production line is able to meet the performance standard of the target output, rendering the process complex and time-consuming;
- (iii) undue production down time: currently, all of our existing tin can production lines function for the production of tin cans of different product specifications. Our existing tin can production line to be modified must be shut down for the modification while there is no need to shut down any of our existing tin can production line for the purchase and installation of a new steel pail production line;
- (iv) irreversible conversion: once modified, the modified production line will be dedicated to manufacture steel pails and will not be entirely suitable for tin can production. We used all of our tin can production lines for production during the Track Record Period as we simultaneously produced tin cans of different product specifications. If there are occasions that we have to increase our tin can production due to business needs, we will have to adopt other capacity planning measures or else we may not be able to efficiently and timely meet the needs of our customers; and

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- (v) incomparable product quality and production efficiency: as constrained by the specification of our existing aged machineries, a modified steel pail production which comprised both our existing machines and new machines which are compatible with our existing machines are of lower production quality and production capacity than a fully automated steel pail production line which our Group intends to purchase for maintaining our competitiveness amongst major competitors and meeting the requirement of our major customers.

Details of the new production line

Set out below are further details of the new production line:

Source of supply	Taiwan
Total purchase cost	HK\$16 million (equivalent to approximately RMB13.5 million)
Source of funding	Net proceeds from the Share Offer
Timing of payment	<ul style="list-style-type: none">● 40% to be paid within eight days after confirmation of purchase order● 30% to be paid within one year of delivery of machines● 30% to be paid within two years of delivery of machines
Proposed timing of implementation	<ul style="list-style-type: none">● Confirm purchase order for new machines by August 2017● New machines expected to be delivered by September 2017● Installation, testing and adjustment in a 60-day period● Fully operational by end of 2017
Products	Steel pails of 29 cm to 40 cm in height and 26 cm to 30 cm in diameter
Production capacity	Up to 35 units per minute

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Estimated additional depreciation to be incurred Straight-line basis on 10% per annum, amounting to approximately RMB1.2 million for each full financial year

Location In our existing Foshan Factory

Machines (one set each) Automatic welding machine, powder coating machine (for interior and exterior of steel pail), off frequency dry heating machine (includes cooling), pre-rolled, flanging and coil forming machine, seaming machine, two-headed welding ear machine, steel pail ear coating machine, high frequency dry heating machine (includes cooling), air pressure testing machine, handle placement machine, packaging machine

The costs of installation and testing are included in the total purchase cost.

The table below sets out the breakdown of the costs of the new production line.

Name of machine	Approximate cost
	<i>RMB'000</i>
Automatic welding machine	1,800
Powder coating machine (for interior and exterior of steel pail)	700
Off frequency dry heating machine (includes cooling)	500
Pre-rolled, flanging and coil forming machine	1,100
Pre-rolled, flanging, coil forming and tendon bulging machine	1,300
Seaming machine	1,500
Two-headed welding ear machine	1,500
Steel pail ear coating machine	600
High frequency dry heating machine (includes cooling)	500
Air pressure testing machine	1,500
Handle placement machine	1,500
Packaging machine	1,000
Total	13,500

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2. Upgrade of our existing production lines

In order to increase our overall production efficiency, we intend to purchase machinery and equipment, such as flanging machine, welding machine, seaming machine, coating machine, electromagnetic heaters and packaging machine, with upgraded or advanced models, to upgrade our existing production lines. Our Directors consider that the upgrading of our production line will enhance our overall production efficiency as well as allow us to have better control over our operating costs, and ultimately enhance our profitability.

Set forth below is a summary of the average age and remaining useful life of our major machinery as at the Latest Practicable Date:

<u>Major equipment</u>	<u>No. of machines</u>	<u>Approximate age</u> <i>(average year)</i>	<u>Approximate average remaining useful life</u> <i>(year)</i>	<u>Approximate range of remaining useful life</u> <i>(year)</i>
Cutting	20	13.9	6.1	1.03–18.53
Extrusion	122	15.6	4.4	1.03–12.28
Welding	23	11.7	8.3	0.77–18.53
Flanging	19	10.8	8.1	1.53–19.03
Seaming	80	12.4	6.9	0.86–19.53

On average, our machines are over ten years in age and as individual parts of machinery are difficult to replace, new replacement machines will have to be purchased. It is our inventory policy that individual machines of ten years of age will be considered for replacement.

3. Expansion of our customer base

In order to attract potential customers, we intend to continue participating in industrial exhibitions in the PRC to promote our tinplate packaging products. We attended CHINACOAT 2016, an international exhibition for coatings and coating related products, which was held in Guangzhou City, Guangdong Province from 30 November 2016 to 2 December 2016 where we promoted our tinplate packaging products through a show booth with display of samples, product brochures and explanations provided by our staff. We also plan to expand our sales team with experienced staff in order to focus on the soliciting of new customers for our product portfolio. We aim to achieve stable growth and reduce our concentration risk in any single customer group by the expansion of our customer base.

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objectives depends on the following general assumptions and specific assumptions:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or the PRC or in any other places in which any member of our Group carries on its business or will carry on its business;
- we will continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions;
- there will be no material changes in the bases or rates of taxation in Hong Kong or the PRC or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations whether in Hong Kong or the PRC or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our business relationship with our major customers and suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined in “— Implementation plan”;
- the Share Offer will be completed in accordance with and as described in “Structure and Conditions of the Share Offer”;
- we will not be materially affected by the risk factors as set out in “Risk Factors”; and
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

We will endeavour to achieve the following milestone events during the period from the Listing Date to 31 December 2019. The respective scheduled completion time for these events are based on certain bases and assumptions as set out in “— Bases and assumptions”.

	For the six months ending					Total HK\$'000
	From the Listing Date to 31 December 2017 HK\$'000	30 June 2018 HK\$'000	31 December 2018 HK\$'000	30 June 2019 HK\$'000	31 December 2019 ^(Note) HK\$'000	
1. Purchase of one new production line for production of steel coils						
(i) Purchase of the machinery and equipment comprising the new production line;			Payment for the second instalment of the relevant purchase costs of machinery and equipment	Payment for the remaining balances of the relevant purchase costs of machinery and equipment	—	—
(ii) Installation and trial run of the new production line;						
(iii) Completion of the applicable regulatory formalities, such as performing the relevant environmental impact assessment and obtaining the relevant environmental completion acceptance;						
(iv) Commencement of production with the new production line by end of 2017; and						
(v) Payment for the initial deposits of the relevant purchase costs of machinery and equipment		6,400	4,800	4,800	—	16,000
<i>Amount to be applied from the net proceeds from the Share Offer</i>						
2. Upgrade our existing production lines						
Purchase of one flanging machine, two welding machines, two seaming machines, one coating machine and two electromagnetic heaters and one packaging machine, and payment for the initial deposits of the relevant purchase costs				Payment for the remaining balances of the relevant purchase costs	—	—
<i>Amount to be applied from the net proceeds from the Share Offer</i>	2,380					2,900
3. Partial repayment of bank loan						
Partial repayment of bank loan in the amount of RMB10 million						—
<i>Amount to be applied from the net proceeds from the Share Offer</i>	7,800					7,800
Subtotal	16,580	520	4,800	4,800	—	26,700
4. Expansion of our customer base						
(i) Recruitment of experienced sales staff; and						
(ii) Participation in industrial exhibitions to promote our products						
5. General working capital						
<i>Amount to be applied from the net proceeds from the Share Offer</i>						1,800
Total						<u>28,500</u>

Note: We intend to utilise our net proceeds and complete our implementation plan by 30 June 2019. Therefore, there is no implementation plan for the six months ending 31 December 2019.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE SHARE OFFER AND THE LISTING

Our Company intends to raise funds by the Share Offer in order to pursue our business objective as set out in “— Business objective”. Our Directors believe that the net proceeds from the Share Offer will strengthen our Group’s financial position.

Based on the Offer Price of HK\$0.60 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.50 to HK\$0.70 per Offer Share, we will receive gross proceeds of HK\$60.0 million. The net proceeds from the Share Offer are estimated to be approximately HK\$28.5 million, after deducting the underwriting commission and other estimated expenses in the amount of approximately HK\$31.5 million, payable by our Company in relation to the Share Offer. We intend to apply such net proceeds from the Share Offer as follows:

- approximately HK\$16.0 million, representing approximately 56.1% of the net proceeds from the Share Offer, will be used for the purchase of one new production line for production of steel pails;
- approximately HK\$2.9 million, representing approximately 10.2% of the net proceeds from the Share Offer, will be used for the upgrade of our existing production lines;
- approximately HK\$7.8 million, representing approximately 27.4% of the net proceeds from the Share Offer, will be used for the partial repayment of bank loan in the amount of RMB10.0 million. On 11 August 2015 and 22 March 2016, Wancheng Shunde entered into loan agreements with its principal bank for loan facilities of up to RMB35.0 million and up to RMB5.0 million, respectively, with interest at a floating rate with reference to the benchmark lending rate as determined by the People’s Bank of China. Upon their expiry in August 2016, Wancheng Shunde entered into a renewed loan agreement with its principal bank for a loan facility of up to RMB40.0 million with the same terms and conditions. The loan facility was secured by certain of our buildings and payments for leasehold land held for own use under operating lease. The purpose of the loan facility was for payment of purchase of goods in the ordinary course of business of our Group. At the close of business on 30 April 2017, we had outstanding bank borrowings of RMB39.0 million under the loan facility. For the two years ended 31 December 2016, the effective interest rate of the bank borrowings was approximately 5.91% and 4.79% per annum, respectively. The respective dates of maturity in respect of our outstanding bank borrowings as at 30 April 2017 fall within October 2017, November 2017 and February 2018. For further details of our bank borrowings, see “Financial Information — Indebtedness — Bank borrowings and banking facilities”; and
- approximately HK\$1.8 million, representing approximately 6.3% of the net proceeds from the Share Offer, will be used as general working capital of our Group.

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the mid-point of the indicative Offer Price range.

FUTURE PLANS AND USE OF PROCEEDS

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or place the proceeds on short-term interest bearing deposit accounts with licensed banks and/or financial institutions in Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the Share Offer to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and potential investors of the changes in compliance with the GEM Listing Rules.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK\$9.7 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

Our Directors consider that the Listing will:

- (i) facilitate the implementation of our business strategies in the following ways:
 - (a) the net proceeds from the Share Offer will provide us with the necessary financial resources to implement our business strategies as disclosed in “— Our business strategies”;
 - (b) we will be able to gain access to capital markets directly for future fund raising through the issuance of equity and debt securities, which could involve lower financing cost as opposed to obtaining interest-bearing bank loans as a private company. During the Track Record Period, we have been relying on internally generated funds and bank borrowings to cater our working capital needs to our operation. In light of the improvement in working capital since our implementation of enhanced internal control measures on trade receivables and to maintain our financial position with a lower gearing ratio, we intend to repay the bank borrowings with our cash on hand when or before they fall due after Listing. Based on our unaudited management accounts for April 2017, we had cash and cash equivalents of approximately RMB45.9 million and bank borrowings of approximately RMB39.0 million, representing a net balance of less than RMB7.0 million. In addition, the financing process of equity financing is usually simpler and quicker than negotiating bank borrowings and therefore would allow us to react promptly to market conditions; and
 - (c) the listing status will strengthen our market position and competitiveness, enhance our reputation and corporate profile and raise our brand publicity. Our Directors believe that having a listing status can enhance our corporate profile and credibility with the public and potential business partners. According to the CIC Report, in 2016, there were over 450 manufacturers of tinplate packaging products for paint and coatings in the PRC, of which approximately 140 to 190 were located in

FUTURE PLANS AND USE OF PROCEEDS

Guangdong Province and the top ranked manufacturer is a company listed on the Shenzhen Stock Exchange. Our Directors are of the view that a listing status helps to distinguish our Group from the vast number of tinsplate packaging products manufacturers and is a complimentary advertising for our Group to a larger pool of potential customers, particularly paint and coating companies, of larger scale, both in Guangdong Province and other areas in the PRC through which we will be able to maintain and expand our customer base. In addition, our Directors are of the view that the Listing will also increase our bargaining power in negotiating terms with potential business partners. As a listed entity, customers, suppliers and subcontractors will have public access to our Group's corporate and financial information, and they will have more confidence in the quality of our products, our financial strength and credibility, transparency in operations and financial reporting, and our internal control systems;

- (ii) further enhance our corporate governance practices including internal control, risk management and audit practices;
- (iii) diversify the risk of ownership among a larger group of shareholders, which is important as we continue to expand our business. Our Controlling Shareholders are not selling any Shares as part of the Share Offer and intend to enjoy the growth of us alongside our investors in the long run. In addition, to demonstrate their commitment to the long-term development of our Group, each of our Controlling Shareholders has voluntarily undertaken to our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that for an additional 48 months commencing on the date on which the undertaking under Rule 13.16A(1)(b) of the GEM Listing Rules expires, he/it shall remain as our controlling shareholder. For details, see “Underwriting — Underwriting arrangements, commissions and expenses — Lock-up undertakings — Undertakings pursuant to the Public Offer Underwriting Agreement — Undertakings by our Controlling Shareholders”;
- (iv) improve our ability to recruit, motivate and retain key management personnel as well as to expediently and effectually capitalise on any of our business opportunities that may arise. In addition, our Directors are of the view that the Listing will enable us to offer an equity-based incentive program (such as a share option scheme) to our employees that more directly correlates to their performance in our business. We would therefore be in a better position to motivate our employees with any incentive programs that are closely aligned with the objective of creating value for our Shareholders; and
- (v) enable our Company to offer an equity-based incentive programme (such as a share option scheme) to our employees that correlates more directly to their performance in our Group's business. Our Company would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Shareholders.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Lego Securities Limited

Sorrento Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 10,000,000 new Shares for subscription by members of 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 approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Division and 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 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. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sponsor and/or the Joint Lead Managers:
 - (i) any statement contained in this prospectus and the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Sponsor and/or the Joint Lead Managers and any announcement or document issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Relevant Documents**”) which, considered by the Sponsor and/or the Joint Lead Managers in its/their sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expression of opinion, intention or expectation contained in any such document is not, in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers, a material omission from the Relevant Documents in the context of the Share Offer; or
- (iii) either (1) there has been a breach of any of the representations, warranties and undertakings or any other provisions set out in the Public Offer Underwriting Agreement by any party thereto (other than the Sponsor, the Joint Lead Managers and the Public Offer Underwriters); or (2) any matter or event showing or rendering any of the representations, warranties and undertakings or any other provisions set out in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of our Controlling Shareholders and the executive Directors pursuant to the indemnity provisions under the Public Offer Underwriting Agreement or the Public Offer to be performed or implemented as envisaged; or
- (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings set out in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers, untrue, incorrect, inaccurate or misleading in any material respect; or
- (vi) approval by the Stock Exchange for the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (viii) any person (other than the Sponsor, the Joint Lead Managers and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

UNDERWRITING

- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or anywhere in the world; or
 - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world; or
 - (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the BVI or the Cayman Islands or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
 - (v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
 - (vi) any change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or

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- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks in “Risk Factors”; or
- (viii) any litigation or claim of material importance being instigated or threatened against any member of our Group or any Director; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, judicial, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (xii) any contravention by any member of our Group or any Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the PRC Company Law, the GEM Listing Rules, the SFO or any applicable laws and regulations; or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting or issuing any of the Offer Shares pursuant to the terms of the Public Offer and/or the Share Offer; or
- (xiv) non-compliance by any member of our Group or any Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Public Offer and/or the Share Offer with the GEM Listing Rules or any other applicable laws and regulations; or
- (xv) other than with the written approval of the Sponsor and/or the Joint Lead Managers, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules; or
- (xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

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- (xviii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group; or
- (xix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group; or
- (xx) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (A) is or may or will be or is likely to be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his or its capacity as such; or
- (B) has or may or will have or is likely to have a material adverse effect on the success or marketability or pricing of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (C) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer and/or the Placing on the terms and in the manner contemplated by the Underwriting Agreements, this prospectus and the Application Forms; or
- (D) has or may or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner

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contemplated by any of the Relevant Documents and the Public Offer Underwriting Agreement or which prevents or delays the processing of applications and/or payments pursuant to the Public Offer and/or Share Offer or pursuant to the underwriting thereof.

Lock-up undertakings

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to and covenanted with the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) that our Company shall not, and each of our executive Directors and Controlling Shareholders has jointly and severally undertaken to and covenanted with the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) that he/it shall procure our Company not to, without the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Share Offer, the grant of any option under the Share Option Scheme, or the allotment and issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other 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 any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and

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- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) that, without the prior written consent of our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, he/it shall not, and shall procure the relevant registered holder(s) and his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it not to:

- (i) at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it; and
- (ii) at any time during the period of 54 months commencing on the date on which the First Six-month Period expires (the “**54-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event that he/it enters into any transaction specified in sub-paragraph (i) above during the 54-month Period (whether or not such transaction will be completed in the aforesaid period), he/it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

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Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sponsor, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) that:

- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date on which the 54-month Period expires, he/it must inform our Company, the Sponsor and the Joint Lead Managers immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of his/its interests in the Shares or other securities of our Company under sub-paragraph (i) above, he/it must inform our Company, the Sponsor and the Joint Lead Managers immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Undertakings pursuant to the GEM Listing Rules

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29(1) to (5) of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to the Share Offer, he/it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) at anytime during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s); and

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- (ii) at anytime during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder.

Each of our Controlling Shareholders has undertaken to and covenanted with our Company and the Stock Exchange that:

- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, he/it must inform our Company, the Sponsor and the Joint Lead Managers immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of his/its interests in the Shares or other securities of our Company under sub-paragraph (i) above, he/it must inform our Company, the Sponsor and the Joint Lead Managers immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Our Company, our Controlling Shareholders and the executive Directors have agreed to indemnify the Public Offer Underwriters from 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 our Company or our Controlling Shareholders or the executive Directors of the Public Offer Underwriting Agreement.

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

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Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriter is expected to agree to act as an agent of our Company to procure subscribers for the Placing Shares initially offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “— Underwriting arrangements, commissions and expenses — Lock-up undertakings — Undertakings pursuant to the Public Offer Underwriting Agreement”.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Public Offer Shares which are underwritten by the Public Offer Underwriters, out of which they will pay any sub-underwriting commission and will be reimbursed for their reasonable expenses.

For any Offer Shares re-allocated from the Public Offer to the Placing or re-allocated from the Placing to the Public Offer, the underwriting commission will not be paid to the Public Offer Underwriters but will instead be paid, at the rate applicable to the Placing, to the Placing Underwriter.

The total commission and expenses relating to the Share Offer and the Listing (including the GEM Listing fees, legal and other professional fees, and printing) are estimated to be approximately RMB28.2 million (or approximately HK\$31.5 million), assuming an Offer Price of HK\$0.60, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

JOINT LEAD MANAGERS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, none of the Joint Lead Managers and the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of our Group nor any interest in the Share Offer.

SPONSOR'S INTERESTS AND INDEPENDENCE

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, neither the Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the shares of any member of our Group or has any right or option

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(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 Group nor any interest in the Share Offer or has any other business relationship with our Group.

Neither the Sponsor nor any of its directors, employees and close associates has accrued any material benefit as a result of the successful outcome of the Share Offer, other than by way of documentation and financial advisory fee to be paid to the Sponsor for acting as the sponsor of the Share Offer and compliance adviser fee to be paid to the Sponsor for acting as our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules.

None of the directors and employees of the Sponsor has any directorship in our Company or any other companies comprising our Group.

The Sponsor satisfies the independence criteria applicable to the Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE STRUCTURE OF THE SHARE OFFER

Lego Securities Limited and Sorrento Securities Limited are the Joint Lead Managers to the Share Offer.

The Share Offer comprises the Public Offer and the Placing. An aggregate of 10,000,000 Shares are initially allocated to the Public Offer for subscription in Hong Kong (subject to re-allocation as mentioned below) as described in “— The Public Offer”. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An aggregate of 90,000,000 Shares are initially offered under the Placing for subscription (subject to re-allocation as mentioned below) as described in “— The Placing”.

Investors are free to select to apply for the Public Offer Shares or apply for or indicate an interest for the Placing Shares, but may not do both. Our Directors and the Joint Lead Managers will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

PRICING

The Offer Price will not be more than HK\$0.70 per Offer Share and is currently expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable upon application for the Public Offer Shares

Applicants applying for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.70 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,535.27 for each board lot of 5,000 Shares. If the final Offer Price is lower than HK\$0.70 per Offer Share, arrangements will be made to refund any excess amount to the applicants, without interest.

Determining the Offer Price

The Placing Underwriter is soliciting from prospective investors the level of indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding”, is expected to continue up to, and to cease on or around the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date when market demand for the Offer Shares will

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

be determined. The Price Determination Date is expected to be on or before Monday, 10 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree.

The Offer Price is expected to be fixed on the Price Determination Date by agreement among the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company in Hong Kong dollars after the market demand for the Offer Shares has been determined. The Offer Price range disclosed in this prospectus and the Application Forms is indicative only.

Reduction in Offer Price range and/or number of Offer Shares

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, based on the level of interest expressed by prospective investors during the bookbuilding process and after consultation with our Company and with the written consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that disclosed in this prospectus and the Application Forms at any time prior to the morning of the last day for lodging applications under the Public Offer. If the number of Offer Shares and/or the indicative Offer Price range is reduced, 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 last day for lodging applications under the Public Offer, cause there to be published in accordance with the GEM Listing Rules notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company, the Joint Lead Managers and the Sponsor. Upon issue of such notices, the revised number of the Offer Shares and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us will be fixed within such revised Offer Price range. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Lead Manager (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Public Offer.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not become unconditional and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

- (i) the Listing Division granting the listing of, and permission to deal in, on GEM, our Shares in issue, any Shares to be issued pursuant to the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters), and not being terminated in accordance with the terms and conditions of the respective agreements),

in each case, on or before the dates and times specified in the respective 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 which is the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions has not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.wanchengholdings.com.hk on the next business day following such lapse. In such event, all application monies will be refunded, without interest. The terms on which the application monies will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application monies received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bank in Hong Kong.

We expect to issue share certificates for the Offer Shares on Monday, 17 July 2017. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, 18 July 2017 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting arrangements, commissions and expenses — Grounds for termination" has not been exercised.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Our Company is initially offering 10,000,000 Shares under the Public Offer, at the Offer Price, representing 10.0% of the total number of the Offer Shares offered in the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as mentioned below and under the GEM Listing Rules. The Public Offer is managed by the Joint Lead Managers and is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.70 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under "— Conditions of the Share Offer".

If the Public Offer is not fully subscribed for, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate to satisfy demand under the Placing. The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. 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 those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 10,000,000 Public Offer Shares initially available for subscription 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 that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Our Company is initially offering 90,000,000 Shares, at the Offer Price, representing 90% of the total number of the Offer Shares offered in the Share Offer, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the GEM Listing Rules.

The Placing is fully underwritten by the Placing Underwriter upon and subject to the terms and conditions of the Placing Underwriting Agreement.

It is expected that the Placing Underwriter or selling agents nominated by it, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional 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. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Investors subscribing for the Placing Shares are required to pay brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a broad Shareholder base for the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

In addition, our Company and the Joint Lead Managers will use their best endeavours to observe the minimum public float requirement under the GEM Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares. The Placing is subject to the Public Offer being unconditional.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned under “— The Public Offer”.

RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to re-allocation. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers (for

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 3 times or more but less than 5 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be re-allocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 5 times or more but less than 10 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be re-allocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (c) If the number of Public Offer Shares validly applied for under the Public Offer represents 10 times or more but less than 15 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be re-allocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (d) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be re-allocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 100,000,000 Offer Shares, representing 100% of the number of the Offer Shares initially available for subscription under the Share Offer.

In addition, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may, in their sole discretion, re-allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may be re-allocated as between these offerings at the discretion of the Joint Lead Managers. If either the Public Offer or the Placing is not fully subscribed, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the authority to re-allocate any or all unsubscribed Offer Shares from such offering to the other in such proportions as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Monday, 17 July 2017.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares on GEM 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 on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 18 July 2017. Shares will be traded in board lots of 5,000 Shares and are fully transferable. The GEM stock code for the Shares is 8291.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

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 Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM 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;
- a director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- an associate (as defined in the GEM Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Thursday, 6 July 2017 from:

- (i) any of the following addresses of the Public Offer Underwriters:

Lego Securities Limited

Room 804
8/F
Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Sorrento Securities Limited

11/F
The Wellington
198 Wellington Street
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Telford Gardens Branch	Shop P9–12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Thursday, 6 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — WAN CHENG METAL PACKAGING 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:

Thursday, 29 June 2017	—	9:00 a.m. to 5:00 p.m.
Friday, 30 June 2017	—	9:00 a.m. to 5:00 p.m.
Monday, 3 July 2017	—	9:00 a.m. to 5:00 p.m.
Tuesday, 4 July 2017	—	9:00 a.m. to 5:00 p.m.
Wednesday, 5 July 2017	—	9:00 a.m. to 5:00 p.m.
Thursday, 6 July 2017	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 6 July 2017, the last application day or such later time as described in "— 9. Effect of bad weather on the opening of the application lists".

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) 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 HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect 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 Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii)(if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the 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 (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the 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 Joint Lead Managers and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Lead Managers 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 out in this prospectus and agree to be bound by them;

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- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (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 giving the **electronic application instructions** to apply for Public Offer Shares;

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- 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 (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates *(Note)*:

Thursday, 29 June 2017	—	9:00 a.m. to 8:30 p.m.	<i>(Note)</i>
Friday, 30 June 2017	—	8:00 a.m. to 8:30 p.m.	<i>(Note)</i>
Monday, 3 July 2017	—	8:00 a.m. to 8:30 p.m.	<i>(Note)</i>
Tuesday, 4 July 2017	—	8:00 a.m. to 8:30 p.m.	<i>(Note)</i>
Wednesday, 5 July 2017	—	8:00 a.m. to 8:30 p.m.	<i>(Note)</i>
Thursday, 6 July 2017	—	8:00 a.m. <i>(Note)</i> to 12:00 noon	

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Thursday, 6 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 6 July 2017, the last application day or such later time as described in “— 9. Effect of bad weather on the opening of the application lists”.

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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 6 July 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

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- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Share Offer — Pricing”.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

HOW TO APPLY FOR PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 6 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 17 July 2017 on our Company’s website at www.wanchengholdings.com.hk and the Stock Exchange’s website 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 dates and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.wanchengholdings.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, 17 July 2017;
- from the designated results of allocations website at www.unioniporeresults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 17 July 2017 to 12:00 midnight on Friday, 21 July 2017;
- by telephone enquiry line by calling (852) 3443 6133 between 9:00 a.m. and 6:00 p.m. from Monday, 17 July 2017 to Thursday, 20 July 2017 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 17 July 2017 to Wednesday, 19 July 2017 at all the receiving bank’s branches listed above.

If our Company accepts your offer to purchase (in whole or in part), which it may do so 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 Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer”.

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.

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11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (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 Joint Lead Managers 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 Division does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 10,000,000 Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.70 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 Share Offer — Conditions of the Share Offer” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 17 July 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

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No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the 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 despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Monday, 17 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, 18 July 2017 provided that the Share Offer has become unconditional and the right of termination described in “Underwriting” 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 Public Offer Shares or more 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 at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 17 July 2017 or such other date as notified by us.

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

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Monday, 17 July 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 17 July 2017, by ordinary post at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 17 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For 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 apply 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 "— 10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 17 July 2017 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 the CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) *If you apply via electronic application instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 17 July 2017, 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 “— 10. Publication of results” above on Monday, 17 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 17 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 17 July 2017. 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 Monday, 17 July 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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29 June 2017

The Directors
Wan Cheng Metal Packaging Company Limited
Lego Corporate Finance Limited

Dear Sirs,

We set out below our report on the financial information regarding Wan Cheng Metal Packaging Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and the statement of financial position of the Company as at 31 December 2016, together with the notes thereto (collectively the “Financial Information”), prepared on the basis of presentation and preparation set forth in Note 2 of Section II below, for inclusion in the prospectus of the Company dated 29 June 2017 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 21 April 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as revised) of the Cayman Islands.

Pursuant to the group reorganisation as detailed in the subsection headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” of the Prospectus (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the manufacturing and sales of tinplate packaging products in the People’s Republic of China (the “PRC”). The Company and its subsidiaries have adopted 31 December as their financial year end date. Particulars of the subsidiaries now

comprising the Group are set out in Note 1 of Section II below. The Company has not carried on any business since the date of its incorporation, saved for the transactions relating to the Reorganisation.

No audited financial statements have been prepared for the Company since its date of incorporation as it is newly incorporated and has not carried on any business, other than the Reorganisation as referred to above. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the basis of presentation and preparation set out in Note 2 of Section II below and the accounting policies set out in Note 4 of Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the Directors based on the Underlying Financial Statements, on the basis of presentation and preparation set out in Note 2 of Section II below, with no adjustment made thereon.

Respective Responsibilities of Directors and Reporting Accountant in respect of the Financial Information

The Directors are responsible for the contents of the Prospectus including the preparation of the Financial Information that gives true and fair view in accordance with the basis of presentation and preparation set out in Note 2 of Section II below and the accounting policies set out in Note 4 of Section II below, the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

For the purpose of the Financial Information, our responsibility is to form an independent opinion on the Financial Information based on our procedures performed on the Financial Information and to report our opinion to you.

Procedures Performed in respect of the Underlying Financial Statements and the Financial Information

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation and preparation set out in Note 2 of Section II below and in accordance with the accounting policies in Note 4 of section II below, gives a true and fair view of the financial position of the Company as at 31 December 2016, and the consolidated financial position of the Group as at 31 December 2014, 2015 and 2016 and of the consolidated financial performance and the consolidated cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December		
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
Revenue	7	100,458	114,566	118,510
Cost of sales		<u>(80,593)</u>	<u>(85,354)</u>	<u>(83,865)</u>
Gross profit		19,865	29,212	34,645
Other income and gains	7	733	386	1,161
Selling expenses		(2,199)	(1,893)	(1,813)
Administrative and other expenses		(6,034)	(15,354)	(18,279)
Finance costs	8	<u>(1,624)</u>	<u>(1,848)</u>	<u>(2,331)</u>
Profit before income tax	9	10,741	10,503	13,383
Income tax expense	11	<u>(2,768)</u>	<u>(4,578)</u>	<u>(6,039)</u>
Profit for the year		7,973	5,925	7,344
Other comprehensive income for the year:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations		<u>(28)</u>	<u>205</u>	<u>1,056</u>
Total comprehensive income for the year attributable to the owners of the Company		<u><u>7,945</u></u>	<u><u>6,130</u></u>	<u><u>8,400</u></u>

Consolidated Statements of Financial Position

		As at 31 December		
		2014	2015	2016
Notes		RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	13,661	13,127	12,068
Payments for leasehold land held for own use under operating lease	15	<u>6,471</u>	<u>6,305</u>	<u>6,139</u>
		<u>20,132</u>	<u>19,432</u>	<u>18,207</u>
Current assets				
Inventories	16	12,219	11,618	17,503
Trade and bills receivables	17	40,952	58,846	46,180
Prepayments, deposits and other receivables	18	565	6,495	8,610
Amount due from a director	22	—	540	—
Amount due from a shareholder	22	4,800	—	—
Pledged bank deposits	19	3,801	2,515	3,193
Cash and cash equivalents		<u>5,882</u>	<u>13,720</u>	<u>50,105</u>
		<u>68,219</u>	<u>93,734</u>	<u>125,591</u>
Total assets		<u>88,351</u>	<u>113,166</u>	<u>143,798</u>
Current liabilities				
Trade and bills payables	20	25,560	30,230	43,902
Accruals and other payables	21	9,216	7,932	10,605
Bank borrowings	23	10,000	34,000	39,000
Amount due to a director	22	7,266	—	—
Income tax payable		<u>2,768</u>	<u>1,333</u>	<u>2,220</u>
		<u>54,810</u>	<u>73,495</u>	<u>95,727</u>
Net current assets		<u>13,409</u>	<u>20,239</u>	<u>29,864</u>
Total assets less current liabilities		<u>33,541</u>	<u>39,671</u>	<u>48,071</u>
Net assets		<u>33,541</u>	<u>39,671</u>	<u>48,071</u>
EQUITY				
Equity attributable to the owners of the Company				
Share capital	24	4,811	4,811	2,505
Reserves	25	<u>28,730</u>	<u>34,860</u>	<u>45,566</u>
Total equity		<u>33,541</u>	<u>39,671</u>	<u>48,071</u>

Statement of Financial Position of the Company

		<u>As at</u> <u>31 December</u> <u>2016</u>
	<i>Notes</i>	<i>RMB'000</i>
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	33	<u>40,594</u>
Net assets		<u><u>40,594</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	24	2,505
Reserve	25	<u>38,089</u>
Total equity		<u><u>40,594</u></u>

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Statutory reserve fund	Capital reserve	Exchange reserve	Other reserve	Retained earnings	Total
	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000
At 1 January 2014	11	—	1,034	—	2,374	—	10,177	13,596
Profit for the year	—	—	—	—	—	—	7,973	7,973
Other comprehensive income:								
Exchange differences on translating foreign operations	—	—	—	—	(28)	—	—	(28)
Total comprehensive income for the year	—	—	—	—	(28)	—	7,973	7,945
Allotment and issue of new shares of a group company	4,800	—	—	—	—	—	—	4,800
Shareholder's contributions (note 25)	—	—	—	7,200	—	—	—	7,200
Transfer to statutory reserve fund	—	—	828	—	—	—	(828)	—
At 31 December 2014 and 1 January 2015	4,811	—	1,862	7,200	2,346	—	17,322	33,541
Profit for the year	—	—	—	—	—	—	5,925	5,925
Other comprehensive income:								
Exchange differences on translating foreign operations	—	—	—	—	205	—	—	205
Total comprehensive income for the year	—	—	—	—	205	—	5,925	6,130
Transfer to statutory reserve fund	—	—	1,341	—	—	—	(1,341)	—
At 31 December 2015	<u>4,811</u>	<u>—</u>	<u>3,203</u>	<u>7,200</u>	<u>2,551</u>	<u>—</u>	<u>21,906</u>	<u>39,671</u>

	Share capital	Share premium	Statutory reserve fund	Capital reserve	Exchange reserve	Other reserve	Retained earnings	Total
	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000
At 31 December 2015 and 1 January 2016	4,811	—	3,203	7,200	2,551	—	21,906	39,671
Profit for the period	—	—	—	—	—	—	7,344	7,344
Other comprehensive income:								
Exchange difference on translating foreign operations	—	—	—	—	1,056	—	—	1,056
Total comprehensive income for the period	—	—	—	—	1,056	—	7,344	8,400
Arising from the Reorganisation (note)	(4,811)	—	—	—	—	4,811	—	—
Issue of shares upon the Reorganisation	2,505	38,089	—	—	—	(40,594)	—	—
Transfer to statutory reserve fund	—	—	623	—	—	—	(623)	—
At 31 December 2016	<u>2,505</u>	<u>38,089</u>	<u>3,826</u>	<u>7,200</u>	<u>3,607</u>	<u>(35,783)</u>	<u>28,627</u>	<u>48,071</u>

Note: The share capital of the Group as at 31 December 2014 and 2015 represented the aggregate amount of the share capital of the subsidiaries and was transferred to other reserve upon the Reorganisation.

Consolidated Statements of Cash Flows

		Year ended 31 December		
		2014	2015	2016
Notes		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
	Profit before income tax	10,741	10,503	13,383
	Adjustments for:			
	Interest income from bank deposits	7 (42)	(46)	(302)
	Interest expenses	8 1,624	1,848	2,331
	Written off of property, plant and equipment	9 —	1	—
	Depreciation of property, plant and equipment	14 1,605	1,503	1,585
	Amortisation of payments for leasehold land held for own use under operating lease	15 166	166	166
Operating profit before working capital changes				
	Decrease/(increase) in inventories	14,094	13,975	17,163
	(Increase)/decrease in trade and bills receivables	27,809	601	(5,885)
	Decrease/(increase) in prepayments, deposits and other receivables	(10,228)	(17,894)	12,666
	(Decrease)/increase in trade and bills payables	5,636	(5,930)	(2,115)
	Increase/(decrease) in accruals and other payables	(8,402)	4,670	13,672
		<u>6,051</u>	<u>(1,284)</u>	<u>2,673</u>
Cash generated from/(used in) operations				
	Income tax paid	34,960	(5,862)	38,174
		<u>(1,500)</u>	<u>(6,013)</u>	<u>(5,152)</u>
Net cash generated from/(used in) operating activities				
		<u>33,460</u>	<u>(11,875)</u>	<u>33,022</u>
Cash flows from investing activities				
	Purchase of property, plant and equipment	(210)	(970)	(526)
	Decrease/(increase) in pledged bank deposits	453	1,286	(678)
	Bank interest received	42	46	302
	Increase in amount due from a director	—	(540)	—
Net cash generated from/(used in) investing activities				
		<u>285</u>	<u>(178)</u>	<u>(902)</u>

	Year ended 31 December		
	2014	2015	2016
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities			
Proceeds from allotment and issue of ordinary shares	—	4,800	—
Interest paid	(1,624)	(1,848)	(2,331)
(Decrease)/increase in amount due to a director	(32,816)	(7,266)	540
Proceeds from new bank borrowings	20,000	48,000	39,000
Repayments of bank borrowings	(15,000)	(24,000)	(34,000)
Net cash (used in)/generated from financing activities	<u>(29,440)</u>	<u>19,686</u>	<u>3,209</u>
Net increase in cash and cash equivalents	4,305	7,633	35,329
Cash and cash equivalents at beginning of year	1,577	5,882	13,720
Effect on exchange rate changes on cash and cash equivalents	<u>—</u>	<u>205</u>	<u>1,056</u>
Cash and cash equivalents at end of year	<u><u>5,882</u></u>	<u><u>13,720</u></u>	<u><u>50,105</u></u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands 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 address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is Suite 1203, 12th Floor, Shanghai Industrial Investment Building, 60 Hennessy Road, Wanchai, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in manufacturing and sales of tinplate packaging products in the PRC (the "Listing business").

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country and date of incorporation/ establishment and form of business structure	Particulars of issued and fully paid up share capital/registered capital	Attributable equity interests		Principal activities	Notes
			Direct	Indirect		
Able Hope Limited	The British Virgin Islands, 1 August 2014, limited liability company	US\$1 and HK\$5,999,994.2	100%	—	Investment holding	(1)
Wangchen Metal Works Company Limited	Hong Kong, 18 June 2003, limited liability company	HK\$10,000	—	100%	Investment holding	(2)
佛山市順德區萬成金屬包裝有限公司 (Foshan City Shunde Wancheng Metal Packaging Company Limited*)	The PRC, 27 June 1997, limited liability company	RMB3,000,000	—	100%	Manufacturing and sales of tinplate packaging products	(3)

Notes:

- (1) No audited statutory financial statements have been prepared for this subsidiary as it is not required to issue audited financial statements under statutory requirements of its place of incorporation.
- (2) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 were audited by Solarmark (HK) C.P.A. Company Limited, Certified Public Accountants.
- (3) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 were audited by 廣東新祥和會計師事務所有限公司 (Guangdong Xinxianghe Certified Public Accountants Co. Ltd.*).

* English translated names are for identification purpose only

2. REORGANISATION, BASIS OF PRESENTATION AND PREPARATION

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried on by companies now comprising the Group (hereinafter collectively referred to as the “Operating Companies”).

Pursuant to the Reorganisation as detailed in “History, Reorganisation and Corporate Structure” to the Prospectus, in preparation for the listing of shares of the Company on the GEM of the Stock Exchange (the “Listing”) and for the purpose of rationalising the Group’s structure, the Company became the holding company of the Operating Companies now comprising the Group on 4 May 2016 by way of transfer of equity interests in Able Hope Limited to the Company in consideration of the Company’s allotment and issue of shares to the companies held by the then shareholders of Able Hope Limited (the “Share Transfer”).

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company through Able Hope Limited. The Share Transfer has no substance and does not form a business combination, and accordingly, the Financial Information of the Company was combined with that of the operating subsidiaries using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Listing Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared using the financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2014, 31 December 2015 and 31 December 2016 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were consolidated using the carrying value from the perspective of the ultimate controlling shareholder. All significant intra-group transactions and balances have been eliminated on consolidated.

The Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below, which conform to HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and applicable disclosure provisions of the GEM Listing Rules throughout the Relevant Periods. All HKFRSs effective for accounting period commencing from 1 January 2016 together with the relevant transitional provisions have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost.

The functional currency of the Company is Hong Kong dollar (“HK\$”). However, the Financial Information is presented in Renminbi (“RMB”) instead of its functional currency as RMB is the principal currency of the economic environment on which the Group operates. All values are rounded to the nearest thousands, except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, in the Financial Information.

HKFRSs (Amendments)	Annual Improvements 2014–2016 Cycle ¹
HKFRS 9	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions ³
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ³
Amendments to HKAS 7	Disclosure Initiatives ²
Amendments to HKAS 12	Recognition of Deferral Tax Assets for Unrealised Losses ²
Amendments to HKFR10 and HKAS28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

None of the above new and revised HKFRSs is expected to have a significant effect on the Financial Information, except as set out below:

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Based on the preliminary assessment made by the directors of the Company, it is expected that the adoption of HKFRS 15 would not have a significant impact on the Group's revenue, as compared with the current accounting policy.

HKFRS 16 — Leases

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC)-Int 4 “Determining whether an Arrangement contain a Lease”, HK(SIC)-Int 15 “Operating Lease — Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor’s accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

Based on the preliminary assessment made by the directors of the Company, it is expected that the adoption of HKFRS 16 as compared with the current accounting policy would not result in a significant impact on the Group’s financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**4.1 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised in profit or loss during the Relevant Periods in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The estimated useful lives are as follows:

Buildings	20 years
Machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Payments for leasehold land held for own use under operating lease

Payments for leasehold land held for own use under operating lease are upfront payments to acquire long-term interests in lease-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.5 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents 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.

4.6 Financial instruments

(i) *Financial assets*

The Group's financial assets mainly comprise loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchases or sales is purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor’s financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

Impairment losses are reversed in subsequent periods when an increase in the asset’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial Liabilities at amortised cost

Financial liabilities at amortised cost include trade and bills payables, accruals and other payables, amount due to a director and bank borrowings. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(vii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

4.9 Impairment of non-financial assets

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;

- interest in leasehold land held for own use under operating lease;
- investments in subsidiary.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately, unless the relevant asset is carried at revalued amount under another HKFRS, in which case impairment loss is treated as revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as revaluation increase under HKFRS.

Value in use is based on the estimate further cash flow expected to be derived from the asset discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risk specific to the asset or cash generating unit.

4.10 Employee benefits

(i) *Defined contribution retirement plan*

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of employees' salaries to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the Relevant Periods. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

4.11 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each of the Relevant Periods. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary item carried at fair value are included in profit or loss for period except for difference arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange difference are also recognised in other comprehensive income.

For the purpose of presenting the consolidated financial statements, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4.12 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.13 Income taxes

Income taxes for the Relevant Periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (a) Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

- (b) Other service income is recognised when the services are rendered.
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

4.15 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 of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (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 the employees of 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 key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

No asymmetrical allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Impairment loss for trade, bills and other receivables

The Group estimates impairment losses of trade, bills and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4.6(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Impairment loss for non-financial assets

The Group assesses at the end of each of the Relevant Periods whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4.9. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

Derecognition of discounted bills receivables

Judgment is required in determining derecognition of bills receivables after discounting. The management has to assess whether the Group has transferred substantial all risks and rewards relating to the derecognised bills receivables and has discharged its obligations under the relevant PRC practices, rules and regulations in consideration of credit quality of the derecognised bills receivables and likelihood of non-settlement of the derecognised bills receivables by the issuing banks on maturity.

6. SEGMENT INFORMATION

During the Relevant Periods, the Group operates in one operating segment which is the manufacturing and sales of tinplate packaging products in the PRC. The Group determines its operating segment based on information reported to executive directors of the Company who are also the chief operating decision-maker that are used to make strategic decisions. Accordingly, the Group does not present separately segment information. In addition, all of the Group's revenue is generated in the PRC and all of the non-current assets are located in the PRC.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's revenue for the Relevant Periods, is set out below:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	<u>46,745</u>	<u>39,976</u>	<u>42,260</u>

7. REVENUE AND OTHER INCOME AND GAINS

The Group's principal activities are manufacturing and sales of tinplate packaging products.

Revenue from the Group's principal activities during the Relevant Periods is as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods	<u>100,458</u>	<u>114,566</u>	<u>118,510</u>
Other income and gains:			
Interest income from bank deposits	42	46	302
Sale of scrap materials	583	82	581
Bad debt recovered	—	—	81
Others	<u>108</u>	<u>258</u>	<u>197</u>
	<u>733</u>	<u>386</u>	<u>1,161</u>

8. FINANCE COSTS

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest charges on financial liabilities carried at amortised cost:			
Interest expense on bank borrowings	734	1,316	1,834
Interest expense on discounted bills receivables	855	487	447
Bank charges	<u>35</u>	<u>45</u>	<u>50</u>
	<u>1,624</u>	<u>1,848</u>	<u>2,331</u>

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Directors' emoluments (<i>Note 10(a)</i>)	474	598	611
Other staff costs:			
— Wages, salaries and other benefits	9,365	10,411	11,260
— Contributions to defined contribution pension plans	1,937	2,180	2,159
Amortisation of payments for leasehold land held for own use			
under operating lease	166	166	166
Depreciation of property, plant and equipment	1,605	1,503	1,585
Auditor's remuneration	47	80	48
Listing expenses	—	7,171	8,823
Cost of inventories recognised as expenses	66,217	74,142	72,291
Written-off of property, plant and equipment	—	1	—

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The remuneration of the Directors for the Relevant Periods is set out below:

	<u>Fees</u>	<u>Salaries and other benefits</u>	<u>Contributions to defined contribution pension plans</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2014				
<i>Executive directors</i>				
Mr. Liang Jianheng	285	—	—	285
Mr. Liang Juncheng	—	189	—	189
Mr. Liang Junqian	—	—	—	—
	<u>285</u>	<u>189</u>	<u>—</u>	<u>474</u>
Year ended 31 December 2015				
<i>Executive directors</i>				
Mr. Liang Jianheng	289	—	—	289
Mr. Liang Juncheng	—	309	—	309
Mr. Liang Junqian	—	—	—	—
	<u>289</u>	<u>309</u>	<u>—</u>	<u>598</u>
Year ended 31 December 2016				
<i>Executive directors</i>				
Mr. Liang Jianheng	307	—	—	307
Mr. Liang Juncheng	—	304	—	304
Mr. Liang Junqian	—	—	—	—
Mr. Chan Kit Lung, Andy	—	—	—	—
	<u>307</u>	<u>304</u>	<u>—</u>	<u>611</u>

Note:

Mr. Wong Sui Chi, Ms. Hua Min and Ms. Xiao Ping were appointed as the Company's independent non-executive directors on 14 February 2017. During the Relevant Periods, the independent non-executive directors had not been appointed and therefore did not receive remuneration in the capacity at the Company's directors.

Mr. Chan Kit Lung, Andy was appointed as the Company's executive director on 6 May 2016. During the Relevant Periods, the executive director did not receive remuneration in the capacity at the Company's director as he commences to receive director's remuneration upon Listing.

(b) Five highest-paid individuals

The five highest-paid individuals of the Group included two directors for the Relevant Periods, whose emoluments are included in Note 10(a) above. The emoluments of in remaining three highest-paid individuals for the Relevant Periods are set out below:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and allowances	187	351	629
Contributions to defined contribution pension plans	<u>27</u>	<u>31</u>	<u>40</u>
	<u>214</u>	<u>382</u>	<u>669</u>

Their remuneration fell within the following bands:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Nil to RMB1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no director or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the Directors or any of the highest-paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX EXPENSE

The income tax expense in the consolidated statements of profit or loss and other comprehensive income during the Relevant Periods represents:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax			
Provision for the year	<u>2,768</u>	<u>4,578</u>	<u>6,039</u>
Income tax expense	<u><u>2,768</u></u>	<u><u>4,578</u></u>	<u><u>6,039</u></u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

No Hong Kong profit tax was provided in the Financial Information as the Group has no estimated assessable profit derived from and earned in Hong Kong during the Relevant Periods.

Provision for the Enterprise Income Tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

The income tax expense for the Relevant Periods can be reconciled to the accounting profit at applicable tax rate as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax expense	<u>10,741</u>	<u>10,503</u>	<u>13,383</u>
Tax on profit before income tax, calculated at 25%	2,685	2,626	3,346
Effect of different tax rates of foreign operations	26	27	81
Tax effect of non-deductible expenses	<u>57</u>	<u>1,925</u>	<u>2,612</u>
Income tax expense	<u><u>2,768</u></u>	<u><u>4,578</u></u>	<u><u>6,039</u></u>

The Group had no material unrecognised deferred tax as at 31 December 2014, 31 December 2015 and 31 December 2016.

12. DIVIDENDS

No dividend has been paid or declared during the Relevant Periods nor has any dividend been declared since the end of the Relevant Periods.

13. 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 presentation of the results for the Relevant Periods as described in Note 2 above.

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Machinery</u>	<u>Furniture, fittings and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014					
Cost	14,909	19,444	651	170	35,174
Accumulated depreciation	<u>(6,709)</u>	<u>(12,698)</u>	<u>(571)</u>	<u>(140)</u>	<u>(20,118)</u>
Net carrying amount	<u>8,200</u>	<u>6,746</u>	<u>80</u>	<u>30</u>	<u>15,056</u>
Year ended 31 December 2014					
Opening net carrying amount	8,200	6,746	80	30	15,056
Additions	—	177	5	28	210
Depreciation	<u>(671)</u>	<u>(919)</u>	<u>(3)</u>	<u>(12)</u>	<u>(1,605)</u>
Closing net carrying amount	<u>7,529</u>	<u>6,004</u>	<u>82</u>	<u>46</u>	<u>13,661</u>
At 31 December 2014 and at 1 January 2015					
Cost	14,909	19,621	656	198	35,384
Accumulated depreciation	<u>(7,380)</u>	<u>(13,617)</u>	<u>(574)</u>	<u>(152)</u>	<u>(21,723)</u>
Net carrying amount	<u>7,529</u>	<u>6,004</u>	<u>82</u>	<u>46</u>	<u>13,661</u>
Year ended 31 December 2015					
Opening net carrying amount	7,529	6,004	82	46	13,661
Additions	—	870	46	54	970
Written-off	—	—	(1)	—	(1)
Depreciation	<u>(671)</u>	<u>(806)</u>	<u>(11)</u>	<u>(15)</u>	<u>(1,503)</u>
Closing net carrying amount	<u>6,858</u>	<u>6,068</u>	<u>116</u>	<u>85</u>	<u>13,127</u>

	<u>Buildings</u>	<u>Machinery</u>	<u>Furniture, fittings and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2015 and at 1 January 2016					
Cost	14,909	20,491	689	252	36,341
Accumulated depreciation	<u>(8,051)</u>	<u>(14,423)</u>	<u>(573)</u>	<u>(167)</u>	<u>(23,214)</u>
Net carrying amount	<u>6,858</u>	<u>6,068</u>	<u>116</u>	<u>85</u>	<u>13,127</u>
Year ended 31 December 2016					
Opening net carrying amount	6,858	6,068	116	85	13,127
Additions	—	497	29	—	526
Depreciation	<u>(671)</u>	<u>(887)</u>	<u>(13)</u>	<u>(14)</u>	<u>(1,585)</u>
Closing net carrying amount	<u>6,187</u>	<u>5,678</u>	<u>132</u>	<u>71</u>	<u>12,068</u>
At 31 December 2016					
Cost	14,909	20,988	718	252	36,867
Accumulated depreciation	<u>(8,722)</u>	<u>(15,310)</u>	<u>(586)</u>	<u>(181)</u>	<u>(24,799)</u>
Net carrying amount	<u>6,187</u>	<u>5,678</u>	<u>132</u>	<u>71</u>	<u>12,068</u>

At 31 December 2014, 31 December 2015 and 31 December 2016, the buildings were pledged as security for the Group's bank borrowings (Note 23) and bills payables (Note 20).

15. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	<i>RMB'000</i>
Cost	
At 1 January 2014	<u>8,296</u>
At 31 December 2014 and at 1 January 2015	<u>8,296</u>
At 31 December 2015 and at 1 January 2016	<u>8,296</u>
At 31 December 2016	<u>8,296</u>
Accumulated amortisation	
At 1 January 2014	(1,659)
Amortisation	<u>(166)</u>
At 31 December 2014 and at 1 January 2015	(1,825)
Amortisation	<u>(166)</u>
At 31 December 2015 and at 1 January 2016	<u>(1,991)</u>
Amortisation	<u>(166)</u>
At 31 December 2016	<u>(2,157)</u>
Net carrying amount	
At 1 January 2014	<u>6,637</u>
At 31 December 2014 and at 1 January 2015	<u>6,471</u>
At 31 December 2015 and at 1 January 2016	<u>6,305</u>
At 31 December 2016	<u>6,139</u>

The Group's interest in leasehold land is located in the PRC. The lease period of interest in leasehold land is 50 years. As at 31 December 2014, 2015 and 31 December 2016, the remaining lease periods of the Group's interests in leasehold land were 37.9, 36.9 and 35.9 years respectively.

At 31 December 2014, 31 December 2015 and 31 December 2016, the leasehold land was pledged as security for the Group's bank borrowings (Note 23) and bills payables (Note 20).

16. INVENTORIES

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	9,312	9,429	15,744
Work-in-progress	1,385	791	582
Finished goods	<u>1,522</u>	<u>1,398</u>	<u>1,177</u>
	<u>12,219</u>	<u>11,618</u>	<u>17,503</u>

17. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	40,401	58,316	45,327
Bills receivables	<u>551</u>	<u>530</u>	<u>853</u>
Trade and bills receivables	<u>40,952</u>	<u>58,846</u>	<u>46,180</u>

The credit terms granted to individual customers varies on a customer by customer basis which is determined by management with reference to the creditability of a respective customer.

During the Relevant Periods, the general credit period ranged from 7 to 90 days and the general settlement period of bills receivables ranged from 30 to 120 days.

(a) Ageing analysis

An ageing analysis of the Group's trade and bills receivables as at the end of each of the Relevant Periods, net of impairment, and based on invoice date, is as follows:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	11,047	12,882	11,732
More than 1 month but not more than 3 months	8,113	19,441	21,172
More than 3 months but not more than 6 months	9,582	14,476	9,044
More than 6 months but not more than 1 year	10,926	5,292	4,148
More than 1 year	<u>1,284</u>	<u>6,755</u>	<u>84</u>
	<u>40,952</u>	<u>58,846</u>	<u>46,180</u>

An ageing analysis of the Group's trade and bills receivables as at the end of each of the Relevant Periods that are not impaired is as follows:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	15,495	21,741	24,054
Not more than 3 months past due	9,627	18,987	13,681
More than 3 months but less than 6 months past due	8,209	8,949	6,078
More than 6 months but less than 12 months past due	6,338	2,757	2,283
Over 1 year due	1,283	6,412	84
	<u>40,952</u>	<u>58,846</u>	<u>46,180</u>

Trade and bills receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balance as there has not been a significant change in credit quality and balance are still considered fully recoverable.

(b) Impairment of trade and bills receivables

At the end of each of the Relevant Periods, the Group reviews receivables for evidence of impairment on both individual and collective basis. Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly. At 31 December 2014, 31 December 2015 and 31 December 2016, none of trade receivables had been determined by the Group as individually impaired.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	557	6,437	6,856
Deposits	3	3	3
Other receivables	5	55	1,751
	<u>565</u>	<u>6,495</u>	<u>8,610</u>

The balances of other receivables are unsecured, interest-free and with no fixed repayment terms. The Group's other receivables were neither past due nor impaired as at 31 December 2014, 31 December 2015 and 31 December 2016.

19. PLEDGED BANK DEPOSITS

At 31 December 2014, 31 December 2015 and 31 December 2016, pledged bank deposits were denominated in RMB and pledged as collateral for the issuance of bills payables (Note 20). The pledged bank deposits carry interest at 0.35% per annum during the Relevant Periods.

20. TRADE AND BILLS PAYABLES

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	12,889	21,848	33,258
Bills payables	<u>12,671</u>	<u>8,382</u>	<u>10,644</u>
	<u>25,560</u>	<u>30,230</u>	<u>43,902</u>

An ageing analysis of the Group's trade and bills payables as at the end of each of the Relevant Periods, based on invoice date, is as follows:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	5,336	4,510	10,631
More than 1 month but not more than 3 months	9,465	12,438	24,200
More than 3 months but not more than 6 months	7,580	8,844	4,901
More than 6 months but not more than 1 year	1,486	3,005	1,733
Over 1 year	<u>1,693</u>	<u>1,433</u>	<u>2,437</u>
	<u>25,560</u>	<u>30,230</u>	<u>43,902</u>

The bills payables are secured by:

- (a) Pledge of buildings (Note 14) held by the Group with net carrying amount of RMB7,529,000, RMB6,858,000 and RMB6,187,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively;
- (b) Pledge of payments for leasehold land held for own use under operating lease (Note 15) by the Group with net carrying amount of RMB6,471,000, RMB6,305,000 and RMB6,139,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively; and
- (c) Pledged bank deposits (Note 19) of RMB3,801,000, RMB2,515,000 and RMB3,193,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

The unutilised banking facilities in respect of bank acceptance bills as at 31 December 2014, 31 December 2015 and 31 December 2016 is amounted to RMB13,329,000, RMB17,618,000 and RMB8,206,000 respectively.

21. ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	2,116	2,304	2,129
Other tax payables	5,685	624	385
Accruals	<u>1,415</u>	<u>5,004</u>	<u>8,091</u>
	<u>9,216</u>	<u>7,932</u>	<u>10,605</u>

22. AMOUNT DUE FROM/(TO) A DIRECTOR/A SHAREHOLDER

During the Relevant Periods, amount due from/(to) a director and amount due from a shareholder are unsecured, interest-free, repayable on demand and non-trade in nature.

Particulars of amount due from/(to) a director/a shareholder are as follows:

	As at 31 December			Maximum balance outstanding during the year/period ended		
	2014	2015	2016	31 December 2014	31 December 2015	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from a shareholder						
Mr. Law Sai Hung	<u>4,800</u>	<u>—</u>	<u>—</u>	<u>4,800</u>	<u>4,800</u>	<u>—</u>
Amount due (to)/from a director						
Mr. Liang Jianheng	<u>(7,266)</u>	<u>540</u>	<u>—</u>	<u>—</u>	<u>540</u>	<u>25,496</u>

23. BANK BORROWINGS

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current:			
Secured interest-bearing bank borrowings:			
Repayable on demand or within one year	<u>10,000</u>	<u>34,000</u>	<u>39,000</u>

Bank borrowings bear interest at floating interest rates. The effective interest rates of bank borrowings are 7.01%, 5.91% and 4.79% per annum for the years ended 31 December 2014, 2015 and 2016 respectively.

The bank borrowings and other banking facilities are secured by:

- (a) Pledge of buildings (Note 14) held by the Group with net carrying amount of RMB7,529,000, RMB6,858,000 and RMB6,187,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively; and
- (b) Pledge of payments for leasehold land held for own use under operating lease (Note 15) by the Group with net carrying amount of RMB6,471,000, RMB6,305,000 and RMB6,139,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

The unutilised banking facilities in respect of bank borrowings as at 31 December 2014, 31 December 2015 and 31 December 2016 amounted to RMB25,000,000, RMB1,000,000 and RMB1,000,000 respectively.

24. SHARE CAPITAL — GROUP AND COMPANY

	<u>Number</u>	<u>Amount</u>
		<i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
Upon incorporation (<i>note (a)</i>)	10,000,000,000	83,490
At 31 December 2016	<u>10,000,000,000</u>	<u>83,490</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
Upon incorporation (<i>note (a)</i>)	1	—
Issue of shares upon the Reorganisation (<i>note (b)</i>)	299,999,999	2,505
At 31 December 2016	<u>300,000,000</u>	<u>2,505</u>

Notes:

- (a) The Company was incorporated in the Cayman Islands on 21 April 2016 with an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each of which one ordinary share was allotted and issued at par value.
- (b) On 4 May 2016, the then shareholders of Able Hope Limited transferred their equity interests in Able Hope Limited to the Company in consideration of the Company's allotment and issue of 299,999,999 shares to the companies held by the then shareholders of Able Hope Limited.
- (c) For the purpose of this report, the share capital of the Group as at 31 December 2014 and 31 December 2015 represented the aggregate amount of paid up capital of companies now comprising the Group in which the equity shareholders of the Company held direct interest after elimination of investment in subsidiaries. On 4 May 2016, the Reorganisation was completed, therefore, the share capital presented as at 31 December 2016 represented the paid up capital of the Company.

25. RESERVE — GROUP

Details of the movements of the Group's reserves are as set out in the consolidated statements of changes in equity in Section I.

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and purpose
Share premium	Under the Companies Law (as revised) of the Cayman Islands, dividends may be paid out of the share premium account of the Company provided its articles of association permits it and the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.
Statutory reserve fund	Pursuant to the relevant PRC regulations and the Article of Association of the PRC subsidiary within the Group, the PRC subsidiary is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a statutory reserve fund until the fund aggregates to 50% of its registered capital of the PRC subsidiary. The transfer to this reserve shall be made before distribution of dividends to shareholders. The statutory reserve fund shall only be used to make good previous years' losses, to expand its production operations, or to increase its capital.
Capital reserve	The amount paid by the shareholders for capital injection. During the year ended 31 December 2014, a director of the Company, Liang Jianheng irrevocably waived the amount due to him by the Group of approximately RMB7,200,000 and the amount due to a director of approximately RMB7,200,000 was classified as capital reserve of the Group.
Other reserve	The other reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the Reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new share from the Company.
Exchange reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Retained earnings	Cumulative net gains and losses recognised in profit or loss.

Reserve — Company

	<u>Share premium</u>
	<i>RMB'000</i>
Upon incorporation	—
Issue of shares upon the Reorganisation	<u>38,089</u>
At 31 December 2016	<u><u>38,089</u></u>

26. CAPITAL COMMITMENTS

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commitments for machineries:			
Contracted for but not provided	183	200	90

27. RELATED PARTY TRANSACTIONS

(a) Related party transaction

Save as disclosed elsewhere in the Financial Information, the Group had the following material transaction with a related party during the Relevant Periods:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
佛山市高明區德銳重工實業有限公司 (Foshan City Gaoming Derui Industrial Company Limited*)			
Sale of scrap materials	2,051	—	—

Ms. Liang Yingjun, being one of the shareholders of 佛山市高明區德銳重工實業有限公司 (Foshan City Gaoming Derui Industrial Company Limited*), is a spouse of a controlling shareholder of the Company, Mr. Liang Jianxun.

The transaction was conducted in the ordinary course of the business of the Group.

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in Note 10(a), is as follows:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors' fees	285	289	307
Salaries, allowances and benefits in kind	433	765	1,002
Contributions to defined contribution pension plans	42	44	48
	760	1,098	1,357

* English translated names are for identification purpose only

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Loans and receivables:			
Trade and bills receivables	40,952	58,846	46,180
Deposits and other receivables	8	58	1,754
Amount due from a director	—	540	—
Amount due from a shareholder	4,800	—	—
Pledged bank deposits	3,801	2,515	3,193
Cash and cash equivalents	5,882	13,720	50,105
	<u>55,443</u>	<u>75,679</u>	<u>101,232</u>
Financial liabilities			
Measured at amortised cost:			
Trade and bills payables	25,560	30,230	43,902
Accruals and other payables	9,216	7,932	10,605
Amount due to a director	7,266	—	—
Bank borrowings	10,000	34,000	39,000
	<u>52,042</u>	<u>72,162</u>	<u>93,507</u>

29. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, foreign currency risk and interest rate risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade receivables and other receivables, individual credit evaluations are performed on customers. These evaluations focus on their past history of making payments when due and current ability to pay, and take into account information specific to them as well as pertaining to the economic environment in which the customers operate. Trade receivables are normally due within 90 days. Normally, the Group does not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2014, 31 December 2015 and 31 December 2016, the 5 customers with the highest trade and bill receivables were approximately RMB12,354,000, RMB19,534,000 and RMB15,549,000 and represented 30%, 33% and 34% of total trade and bills receivables respectively. In addition, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics for trade receivables and other receivables. The Group has concentration of credit risk with bills receivables from trade issued by bank. The credit risk on the bills receivables is limited because the counterparties are mainly banks with high credit-rating or with good reputation. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business. The following table details the remaining contractual maturities at the end of each of the Relevant Periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the current rates at the reporting date) and the earliest date the Group may be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2014			
Trade and bills payables	25,560	25,560	25,560
Accruals and other payables	9,216	9,216	9,216
Amount due to a director	7,266	7,266	7,266
Bank borrowings	<u>10,000</u>	<u>10,587</u>	<u>10,587</u>
	<u>52,042</u>	<u>52,629</u>	<u>52,629</u>
At 31 December 2015			
Trade and bills payables	30,230	30,230	30,230
Accruals and other payables	7,932	7,932	7,932
Bank borrowings	<u>34,000</u>	<u>35,466</u>	<u>35,466</u>
	<u>72,162</u>	<u>73,628</u>	<u>73,628</u>
At 31 December 2016			
Trade and bills payables	43,902	43,902	43,902
Accruals and other payables	10,605	10,605	10,605
Bank borrowings	<u>39,000</u>	<u>40,337</u>	<u>40,337</u>
	<u>93,507</u>	<u>94,844</u>	<u>94,844</u>

(c) Foreign currency risk

As the Group's revenue and expenses are mainly in RMB and most of the Group's assets and liabilities are denominated in RMB, which is the functional currency of the Group's operating subsidiary, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(d) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank deposits, pledged bank deposits and interest-bearing bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements.

The following table details the interest rate profile of the Group's financial instruments at the end of each of the Relevant Periods:

	As at 31 December					
	2014		2015		2016	
	<i>Effective interest rate per annum</i>	<i>RMB'000</i>	<i>Effective interest rate per annum</i>	<i>RMB'000</i>	<i>Effective interest rate per annum</i>	<i>RMB'000</i>
Fixed-rate bank deposits	—	—	—	—	1.43%	4,013
Floating-rate pledged bank deposits	0.35%	3,801	0.35%	2,515	0.35%	3,193
Floating-rate bank deposits	0.35%	<u>5,882</u>	0.15%	<u>13,720</u>	0.35%	<u>46,077</u>
		<u>9,683</u>		<u>16,235</u>		<u>53,283</u>
Floating-rate bank borrowings	6.16%	<u>10,000</u>	4.79%	<u>34,000</u>	4.79%	<u>39,000</u>

Sensitivity analysis

At the respective end of reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for each of the Relevant Periods by approximately RMB2,000, RMB126,000 and would increase/decrease RMB107,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the Relevant Periods and had been applied to the exposure to interest rate risk for the bank deposits, pledged bank deposits and interest-bearing bank borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

The interest rate risk policies have been followed by the Group consistently throughout the Relevant Periods.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are approximate to fair values.

31. TRANSFERRED FINANCIAL ASSETS

The Group discounted certain bills receivables accepted by banks in the PRC (the "Derecognised Bills") to a bank with a carrying amounts of RMB20,428,000, RMB14,787,000 and RMB17,471,000 as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. The Derecognised Bills had maturity dates of less than six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantial all risks and rewards relating to the Derecognised Bills and has discharged its obligations under the relevant PRC practices, rules and regulations, the Group has limited exposure in respect of the settlement obligation of the Derecognised Bills under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The Group considered the Derecognised Bills are of good credit quality and the non-settlement of the Derecognised Bills by the issuing banks on maturity is remote. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognised any gain or loss on the transfer of the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the each of the Relevant Periods or cumulatively. The discounting of bills receivables have been made evenly throughout the Relevant Periods.

32. CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the Directors. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets. During the Relevant Periods, the Group defined "Capital" as including all components of equity. The Capital of the Group is RMB33,541,000 as at 31 December 2014, RMB39,671,000 as at 31 December 2015 and RMB48,071,000 as at 31 December 2016.

33. INVESTMENT IN A SUBSIDIARY

	As at 31 December 2016
	<u>RMB'000</u>
Unlisted shares, at cost (<i>note</i>)	<u>40,594</u>

Note: The balance represents investment in Able Hope Limited.

34. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2016 and up to the date of this report, the following significant events have taken place:

Share option scheme

On 23 June 2017, a written resolution of the shareholder of the Company was passed to approve a share option scheme was conditionally adopted and the principal terms of the Share Option Scheme as set out in Appendix V in this Prospectus.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully,

BDO Limited

Certified Public Accountants,

Chan Wing Fai

Practising Certificate Number P05443

Hong Kong

The information set out in this appendix does not form part of the accountant's report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

For illustrative purpose, only the unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the Share Offer might have affected the net tangible assets of the Group attributable to owners of the Company after the completion of the Share Offer.

A. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of consolidated net tangible assets prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the issue of new Shares pursuant to the Share Offer on the net tangible assets attributable to owners of the Company as if the Share Offer had taken place on 31 December 2016. This unaudited pro forma statement of adjusted consolidated 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 consolidated net tangible assets attributable to owners of the Company had the Share Offer been completed as of 31 December 2016 or at any future dates.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 31 December 2016	Estimated net proceeds from the issue of New Shares pursuant to the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>RMB'000</i> <i>(note 1)</i>	<i>RMB'000</i> <i>(note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(note 3)</i>	<i>HK\$</i> <i>(note 4)</i>
Based on the Offer Price of HK\$0.50 per Share	<u>48,071</u>	<u>32,860</u>	<u>80,931</u>	<u>0.20</u>	<u>0.22</u>
Based on the Offer Price of HK\$0.70 per Share	<u>48,071</u>	<u>50,242</u>	<u>98,313</u>	<u>0.25</u>	<u>0.28</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 is extracted from the audited consolidated net assets of approximately RMB48,071,000 as at 31 December 2016, as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

- (2) The estimated net proceeds from the issue of new Shares pursuant to the Share Offer are based on 100,000,000 Offer Shares to be issued at the Offer Price of HK\$0.50 and HK\$0.70 per Share, being the lower end to higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme. The estimated net proceeds from the Share Offer are converted from Hong Kong dollars to Renminbi at an exchange rate of HK\$1.00 to RMB0.896.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Share Offer as set out in the “Share Capital” section to this prospectus, but takes no account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.896. No presentation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group enter into subsequent to 31 December 2016.
- (6) The property and land interests of the Group as at 31 March 2017 were valued by International Valuation Limited. Details of the valuation in respect of these property and land interests were set out in Appendix III to this prospectus.

The revaluation surplus of the property and land interests under buildings and payments for leasehold land held for own use under operating lease of approximately RMB60,674,000 will not be included in the Group’s financial statements as of 31 December 2016. The Group’s accounting policy is to state such buildings and payments for leasehold land held for own use at cost less accumulated depreciation and any impairment loss rather than at fair value.

Had all the property and land interests been stated at such valuations, the additional annual depreciation and amortisation would be approximately RMB3,688,000 and RMB971,000 respectively.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the independent reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong.



25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Wan Cheng Metal Packaging Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wan Cheng Metal Packaging Company Limited (the "Company") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Company as at 31 December 2016 and related notes as set out in Section A of Appendix II of the Company's prospectus dated 29 June 2017 (the "Prospectus") in connection with the proposed initial public offering of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Proposed Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Share Offer on the Company's consolidated financial position as at 31 December 2016 as if the Proposed Share Offer had taken place at 31 December 2016. As part of this process, information about the Company's consolidated financial position has been extracted by the directors of the Company from the Company's financial information for the year ended 31 December 2016, on which an accountant's report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Share Offer at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the

unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

29 June 2017

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this prospectus received from International Valuation Limited, an independent valuer, in connection with its valuation as at 31 March 2017 of the property interests of the Group.



International Valuation Limited
國際評估有限公司

Room 1203A, 12/F
Kai Tak Commercial Building
317–319 Des Voeux Road Central
Hong Kong
Tel: (852) 2348 1777
Email: team@ivl.hk

Date: 29 June 2017

The Board of Directors
Wan Cheng Metal Packaging Company Limited
Suite 1203, 12th Floor
Shanghai Industrial Investment Building
60 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value various properties in which Wan Cheng Metal Packaging Company Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 March 2017 (referred to as the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

In valuing the property interests, we have adopted depreciated replacement cost approach by a combination of the open market value of land portions and depreciated replacement cost of the buildings and structures standing on the land. Hence, the sum of the two results represents the value of the properties as a whole. In the valuation of the land portions, reference has been made to the comparables asking and/or sales transactions as available in the subject localities as well as the relevant benchmark land prices.

As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnished the most reliable indication of value for the property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also

assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our report for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, Jia Yuan Law Offices (嘉源律師事務所), concerning the validity of the Group's title to the property interests located in the PRC.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

The site inspection of the property was carried out on 7 November 2016 by Mr. Ian Ng, who is a registered professional surveyor.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We do not make any allowance for contamination or pollution of the land, if any, which may have been caused by past usage.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuation certificate is herewith attached.

Yours faithfully,
For and on behalf of
International Valuation Limited
Ian Ng
MHKIS RPS(GP)
General Manager — Real Estate

Mr. Ian Ng is a Registered Professional Surveyor with over 10 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors.

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

<u>Property</u>	<u>Description and Tenure</u>	<u>Particular of Occupancy</u>	<u>Market Value in Existing State as at 31 March 2017</u>																										
Land and buildings located at No.3 Huada Road (Land Lot No. 087117-001), Bianjiao Juweihui, Ronggui Jiedao Banshichu, Shunde District, Foshan City, Guangdong Province, the PRC (位於中華人民共和國廣東省佛山市順德區容桂街道辦事處扁滯居委會華達路3號(地號: 087117-001)之土地和房屋)	The property comprises a parcel of land with an area of approximately 35,936.20 sq.m. erected upon various buildings completed in 2004. The property is located in Ronggui of Shunde district in Foshan City. The general locality is characterized by residential and industrial developments. The total gross floor area of the buildings is approximately 19,368.20 sq.m. and the buildings comprise a 4-storey composite building, nine 1- to 2-storey industrial buildings and covered corridor with the breakdowns as follows:	The property is currently occupied by the Group for industrial purpose.	RMB73,000,000 (Renminbi Seventy Three Million) 100% Interest Attributable to the Group: RMB73,000,000																										
	<table border="1"> <thead> <tr> <th><u>Block No.</u></th> <th><u>Gross Floor Area</u> Approx. (sq.m.)</th> </tr> </thead> <tbody> <tr><td>1</td><td>22.5670</td></tr> <tr><td>2</td><td>1,338.3036</td></tr> <tr><td>3</td><td>3,219.2588</td></tr> <tr><td>4</td><td>3,011.2411</td></tr> <tr><td>5</td><td>2,754.4684</td></tr> <tr><td>6</td><td>2,066.2966</td></tr> <tr><td>7</td><td>3,242.8252</td></tr> <tr><td>8</td><td>22.1205</td></tr> <tr><td>9</td><td>1,911.3687</td></tr> <tr><td>10</td><td>1,750.9828</td></tr> <tr><td>Covered corridor</td><td><u>28.7708</u></td></tr> <tr><td>Total:</td><td><u><u>19,368.2035</u></u></td></tr> </tbody> </table>	<u>Block No.</u>	<u>Gross Floor Area</u> Approx. (sq.m.)	1	22.5670	2	1,338.3036	3	3,219.2588	4	3,011.2411	5	2,754.4684	6	2,066.2966	7	3,242.8252	8	22.1205	9	1,911.3687	10	1,750.9828	Covered corridor	<u>28.7708</u>	Total:	<u><u>19,368.2035</u></u>		
<u>Block No.</u>	<u>Gross Floor Area</u> Approx. (sq.m.)																												
1	22.5670																												
2	1,338.3036																												
3	3,219.2588																												
4	3,011.2411																												
5	2,754.4684																												
6	2,066.2966																												
7	3,242.8252																												
8	22.1205																												
9	1,911.3687																												
10	1,750.9828																												
Covered corridor	<u>28.7708</u>																												
Total:	<u><u>19,368.2035</u></u>																												
	Rounded:	19,368.20																											
	The land use rights of the property were granted for a term expiring on 4 November 2052 for industrial use.																												

Notes:

- (1) Pursuant to a Certificate of Real Estate Ownership — Yu Fang Di Zheng Zi Di No. C3987587 (粵房地證字第 C3987587號) issued by the People's Government of Guangdong Province dated 1 September 2005, the land use rights of the property with a site area of approximately 35,936.20 sq.m. and the building ownership rights of the property with a total gross floor area of approximately 19,368.20 sq.m. were granted to Foshan City Shunde Wancheng Metal Packaging Company Limited (佛山市順德區萬成金屬包裝有限公司) for a term expiring on 4 November 2052 for industrial use.
- (2) Foshan City Shunde Wancheng Metal Packaging Company Limited is a wholly-owned subsidiary of the Company.
- (3) As advised by the Company, there is no plan for construction, renovation, improvement or development of the property.
- (4) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:
 - (i) Foshan City Shunde Wancheng Metal Packaging Company Limited legally owns the land use rights and the building ownership rights of the property;
 - (ii) The land premium has been paid in full; and
 - (iii) The property is subject to a mortgage in favour of Guangdong Shunde Rural Commercial Bank Company Limited Ronggui Branch (廣東順德農村商業銀行股份有限公司容桂支行) and the transfer, lease, mortgage and otherwise dispose of the property shall be subject to the prior consent from the mortgagee.

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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 14 February 2017. A summary of certain provisions of the Articles is set out below.

(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 Cayman 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares 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. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation,

by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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 an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor

shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may 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 requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the 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 as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, 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, nevertheless, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time 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 also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall 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*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or

done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, 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 Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any

executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, 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*

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of 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 or other benefits received by him as a director, officer or member of 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 in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) 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/have 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 proposal concerning an offer of shares, 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 proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or

share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) 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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities. Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which 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.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly

authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be 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, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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, and continues to be present until the conclusion of the meeting.

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 shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his

intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) 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.

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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' 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 monies 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) 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 among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among 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 among the members as such are 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 on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 21 April 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so 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 are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable

circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 11 May 2016.

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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right 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 of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation and registration of our Company under Part 16 of the Companies Ordinance**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 April 2016. Our Company has established a principal place of business in Hong Kong at Suite 1203, 12th Floor, Shanghai Industrial Investment Building, 60 Hennessy Road, Wanchai, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 31 May 2016. Mr. Chan Kit Lung Andy of G/F Aegean Villa House 1, 5 Silver Cape Road, Silverstrand, Clear Water Bay, Kowloon, Hong Kong and Mr. Wong Chi Wai of Flat 604, Lei Yi House, Lei On Court, Lam Tin, Kowloon, Hong Kong have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of various provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital

Our Company was incorporated on 21 April 2016. As at the date of incorporation, the authorised share capital of our Company was HK\$100,000,000 divided into 10,000,000,000 Shares with a nominal value of HK\$0.01 each. On the same day, one subscriber's Share was transferred to Fortune Time.

Assuming that the Share Offer becomes unconditional and the issue of Shares pursuant thereto is made but taking no account of any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme, the issued share capital of our Company immediately following completion of the Share Offer will be HK\$4,000,000 divided into 400,000,000 Shares, fully paid or credited as fully paid, with 9,600,000,000 Shares remaining unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme below, our Company does not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in “— A. Further information about our Company — 4. Written resolutions of our Shareholders passed on 23 June 2017”, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders passed on 14 February 2017

On 14 February 2017, written resolutions of our Shareholders were passed, pursuant to which, among other things, our Company approved and adopted the Memorandum and Articles of Association in substitution for and to the exclusion of the then existing memorandum and articles of association of our Company with effect from the Listing Date.

4. Written resolutions of our Shareholders passed on 23 June 2017

On 23 June 2017, written resolutions of our Shareholders were passed, pursuant to which, among other things:

- (a) conditional on (i) the Listing Division granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Share Offer was approved and that our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer on and subject to the terms and conditions stated in this prospectus;
 - (ii) the rules of the Share Option Scheme (the principal terms of which are set out in “— D. Share Option Scheme”) were approved and adopted and our Directors or any such committee thereof be and were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
- (b) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of any options which may be granted under the Share Option Scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or any issue of Shares upon exercise of rights of subscription or conversion attaching to

any securities of our Company (if any) which are convertible into Shares or the Share Offer or a specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to our Directors;
- (c) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate number not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to our Directors; and
- (d) the general mandate granted to our Directors as mentioned in paragraph (b) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (c) above provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following the completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme).

5. Reorganisation

The members of our Group underwent the Reorganisation to rationalise the business and the structure of our Group in anticipation of the Share Offer. See “History, Reorganisation and Corporate Structure — Reorganisation” for details on the steps involved in the Reorganisation.

6. Changes in share capital of subsidiaries of our Company

The subsidiaries of our Company are referred to in the Accountant’s Report. Save as disclosed in “History, Reorganisation and Corporate Structure — Reorganisation”, there has been no other change to the share capital of the subsidiaries of our Company within two years preceding the date of this prospectus.

7. Repurchase by our Company of its own securities

This section includes information relating to the repurchase of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Relevant Legal and Regulatory Requirements*

The GEM Listing Rules permit Shareholders to grant our Directors a general mandate to repurchase its securities that are listed on the Stock Exchange.

(b) *Shareholder’s Approval*

All proposed repurchases of its securities (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Shareholders on 23 June 2017, our Directors were granted a general unconditional mandate to repurchase (the “**Repurchase Mandate**”) up to 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme) on GEM or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held, or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing the authority given to our Directors.

(c) *Source of Funds*

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands and any other laws and regulations applicable to our Company. Our Company may not repurchase its own securities on the Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchase by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profit of our Company or from sums standing to the credit of the share premium account of our Company or subject to the provisions of the Companies Law, out of capital.

(d) *Trading Restrictions*

Our Company may repurchase up to 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

(e) *Status of repurchased shares*

All repurchased shares (whether on GEM or otherwise) will be automatically cancelled and the certificates for those shares must be cancelled and destroyed.

Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capitals shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(f) *Suspension of Repurchase*

Share repurchases are prohibited after inside information has come to the knowledge of a company until such time as the inside information has been made publicly available. In addition, the Stock Exchange reserves the right to prohibit repurchases of shares on GEM if a company has breached the GEM Listing Rules.

(g) *Reporting Requirements*

Repurchases of shares on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a company's annual report and accounts are required to disclose details regarding repurchases of shares made during the financial year under review, including the number of shares repurchased each month (whether on GEM or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid for such purchases.

(h) *Core connected persons*

A listed company is prohibited from knowingly repurchasing shares on GEM from a "core connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his shares to our Company on GEM.

(i) *Reasons for Repurchases*

Repurchase will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share.

(j) *General*

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 GEM Listing Rules, the Memorandum, the Articles of Association and any other applicable laws of the Cayman Islands.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing positions which in the opinion of our Directors are from time to time appropriate for our Company.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company.

No core connected person of our Company has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus which are or may be material:

- (a) the Deed of Reorganisation;
- (b) the Deed of Non-competition;
- (c) the Deed of Indemnity; and
- (d) the Public Offer Underwriting Agreement.

2. Our intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

<u>Trademark</u>	<u>Place of registration</u>	<u>Trademark number</u>	<u>Registrant</u>	<u>Class</u>	<u>Expiry date</u>
	PRC	6849224	Wancheng Shunde	7	13 July 2020
	PRC	6849225	Wancheng Shunde	6	13 January 2021
	PRC	1394235	Wancheng Shunde	6	6 May 2020
	PRC	3149156	Wancheng Shunde	7	6 October 2023

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which is material to our business:

<u>Domain name</u>	<u>Registrant</u>	<u>Date of Registration</u>	<u>Expiry date</u>
wanchengholdings.com.hk	Wancheng Hong Kong	23 April 2016	23 April 2018

C. DISCLOSURE OF INTERESTS

1. Directors

(a) *Interest and/or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares or debenture of our Company and associated corporations*

Immediately following completion of the Share Offer without taking into account of any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), the interests and/or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO),

which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, are as follows:

(i) Long position in the Shares

<u>Name of Director</u>	<u>Long/short position</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Mr. JH Liang	Long position	Interest in a controlled corporation	277,500,000	69.375%

(ii) Long position in the ordinary shares of associated corporations

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature of Interest</u>	<u>Number of share(s) held</u>	<u>Percentage of interest</u>
Mr. JH Liang	Fortune Time	Beneficial owner	1	50%

(b) *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual remuneration of the executive Directors is as follows (subject to annual review at the discretion of the Board):

<u>Name</u>	<u>Annual remuneration</u>
Mr. JC Liang	HK\$96,000
Mr. JH Liang	HK\$96,000
Mr. JQ Liang	HK\$96,000
Mr. Chan Kit Lung Andy	HK\$96,000

Each of the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of the independent non-executive Directors are appointed with an initial term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. The annual remuneration payable to the independent non-executive Directors under each of the letters of appointment is as follows:

<u>Name</u>	<u>Annual remuneration</u>
Mr. Wong Sui Chi	HK\$96,000
Ms. Hua Min	HK\$96,000
Ms. Xiao Ping	HK\$96,000

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Remuneration of Directors*

Our Company's policies concerning remuneration of executive Directors are: (1) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director; and (2) our executive Directors may be granted, at the discretion of the Board, share options of our Company, as part of the remuneration package.

- (i) The aggregate remuneration (including salaries, allowances and benefits in kind) paid by our Group to our Directors in respect of each of the three years ended 31 December 2016 was approximately RMB474,000, RMB598,000 and RMB611,000, respectively.
- (ii) None of our Company's Directors or any past directors of any member of our Group has been paid any sum of money for each of the two years ended 31 December 2016 as (i) 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.
- (iii) Under the arrangement currently in force, conditional upon the Listing, the estimated aggregate remuneration (excluding discretionary bonus, if any) payable by our Group to our Directors for the financial year ending 31 December 2017 is expected to be approximately RMB933,000.

2. Substantial Shareholders

So far as we are aware, each of the following persons, other than a Director or chief executive of our Company who will, immediately following completion of the Share Offer (without taking into account of any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares of our Company which will 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, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Shareholder</u>	<u>Long/short position</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Fortune Time (<i>Note 1</i>)	Long position	Beneficial owner	277,500,000	69.375%
Mr. JX Liang (<i>Note 1</i>)	Long position	Interest in a controlled corporation	277,500,000	69.375%
Ms. Sharina Liang (<i>Note 2</i>)	Long position	Interest of spouse	277,500,000	69.375%
Ms. Liang Yingjun (<i>Note 3</i>)	Long position	Interest of spouse	277,500,000	69.375%
Century Great (<i>Note 4</i>)	Long position	Beneficial owner	22,500,000	5.625%
Mr. Law (<i>Note 4</i>)	Long position	Interest in a controlled corporation	22,500,000	5.625%

Notes:

- Fortune Time is owned as to 50% by each of Mr. JH Liang and Mr. JX Liang. Each of Mr. JH Liang and Mr. JX Liang is deemed to be interested in the Shares held by Fortune Time pursuant to the SFO. Mr. JH Liang, Mr. JX Liang and Fortune Time are regarded as a group of Controlling Shareholders acting in concert to exercise their voting rights in our Company and they together will be interested in a total of 69.375% of the issued share capital of our Company upon completion of the Share Offer.
- Ms. Sharina Liang is the spouse of Mr. JH Liang. Therefore, Ms. Sharina Liang is deemed to be interested in the Shares in which Mr. JH Liang is interested for the purpose of the SFO.
- Ms. Liang Yingjun is the spouse of Mr. JX Liang. Therefore, Ms. Liang Yingjun is deemed to be interested in the Shares in which Mr. JX Liang is interested for the purpose of the SFO.
- Century Great is wholly-owned by Mr. Law. Mr. Law is deemed to be interested in the Shares held by Century Great pursuant to the SFO.

Save as disclosed in this prospectus and so far as our Directors are aware, immediately following completion of the Share Offer, there will not be any other persons (not being a Director or chief executive of our Company) who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and any other member of our Group.

3. Agency fees or commissions received

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group.

4. Related party transactions

Save as disclosed in this prospectus and in the Accountant's Report, during the two years immediately preceding the date of this prospectus, our Company had not engaged in any other material transactions or related party transactions.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of the Shareholders passed on 23 June 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below), to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Group attained through their efforts and contributions.

(b) Conditions

The Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution by Shareholders to approve and adopt the Share Option Scheme, and to authorise the Directors to grant the rights to subscribe for Shares pursuant to the Share Option Scheme (the "**Share Option(s)**") to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any Share Options granted under the Share Option Scheme;
- (ii) the Listing Division granting approval (whether subject to conditions or not) of the Share Option Scheme and the Share Options which may be granted thereunder, and the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of the Share Options;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such conditions) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iv) the commencement of dealings in the Shares on GEM.

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite (collectively, the “**Participants**”):

- (i) any full-time employee and director (including executive director, non-executive director and independent non-executive director) of our Group; and any part time employee with weekly working hours of 10 hours and above of our Group (the “**Employee**”);
- (ii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate (as defined below) of our Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;
- (iv) any provider of goods and/or services to our Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed to our Group (each of (iii), (iv) and (v) is referred as the “**Business Associate**”) to take up the Share Options.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(d) Acceptance of offer

Offer of a Share Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Share Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

(e) Subscription price

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which a Share Option is granted; (ii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date on which a Share Option is granted; and (iii) the nominal value of a Share.

(f) Maximum number of Shares available for subscription

- (i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the Shares in issue as at the date of completion of the Share Offer, unless our Company obtains an approval from our Shareholders pursuant to (ii) below.
- (ii) Subject to (iv) below, our Company may seek approval of our Shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.
- (iii) Subject to (iv) below, our Company may seek separate approval from our Shareholders in general meeting for granting Share Options beyond the 10% limit provided the Share Options granted in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to our Shareholders containing the information required under the GEM Listing Rules.
- (iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Share Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time. No Share Option may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Share Options

Unless otherwise determined by the Board, there are neither any performance targets that need to be achieved by the grantee before a Share Option can be exercised nor any minimum period for which a Share Option must be held before the Share Option can be exercised. Subject to the provisions of the Share Option Scheme and the GEM Listing Rules, the Board may when making the offer of Share Options impose any conditions, restrictions or limitations in relation to the Share Option as it may at its absolute discretion think fit.

(h) Maximum entitlement of Shares of each Participant

- (i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Share Options granted to each Participant (including exercised, cancelled and outstanding Share Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue from time to time.
- (ii) Notwithstanding (i) above, any further grant of Share Options to a Participant in excess of the 1% limit shall be subject to approval by our Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if the Participant is a connected person) abstaining from voting. The number and the terms of the Share Options to be granted to such Participant shall be fixed before our Shareholders' approval and the date of grant for the purpose of calculating the subscription price.

(i) Grant of Share Options to connected persons

- (i) Any grant of Share Options to a Participant who is a director, chief executive or substantial Shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors of our Company (excluding independent non-executive Director who is the Participant).
- (ii) Where the Board proposes to grant any Share Option to a Participant who is a substantial Shareholder or an independent non-executive Director or any of their respective associates and such Share Option which if exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Share Options granted and to be granted (including Share Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of such grant and if the date of such grant is not a trading day, the trading day immediately preceding the date of such grant, in excess of HK\$5 million,

such proposed grant of Share Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned, his or her associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any

connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

(j) Exercise of Share Options

A Share Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which a Share Option was granted, at any time during the option period after the Share Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) Transferability of the Share Options

A Share Option shall be 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 (legal and beneficial) in favour of any third party over or in relation to any Share Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

In the case where the grantee is an Employee or a Business Associate (in each case, being an individual) and the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Share Option up to his or her entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of nine months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company in our Group whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company in our Group, as the case may be, failing which it will lapse.

(m) On the death of a grantee

In the case where the grantee is an Employee or a Business Associate (in each case, being an individual) dies before exercising the Share Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Share Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

A Share Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant due to (i) in the case where the Participant is an Employee, by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, or on any other grounds on which our Group would be entitled to summarily terminate his or her office or employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group; and (ii) in the case where the Participant is a Business Associate that is under any contract with our Group, such contract is terminated by reason of breach of contract on the part of the Business Associate, or the Business Associate appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or ceases or threaten to cease to carry on its business, or is wound up, or has an administrator or liquidator being appointed for the whole or any part of its undertaking or assets, or has been convicted of any criminal offence involving integrity or honesty.

(o) Voluntary winding-up of our Company

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees. Each grantee (or his or her legal personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than four business days prior to the proposed Shareholders' meeting) exercise the Share Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise. Subject to the above, a Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general offer by way of take-over is made to all the Shareholders (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) with the terms of the offer having been approved by our Shareholders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or where appropriate, his or her legal personal representative(s)) shall be entitled to exercise the Share Options in full (to the extent not already exercised) even though the option period has not come into effect during the

occurrence of the general offer within 21 days after the date of such notice by the offeror. Subject to the above, a Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(q) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee who has Share Options unexercised on the same date as we despatch the notice which is sent to each Shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the court, provided that the relevant Share Options are not subject to a term or condition precedent to them exercisable which has not been fulfilled, exercise any of his or her Share Options whether in full or in part, but the exercise of an Share Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Share Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) Rank *pari passu*

The Shares to be allotted and issued upon the exercise of a Share Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment.

(s) Alteration in capital structure

In the event of any alteration in the capital structure of our Company whilst any Share Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, other than any alteration in the capital structure of our Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to our Company or any employee, consultant or adviser to our Group or in the event of any distribution of our Company's legal assets to our

Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to our Shareholders for each financial year of our Company, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Share Option so far as unexercised; or
- (ii) the subscription price,

or any combination thereof, as the auditors or the independent financial adviser of our Company shall certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, and to have in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the GEM Listing Rules or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

(t) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Share Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Share Options which are granted during the life of the Share Option Scheme and not then exercised may continue to be exercisable in accordance with their terms of issue.

(u) Cancellation of Share Options granted

The Board may at any time at its absolute discretion cancel any Share Options previously granted to, but not yet exercised by the grantee. Where our Company cancels Share Options and offers Share Options to the same grantee, the offer of such new Share Options may only be made with available Share Options to the extent not yet granted (excluding the cancelled Share Options) within the limit approved by our Shareholders as mentioned in paragraph (f) above. A Share Option shall lapse automatically and not be exercisable (to the extent not yet exercised) on the date on which the Share Option is cancelled by the Board as provided above.

(v) Termination of the Share Option Scheme

Our Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Share Options will be offered but in all other respects the provisions of the Share Option Scheme in relation to any outstanding Share Option shall remain in full force and effect.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to the class of persons eligible for the grant of Share Options, the option period and all such other matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of the Participants without the prior approval of our Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Share Options granted must be approved by the Stock Exchange and our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Share Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(x) Restrictions on the time of grant of Share Options

No offer shall be made after inside information has come to the knowledge of our Company until such inside information has been published pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish announcement for its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, no Share Option may be granted.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 400,000,000 Shares are in issue on the date of commencement of dealings in the Shares on the Stock Exchange, the application to the Listing Division for the listing of, and permission to deal in the Shares on the Stock Exchange includes the 40,000,000 Shares which may be issued upon the exercise of the Share Options which may be granted under the Share Option Scheme.

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnities**

Each of Mr. JH Liang, Mr. JX Liang and Fortune Time (together, the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in favour of our Company for itself, where the context permits, and as trustee for and on behalf of each of its subsidiaries to provide joint and several indemnities in connection with, among other things,

- (a) the amount of any and all taxation falling on any member of our Group (i) resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which dealings in the Shares first commence on the Stock Exchange (the “**Effective Date**”); (ii) resulting from or by reference to any transaction, act, omission or event entered into or occurring (or deemed to be entered into or occurring) on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company including any and all taxation resulting from the receipt by any member of our Group of any amount paid by the Indemnifiers under the Deed of Indemnity; (iii) in respect of or in consequence of any act or omission of any member of our Group regarding the inter-companies transactions on or before the Effective Date; or (iv) by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Effective Date; and
- (b) any duty which is or hereafter becomes payable by our Group or any member of our Group by virtue of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) under the provisions of section 43 of the Estate Duty Ordinance (or the similar or equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of the assets of our Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to our Group or any member of our Group at any time prior to 11 February 2006 (i.e. being the date on which the Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect).

However, the Indemnifiers shall not be liable under the Deed of Indemnity for taxation:

- (a) to the extent that provision or allowance has been made for such taxation in the audited consolidated accounts of our Group for the three years ended 31 December 2016 (the “**Relevant Accounts**”);

- (b) to the extent that such taxation or liability for such taxation falling on any member of our Group in respect of their accounting periods or any accounting period commencing on or after 31 December 2016 and ending on the Effective Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, our Group or 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:
- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date;
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date or pursuant to any statement of intention made in this prospectus; or
 - (iii) consisting of any member of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation;
- (c) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong or in any part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (d) to the extent of any provisions or reserve made for taxation in the Relevant Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifier's 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 item (d) to reduce the Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (e) to any incomes, profits or gains earned, accrued or received by any member of our Group or any event occurred after the Effective Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken and covenanted with each member of our Group that he/it shall, jointly and severally, hold our Group and each member of our Group harmless and keep our Group and each member of our Group fully indemnified on demand against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from any violation or non-compliance with the laws, rules or regulations applicable to our Group prior to the Effective Date.

2. Litigation

As at the Latest Practicable Date, neither we nor any other member of our Group is engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on our behalf to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme). The Sponsor has confirmed to the Stock Exchange that it is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules. The Sponsor's fees are HK\$4.7 million and are payable by our Company.

4. Preliminary expenses

Our estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$200,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
Lego Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Jia Yuan Law Offices	Legal advisers as to PRC law

<u>Name</u>	<u>Qualification</u>
BDO Limited	Certified Public Accountants
Moore Stephens Advisory Services Limited	Internal control consultant
Appleby	Legal advisers as to Cayman Islands law
China Insights Consultancy Limited	Independent industry consultant
International Valuation Limited	Independent property valuer

7. Consents of experts

Each of the experts referred to in paragraph 6 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or legal opinion (as the case may be) and the references to their name in the form and context in which it respectively appears.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Share registrars

The principal register of members will be maintained by Estera Trust (Cayman) Limited in the Cayman Islands and a branch register of members will be maintained by Union Registrars Limited in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged for registration with the principal share registrar in the Cayman Islands.

10. Disclaimers

- (a) none of our Directors nor any of the parties whose names are listed in “— E. Other information — 6. Qualification of experts” is interested in the promotion of our Company, 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;

- (b) none of our Directors nor any of the parties whose names are listed in “— E. Other information — 6. Qualification of experts” 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;
- (c) none of the experts named in “— E. Other information — 6. Qualification of experts” has any shareholding in any member in our Group or the right (whether legal enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member in our Group; and
- (d) none of our Directors or their respective close associates is interested in any business apart from our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business.

11. Miscellaneous

- (a) Save as disclosed in this prospectus,
 - (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (ii) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) No founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (c) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the last 12 months.
- (d) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) a copy of each of the **WHITE** and **YELLOW** Application Forms; (b) the written consents referred to in “E. Other information — 7. Consents of experts” in Appendix V to this prospectus; and (c) copies of the material contracts referred to in “B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Tung & Co. at Office 1601, 16/F, LHT Tower, 31 Queen’s Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant’s Report from BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information prepared by BDO Limited, 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 three years ended 31 December 2016;
- (e) the property valuation report prepared by International Valuation Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the material contracts referred to in “B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (g) the service contracts with the executive Directors and the letters of appointment with independent non-executive Directors, referred to in “C. Disclosure of interests — 1. Directors — (b) Particulars of service contracts” in Appendix V to this prospectus;
- (h) the rules of the Share Option Scheme referred to in “D. Share Option Scheme” in Appendix V to this prospectus;
- (i) the written consents referred to in “E. Other information — 7. Consents of experts” in Appendix V to this prospectus;
- (j) the legal opinions prepared by Jia Yuan Law Offices in respect of certain aspects of our Group and the property interests of our Group in the PRC;

- (k) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- (l) the Companies Law;
- (m) the internal control review report prepared by Moore Stephens Advisory Services Limited for the review of our Company's internal control system over the accounts receivable management and value added tax management; and
- (n) the industry report prepared by China Insights Consultancy Limited referred to in "Industry Overview".

Wan Cheng Metal Packaging Company Limited
萬成金屬包裝有限公司